



**BIS OXFORD
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THE ECONOMIC IMPACT OF TAX OFFSETS ON THE LIVE MUSIC INDUSTRY

REPORT FOR APRA AMCOS

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SEPTEMBER 2022

**APRA
AMCOS**



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SEPTEMBER 2022

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EXECUTIVE SUMMARY

70% decline

in venue based live music in 2020-21 compared to pre-pandemic levels

1 in 7 venues

believe they'll never host as many gigs as they did pre-pandemic



PURPOSE OF THE REPORT

Prior to the COVID-19 pandemic the venue-based live music industry was a significant part of the economy, and an important part of Australian's social and cultural lives. Close to half of all Australians accessed live music in 2019¹. In 2018/19 around 5,000 venues hosted over 10,000 unique musicians and bands who performed over 400,000 'gigs' to audiences around Australia. In total these gigs helped generate over \$2.4 billion in direct revenue for venues in 2018/19 (based on spending on tickets, cover charges & food and beverages during live music nights) and supported 23,700 jobs.

The live music ecosystem was decimated over 2019/20 (FY20) & 2020/21 (FY21) with the impact of COVID-19 as public health orders resulted in the cancellations of thousands of gigs. Venues sat empty for months on end. A survey of live music venues conducted by APRA AMCOS and BIS Oxford Economics in November 2021 ("the venue survey") suggests the number of venue-based live music gigs was some 70% less in 2020/21 (FY21) compared to 2018/19 (FY19) levels. APRA AMCOS licencing data revealed that at its lowest point, venue-based live music activity was 4% of pre-COVID activity. The pandemic has taken a heavy toll on the creative and cultural industries, with UNESCO recently declaring these industries are facing "an unprecedented crisis"².

The pandemic exacerbated structural challenges facing venues and artists. The income song writers and artists receive from live performance is increasingly important in the digital streaming age, where streaming royalties often represent a significantly smaller proportion of even successful musicians' overall income streams. Musicians have become heavily reliant upon live performances to 'monetise' their fanbase. The closure of venues prevented this exchange from occurring, drying up artists' key source of income. Many established artists have quit the industry, with others less likely to enter.

Australia's network of venues is essential cultural infrastructure that facilitates live music. They provide the 'training grounds' on which artists develop their talents and build a fanbase. The gigs they host are a precursor to exports. Without our stages many of Australia's most successful artists would never have mastered their craft and gone on to export their music to the rest of the world. Less musicians playing on fewer stages threatens the Australian music industry's vision of becoming a net exporter of music. Prior to the pandemic government

¹ The Australia Council, 'Creating Our Future'. (2020)

² 'Reshaping Policies for Creativity: Addressing Culture as a Global Public Good; Executive Summary - UNESCO Digital Library'.(2021)

support for contemporary music had been geared towards non-for-profit cultural institutions.

The Federal and State Government response to the economic fallout of COVID-19 has been substantial, assisting many private venues for the first time. Yet the grants distributed as a part of the Government response only reached a subset of venues and artists. Grants were typically distributed to large organisations, festivals, and events. Most venue-based businesses, such as local pubs, missed out on live music related support. Without more targeted policy interventions, the venue-based live music industry is not expected to recover over the long-run; one in seven venues surveyed believe they will never host as many live music performances as they did in 2018/19. Taking into account the other long term challenges the industry was facing even prior to the pandemic this represents a substantial additional blow to Australia’s musical ecosystem.

LIVE MUSIC TAX OFFSET FOR VENUES– DEVELOPMENT AND TESTING OF OPTIONS

BIS Oxford Economics has been engaged by APRA AMCOS to assess how tax offsets levied at venues staging live music might support an economic rebound from the pandemic and foster a healthy live performance ecosystem over the long run. This report explores how tax offsets, calculated as a share of live music expenses, might incentivise:

1. Venues (that previously hosted live music) to increase the number of live performances hosted; and
2. Venues (who have not previously hosted live music) to host live music.

This report also estimates the economic impact of the changes in venues’ hosting decisions in response to several tax offset scenarios levied on live music expenses:

	Value of tax offset
Existing live music venues	5% of expenses
	10% of expenses
	20% of expenses
Non live music venues	\$12,000
	\$24,000
	\$48,000

Responses to a survey, distributed to over 19,000 hospitality venues, derived from the APRA AMCOS music licensing database, provides the basis of assessing how venues hosting decisions would change according to the above incentives. The report also discusses some options for potential support for artists beyond the pandemic using measures such as tax offsets.

2 in 3 venues

Agreed a tax offset would encourage them to host more live music performances

RESULTS SHOW TAX OFFSETS WOULD ACT AS A STRONG INCENTIVE TO HOST MORE MUSIC

- 64% venues that *didn't* host live music in 2018/19 agreed a tax offset of at least 12K would be an incentive to begin hosting live music. These venues would host an average of 16 gigs/year. This translates to 150,000 additional gigs/year.
- 60% venues that previously hosted live music agreed a tax offset of at least 5% would encourage them to host more live music. These venues would host an average 18 more gigs/year. This translates to 52,000 extra gigs/year.

Fig. 1. Additional gigs supported by tax offset initiatives

Scenario	Base	Venues not hosting live music			Venues hosting live music		
		12K	24K	48K	5%	10%	20%
Gigs/year	424,800	575,300	612,500	655,400	477,500	488,900	516,700
<i>Increment</i>	-	+150,500	+187,700	+230,600	+52,700	+64,100	+91,900
Attendance/year (millions)	70.5	87.2	90.3	94.9	85.1	86.5	90.6
<i>Increment</i>	-	+16.7	+19.8	+24.4	+14.6	+16.0	+20.0

Source: BIS Oxford Economics

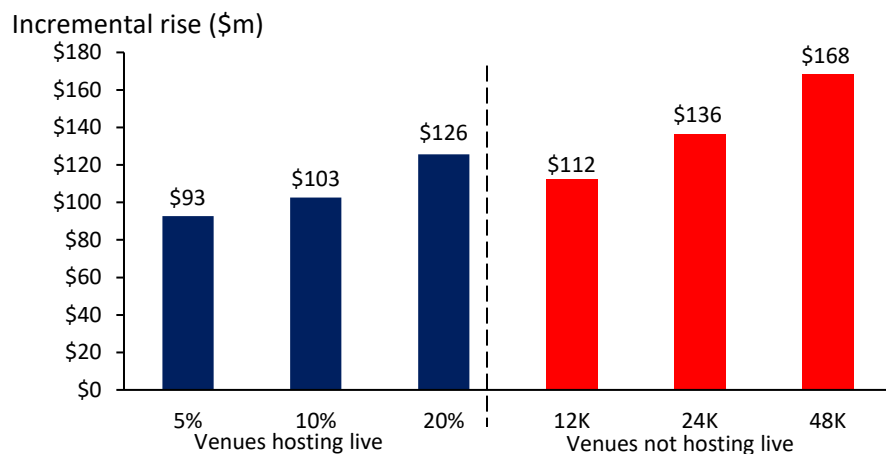
**\$205m boost
to artist incomes**



A combined venue offset could lift artist's venue-based performance incomes by 40%.

More gigs directly translate into more musicians hired and paid to play. In total, artist incomes are expected to lift by between \$93 to \$168 million depending on the scenario modelled. If tax offsets were applied to both live and non-live venues (assuming a 5% offset for existing venues and \$12,000 offset for non-live ones) the lift in income would be an estimated \$205 million above existing artist venue-based incomes of \$500 million.

Fig. 1. Tax offsets effect on artist incomes (incremental rise)



Source: BIS Oxford Economics, n =143

48% more patrons

attend and spend at a venue when they host a gig



More live music will lift venue revenues. Survey responses demonstrated that close to 50 per cent more people attend and spend at venues on a live music night (183) relative to a non-live music night (124). The increase in gigs per year lifts the total number of patrons attending and spending at venues. This lifts total venue revenues.

- Total revenues of non-live music venues are estimated to rise by \$247m in the 12K tax offset scenario, this equates to approximately additional \$30,000/year per venue.
- Total revenues of live music venues are estimated to rise by \$235m in the 5% offset scenario, this equates too approximately \$80,000/year per venue.

Fig. 2. Direct venue revenues: Base case and *incremental* impacts (\$m)

Item	Base case (\$m)	Tax offset scenario (\$m <i>incremental</i> change to base)					
		Non-live venues			Live Venues		
Scenario		\$12K	\$24K	\$48K	5%	10%	20%
Revenue	\$2,442	+\$247	+\$300	+\$375	+\$235	+\$253	+\$322

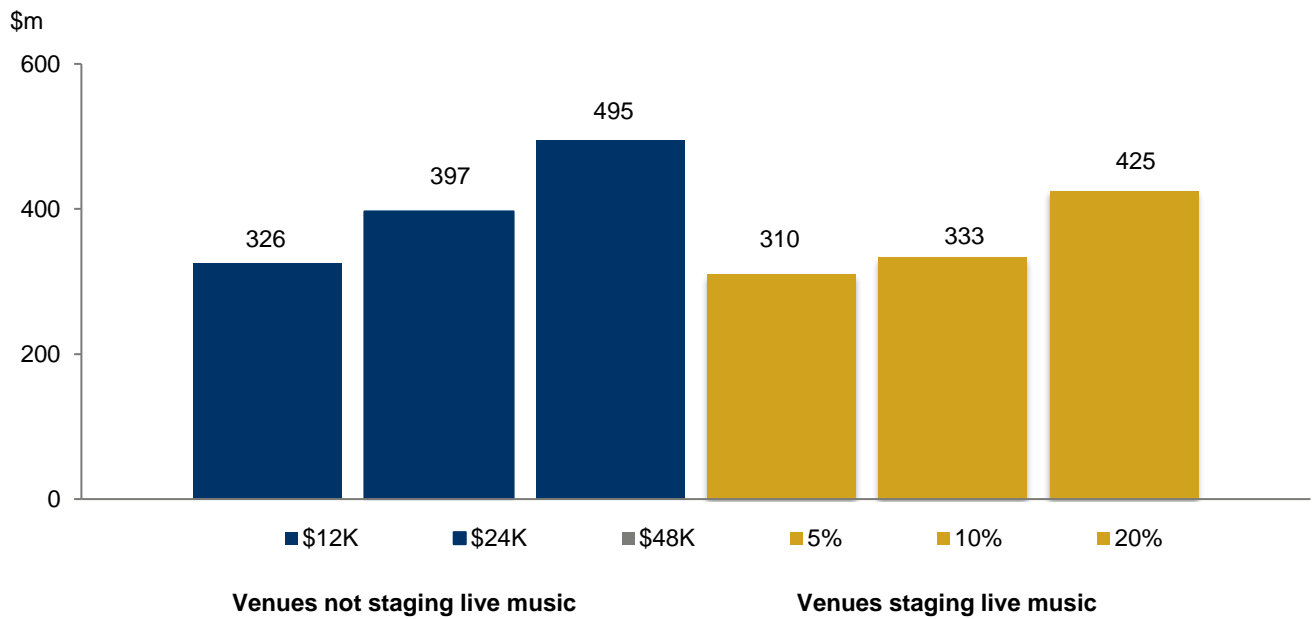
Source: BIS Oxford Economics analysis

The venue offset would boost the sector’s total contribution to Gross Value Added (GVA) and employment.

As indicated above, venue offsets could produce some 52,700 to 230,600 additional gigs per year depending on the option chosen. Further, based on the survey results (and allowing for flow-on effects across the economy) we find that application of the tax offsets would:

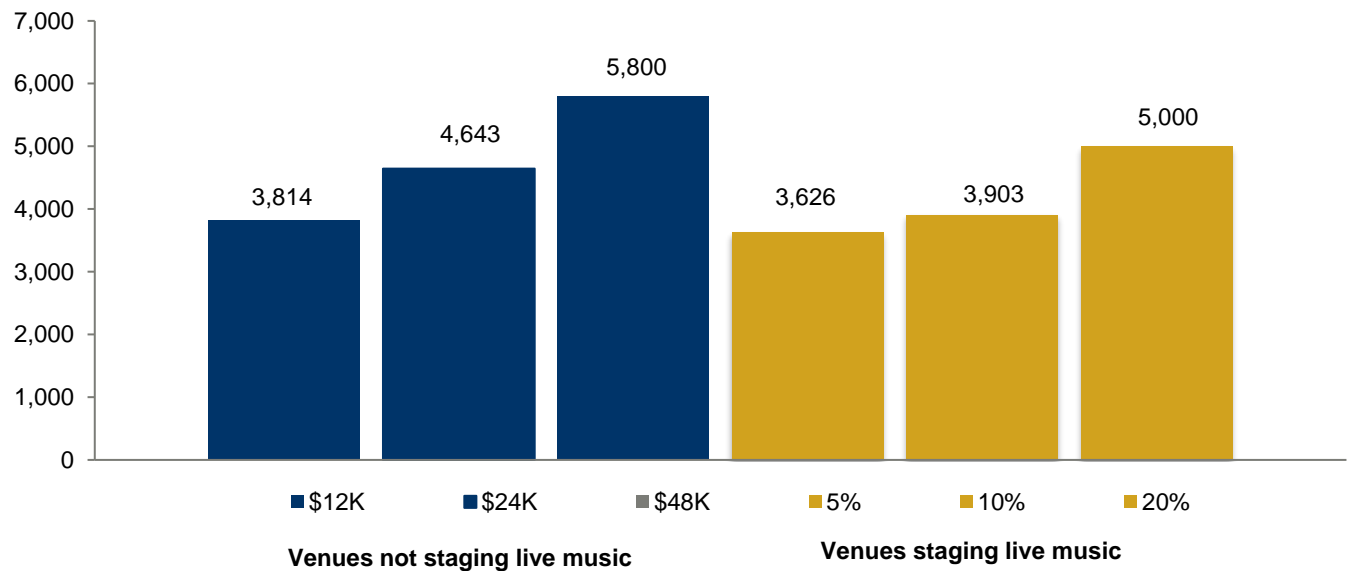
- boost annual industry GVA (similar to GDP) by between \$310 million (i.e. an increase of approximately 10%) and \$495 million (an increase of 15%); and
- contribute to employment by between 3,600 (an increase of 10%) and 5,800 jobs (an increase of 15%), depending on the scenario modelled. These figures include both direct effects on venues themselves and indirect employment benefits, which flow into associated industries such as retail trade, manufacturing and professional services. For example, depending on the scenario modelled, the injection provided by the offsets would contribute up to a 16% increase in retail jobs (compared to the business-as-usual base) and up to a 15% increase above base employment in the manufacturing and professional, scientific and technical services sectors.

Fig. 3. Scenario results: GVA incremental to base case



Source: BIS Oxford Economics

Fig. 4. Scenario results: Employment incremental to base case



Source: BIS Oxford Economics

IDENTIFYING THE OPTIMAL POLICY SCENARIO

Identifying the optimal policy specifications for any offset scheme requires consideration of the direct costs to the Government, in forgone taxation and rebates, and assessing how these costs compare to the benefits to Government, in the form of the additional tax revenue from additional economic activity. Estimates of the direct costs of Government from the proposed offsets range from \$110m to \$440m for venues not currently hosting, and \$60m to \$230m for venues currently hosting, depending on the scenario³. Estimates of the benefits to the Government, in terms of additional tax revenue, ranging from \$90m to \$140m for venues not currently hosting, and \$90m and \$120m for venues currently hosting⁴.

While there was a healthy response to the lower bound scenarios, we find decreasing returns (or an inelastic response) to rises in the level of offsets in terms of additional economic activity, i.e., a doubling of the tax offset level (from 12K to 24K, or from 5% to 10%) lifts GVA by less than half. It is possible to speculate on the reasons for this result. Firstly, venues not currently hosting but willing to do so under the offset have low capacity in terms of patrons. Many of these venues are restaurants, which have lower patron capacity than pubs and clubs. These venues responded strongly to the first and lowest offset scenario, meaning they had limited scope for further increases in additional live music and patronage. In terms of venues hosting before the pandemic, many venues were likely near capacity after the first and lowest offset in terms of the number of nights they were hosting live music (e.g. they would host music on Thursday, Friday, and/or Saturday), meaning they have limited scope for further increases in live music.

Due to the decreasing returns to rises in the level of offsets, we find the optimal policy specifications are likely to be the lower bound of the policy scenarios studied; the 12K offset for venues not currently hosting and 5% for venues currently hosting. However, the context of this report is also relevant. If the aim is to re-establish a healthy live music ecosystem in the wake of the pandemic, then achieving a revenue positive result (or positive benefit-cost ratio) in the short-term may not be the only (or the primary) objective. Apart from establishing a vibrant cultural in Australia's cities and rural centres and enhancing quality of life, supporting live music may also provide other long-term benefits such as enhancing Australian musical exports and soft power. The proposed initiatives should be viewed with this holistic framework in mind.

³ These figures are obtained by multiplying the value of the tax offset received per venue by the number of venues that indicated they would respond to and therefore apply for the offset. We do not take into account administration, implementation or deadweight costs.

⁴ These figures were calculated by applying a tax multiple of 0.29 (the ratio of total taxation revenue to total GVA pre-pandemic) to the GVA uplifts shown in Figure 3)

AN OFFSET SCHEME TO ENCOURAGE TOURING WOULD SUPPORT ARTIST DEVELOPMENT BEYOND THE PANDEMIC.

The success of the industry ultimately rests on the creative outputs and skills of Australia's musicians. Without them there simply would be no live music industry. Musicians were already in a precarious situation pre-pandemic. Beyond creating new content, the cost associated with touring was prohibitive for many aspiring artists. With less investment by record labels, it has become expensive and exhausting for artists to achieve and maintain any level of visibility locally, let alone globally. In this context, the dearth of live music over FY20 & FY21, and associated collapse in incomes, made musicianship unsustainable for many Australian musicians, with flow on effect for support crew, agents, managers and producers. Evidence suggests many have left the industry, putting our domestic industry and export market at risk. This has material short term effects. In the longer term, a decline in our cultural exports undermines Australia's cultural influence ("soft power").

Discussions with stakeholders indicated that a potential program to address these issues could provide a refundable offset calculated as a share of artists travel expenses. The offset could be limited to releasing artists who play a minimum of 20 shows per year (at least 4 of which are in the regions) and who spend a minimum of \$20,000 a year on travel costs. Such a program would have the following benefits:

- Support visibility both locally and globally
- Promote both a cultural and economic recovery
- Encourage artist to re-enter the industry & tour
- Stimulate regional economies
- Lift artist's incomes
- Support music exports

Support for venues and artists is about more than dollars and cents. Music enriches our communities and supports our wellbeing. It can foster a sense of belonging and identity. Live music offers a way to re-build social connections lost during the pandemic and develop new ones into the future. Our stages facilitate cultural expression and celebrations of diversity – and our musical exports allow other countries to share in it. Given these links the revival of live music is not just an economic imperative, but a social and cultural one too. Supporting the ecosystem of vibrant venues and emerging artists flourish will add to the fabric and richness of Australian life.

1. INTRODUCTION

1.1 BACKGROUND

1.1.1 Australia's music eco-system

Australian contemporary music ecosystem is a complex network of people and organisations (see Box 1.1). Contemporary music describes music that is currently being written, recorded, and performed by Australians. The contemporary music industry is genre agnostic and encompasses the creation, recording and performance of all current musical forms, from art music through to jazz, hip hop, rock, pop and culturally and linguistically diverse (CaLD).

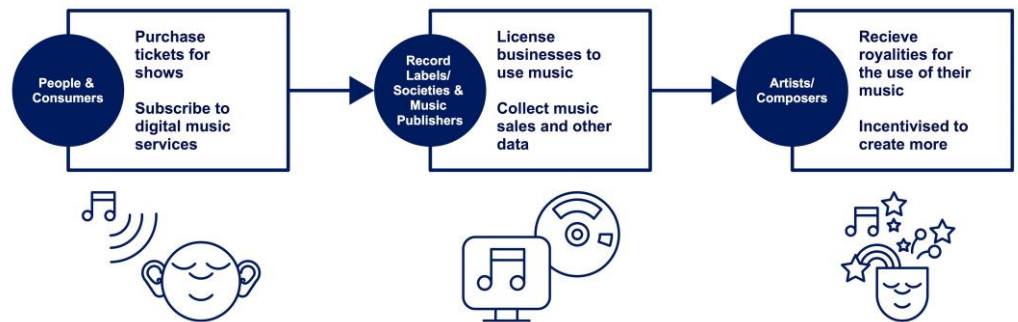
The key players in Australia's contemporary music eco-system include the musicians, songwriters, and producers who create music, music publishers and record labels, audio and video streaming platforms, community and commercial television and radio broadcasters, background music services, and the thousands of venues, festivals and events where music is performed live. While there are a small number of large multinational music companies, the live music industry is characterised by many small and micro businesses. Figure 5 provides a simplified view of the contemporary music eco-system, with the direction of the arrows representing the flow of funds.

Over 5,000

unique venues hosted live music in 2018-19



Fig. 5. A simple diagram of the eco-system



BOX 1.1 THE KEY STAKEHOLDER GROUPS

Audience: Most Australians consume music in some form, directly or indirectly. There are a multitude of ways that listeners can get their fix. Listeners can attend a venue to see a live show, purchase a record, listen to the radio, or stream music through online platforms.

Music Creators: Music creators are those who write and/or record and/or perform music and can range from hobbyist to professional. The number of music creators varies depending on its definition. In 2016 there were an estimated 15,400 'professional' musicians and 1,700 composers in Australia⁵. Performers, songwriters and composers can generate revenue through live performance or through the sale of their recorded music.

Venues: in FY19 there were around 5,200 hospitality venues licensed to present live music. These venues range from large, ticketed venues dedicated to live performances, to small pubs and clubs where live music is a secondary offering. Venues generate revenues through ticket/cover charges, as well as increased food and beverage sales from attracting patrons to the venue. Performances often involve a promoter who organises performances and pay venues and artists through ticketed revenues.

Sound recording owners: Some artists produce and own their sound recordings independently, but others enter 'record deals' with labels to produce, market and sell their music in exchange for royalties. In Australia, and elsewhere in the world, the recorded music market is dominated by a few major labels⁶. The independent sector (defined as all music recording businesses other than the major labels) is made up of hundreds of businesses.

Publishers: Music publishers are responsible for developing the career of songwriters and composers and ensuring they receive payment for the commercial use and exploitation of their works.

APRA AMCOS, PCCA and OneMusic Australia: In Australia APRA AMCOS (Australasian Performing Right Association and Australasian Mechanical Copyright Owners' Society) provide licences to play, perform, copy, and record or make available members music. There are over 110,000 members based in Australia and overseas. They negotiate licence agreements with parties who use copyrighted music publicly (e.g. venues, radio and television broadcasters, shopping centres) and collect and allocate royalties to members. OneMusic Australia is a joint initiative between APRA, which represents songwriters, composers, music publishers, and Phonographic Performance Company of Australia Ltd (PCCA) which represents record labels and Australian recording artists.

⁵ Australia Council, 'Making Art Work: An Economic Study of Professional Artists in Australia'. (2017)

⁶ Deloitte Access Economics, 'AIR Share Report'. (2017)

1.1.2 The size of the live music industry

Prior to the COVID-19 pandemic the contemporary music industry generated billions of dollars in revenue each year. Estimates of the size and employment of the pre-pandemic contemporary music industry vary depending on the methodology used and what types of activity is included (e.g., some studies taking into account festivals and events, while others include only venue based live music, as in this study – see figure 6)

Fig. 6. The economic size of the live music industry pre pandemic⁷

What was included in the estimates	Direct Revenue	Source
Australia's venue based live music, including ancillary patron spending	\$1.7bn	Ernst & Young (2020)
Australia's total live music industry, (including festivals, concerts & stadium shows) ancillary patron spending and travel	\$5.0bn	University of Tasmania (2015)
<i>Victoria's</i> venue based live music industry, including merchandise & ancillary patron spending	\$511m	Deloitte Access Economics (2011)
<i>Melbourne's</i> venues, concerts, and festivals , including ancillary patron spending	\$1.4bn	Melbourne Live Music Census (2017)
Australian contemporary music ticket revenues ⁸	\$994m	Live Performance Australia (2019)

Context of this report

The COVID-19 pandemic shrunk the Australian economy. The music industry was, and remains, among the worst-affected industries. Lockdowns and public health orders meant that live performances could not occur. Beyond lockdowns social distancing requirements and capacity constraints continued to hamper live music. Over 2020 and 2021 an estimated 30,000 gigs were cancelled⁹.

APRA AMCOS has commissioned BIS Oxford Economics to examine the situation facing the industry, consult with key stakeholders and to determine whether measures such as tax offsets specially could assist venues and artists in

⁷ Estimates are in the current dollar of year of release, unadjusted for inflation

⁸ Conservative estimate given results excludes many pub and club venues that self-ticket, or use ticketing companies not captured in survey

⁹ 'I Lost My Gig Australia'. (2021)

recovering from the effects of the pandemic. Accordingly, a survey of music venues by APRA AMCOS and BIS Oxford Economics was conducted in November 2021 (“the venue survey”). The venue survey was aimed at determining the impact of the COVID-19 pandemic on the industry, developing updated data on industry finances, and determining the effects of policy initiatives such as tax offsets¹⁰. This was used to help model the quantitative impacts of tax offsets on revenues, Gross Value Added (GVA) and employment¹¹. Tax offset options for artists have been analysed at a broader level (i.e. the potential approach to such offsets without formal economic modelling) as the main issue in this case is what measures could best support individual artists and the music ecosystem rather than aggregate economic impacts.

In addition, BIS Oxford Economics consulted with a number of key industry stakeholders as a part of this research, both to understand the context and issues facing the industry and to determine what measures could be of maximum benefit in supporting it. The results of the venue survey are discussed in greater detail below with responses to the survey detailed in Appendix A¹².

Of particular note is that the survey indicated the stark effects of the pandemic on the live music scene with the number of music gigs some 70% less in 2020/21 (FY21) compared to 2018/19 (FY19) levels.

The pandemic compounded long term challenges facing music creators and musicians and highlighted the necessity for a multi-faceted portfolio approach to generating a sustainable income. The sheer breadth and volume of music streamed on digital music services results in micro per stream royalty payments, meaning that a song needs thousands of aggregated streams to generate any sizeable royalty. This has meant that in the digital age musicians are increasingly reliant upon live performances as a source of income. For many artists live performance has been the primary opportunity in generating a sustainable income, rendered null and void by COVID-19.

48% of Australians

accessed Live Music in 2019



¹⁰ Modelling of the impact of tax offsets on the Australian live music industry has previously been conducted by EY (2016) *Investment initiative to cultivate the Australian contemporary music industry*. While there are some similarities, this report has a broader focus, beyond quantification of offsets themselves and takes into account more recent developments. In particular it recognizes the impacts of the COVID-19 pandemic and the fundamental issues it poses for the survival of the musical ecosystem. The aftermath of the pandemic has posed Australian policymakers with the choice of ensuring that a vibrant music ecosystem survives and restoring Australian’s quality of life post-COVID, as opposed to purely market- driven measures.

¹¹ GVA is a measure similar to Gross Domestic Product (GDP). It is commonly used in industry analysis, whereas GDP is used at the whole economy level. The main difference between them is the exclusion of taxes on products (such as GST) from GVA, though the quantitative difference is modest.

¹² The survey was distributed to 19,501 hospitality venues holding APRA AMCOS music licenses. 5,169 of these were licensed for live performances. 325 responses were obtained of whom 111 indicated they did not host live music in FY19 while 213 indicated that they did. Changes in the number of performances in the pandemic are based on responses by 162 live music venues.

Live performance is critical for musicians in developing audiences and fanbases that will then go on to experience and purchase music through streaming or downloading. It is a symbiotic relationship reliant on cross-promotion and leveraging the consumer experience. Nearly half of all Australians (48%) accessed Live Music in 2019¹³. Live music supports the hospitality and tourism industry, by attracting patrons to attend and spend. Yet many musicians are pessimistic about the future, there is evidence many are leaving the industry for good.

Australian venues are a crucial cultural infrastructure that provide musicians with the opportunity to develop their skills and build an audience. The absence of operating venues threatens the continuity of the industry. Without a healthy domestic live music industry, less Australians may release music, less Australian music will be present on streaming services and broadcast on community and commercial radio and television, putting our music export potential at risk. Without policy action Australia is unlikely to become net exporter of music and achieve the ambitious vision set for the industry (see Box 1.2)¹⁴.

BOX 1.2 VISION FOR THE INDUSTRY: AUSTRALIA AS A NET EXPORTER OF MUSIC

The international music market is expected to more than double to around US\$131 billion by 2030¹⁵. Over 60% of this market is expected to flow from recorded music (mostly streaming revenue) and 30% from live music. The continued expansion in the global market represents a significant export opportunity for Australians. APRA AMCOS emphasise Australian music creators, artists and publishers s have the potential to earn between 5-10% of the global market.

One in seven

venues believe they'll never host as many gigs they did prior to the pandemic

Historically, Federal and State Governments have had limited involvement in the venue-based live music industry. This changed with the pandemic. State and Federal Governments responded to the economic fallout brought about by pandemic with a number of measures. Support for creative institutions largely flowed to venues through competitive grant schemes (see Box 1.4), which kept many venues afloat. However, one criticism raised by stakeholders is that music related grants were typically distributed to large organisations, events, productions, and festivals.¹⁶ However many venues received support through small business grant programs, particularly in New South Wales and Victoria.

¹³ The Australia Council, 'Creating Our Future'. (2020)

¹⁴ 'Chair of the APRA Board, Jenny Morris Addresses National Press Club'. (2020)

¹⁵ 'Goldman Sachs – Music in the Air'. (2020)

¹⁶ Fletcher, 'Media Release, \$20 Million to Support Australia's Creative Sector to RISE'.(2020)

Analysis suggests that under 15% of Australia's 5,000 plus venues licensed to host live music received a targeted live music grant¹⁷ (as of March 2021). By their nature competitive grant programs create winners and losers, rather than buoying the industry as a whole. Many venues that missed out on a grant have had to shut down permanently (see Box 1.3). The venue survey indicates that 13% of Live Music venues that hosted an event in FY19 do not believe they will ever host as many performances as they did in that year.

As COVID-19 becomes endemic, the State and Federal Governments' pandemic response grant programs will wind down. Discussions by BIS Oxford Economics with key stakeholders noted that current initiatives will fail to tackle the long-term challenges facing the industry. Previous research has established a strong economic case for further investment in the live music industry¹⁸. As indicated, BIS Oxford Economics has been engaged by APRA AMCOS to further investigate the economic case for investing in the industry. Specifically, this report:

- estimates the **economic impact of tax offset incentives** for venues to host live music; and
- outlines a scenario for **targeted artist support**.

BOX 1.3 THE PERMANENT CLOSURE OF MUSIC VENUES

Many long running and iconic venues have closed permanently, and many are on the brink of closing. Permanent closures include the John Curtin Hotel, Giant Dwarf, Venue 505, Mojo, The Newsagency, Café Lounge, Music at Street Market and the Steyn's Moonshine Bar. Many venues that have re-opened after the COVID -19 closures have not returned to presenting live music entertainment.

Many commercial property landlords have become pessimistic about the economics of live music tenants. Several have ended leases, seeking more lucrative tenants. A rise in insurance premiums has made it untenable for many venues to remain operating¹⁹. Many live music venues have held community fundraisers to raise money to cover debts. These include Crowbar, Lion Arts Factory, Enigma Bar and Jive.

¹⁷ BIS Oxford Economics analysis of Federal and State Grants programs (including RISE, Live Music Australia, NSW Performing Arts Relaunch Package, Queensland, Victorian, West and South Australian Live Music Support programs/grants, City of Sydney Live music grants, as well as other state-based grant programs). Analysis doesn't include Federal or State COVID-19 Small Business grants, given these are not tied to the provision of live music.

¹⁸ For example, a 2014 University of Tasmania study revealed that for every \$1 invested in the industry by the government, a further \$3 makes its way into the broader economy

¹⁹ Hobson, 'Rising Premiums the "last Nail in the Coffin" for Live Music Venues'. (2022)

BOX 1.4 GOVERNMENT SUPPORT FOR THE VENUE BASED LIVE MUSIC INDUSTRY

The bulk of government support for the live music industry, both prior to and throughout the pandemic, has been distributed in the form of competitive grants. The centrepiece of the Federal Government's response to the economic fallout of COVID-19 was the \$200m Restart Investment to Sustain and Expand (RISE) fund. Over quarter of the RISE grants were awarded to music organisations, festivals, productions, and events. However, a small share of these funds went directly to music venues.

State and Federal Governments have also developed programs specifically targeting live music venues. The Federal Government's Live Music Australia initiative provides \$20m in grants over the over four years to 2023-24²⁰. The Victorian Government supported venues through its Music Works and Live Music Restart package, the NSW Government through its Performing Arts relaunch package, and other State and Territory Governments through similar grants packages.

The NSW and Victorian Governments also provided indirect support through voucher initiatives. The NSW Government additionally funded the Great Southern Nights festival. Two state governments (Victoria & NSW) also adopted insurance, or event 'saver' measures to address gaps in the private market and absence of a Federal Policy.

1.2 SCOPE OF THIS REPORT

This report quantifies the economic value generated by the venue based live music industry, and how various tax offset scenarios impact this value. This value generated is captured through metrics such as revenue, GVA, employment and indirect economic benefits. In addition, tax offset options for targeted artist support are also explored, although not formally modelled.

1.2.1 More than economics: the social and cultural imperative

While useful to policymakers, economic figures only convey part of the value of the industry. Social and cultural values and benefits are especially important – particularly in the wake of a pandemic which has torn at the social fabric of the country and caused significant personal hardship for music workers and musicians. Confirming what many know, a sizable body of research demonstrates that live music creates positive contribution to the community, and benefits flow to non-gig-goers (or non-users)²¹. Numerous studies have linked live music attendance to reduced stress, improved social connection and wellbeing, 60% of Australians say the arts have a big or very big impact on our

²⁰ Office for the Arts, 'Live Music Australia'. (2022)

²¹ University of Tasmania, 'The Economic and Cultural Value of Live Music in Australia'. (2015)

sense of wellbeing and happiness²². These improvements can link back to positive economic outcomes. For example, better wellbeing can reduce public health expenditure and lift productivity²³.

Yet many of the benefits that flow from Australia's live music ecosystem are distinct from economic values, and, due to their nature, are difficult to quantify. For many Australians, the loss of live music throughout 2020 and 2021 brought home these benefits. They lost a part of what makes life so special, and no number could capture this loss. The musicians that express themselves on Australian stages create meaning for and enhance the identities of their audiences, as well as themselves²⁴. The live music ecosystem provides the context for Australians to celebrate diversity, provide a sense of belonging and explore what it means to be part of a community.

Musicians, music workers and fans suffered through the pandemic. Experts are warning that Australia is amidst mental health crisis²⁵. Live performances provide an opportunity for many to rebuild social connections that may have been lost during the pandemic. Qualitative and quantitative evidence shows music is often a therapeutic experience, a fact recently highlighted in several submissions to the Productivity Commission inquiry into mental health²⁶. Revitalising the live music industry is a key avenue Government can adopt to nurture the mental health of artists and wider public.

More than that, a vibrant music ecosystem is the platform for Australian acts to go global. Domestic touring is how Australian artists "cut their teeth" and get invaluable experience which they can then bring to the global stage. This not only brings in export dollars but enhances Australia's cultural appeal – its "soft power". Emerging from a time when Australia has been cut off from the world for an extended period this is especially important. Recognising these links in the wake of a pandemic is vital. Restoring Australia's musical ecosystem - with its social and mental health benefits as well as its domestic economic and export effects – should be a key government aim.

The structure of this report is as follows:

- Section 2 unpacks the **challenges facing the industry**
- Section 3 discusses **modelling the impact of venue tax offsets**
- Section 4 outlines the **economic analysis**.
- Section 5 sketches a proposal to **support artists** beyond the pandemic

60% of Australians
say the arts have a big or
very big impact on our sense
of wellbeing



²² The Australia Council, 'Creating Our Future'. (2020)

²³ Isham, Mair, and Jackson, *Wellbeing and Productivity*. (2019)

²⁴ Van der Hoeven and Hitters, 'The Social and Cultural Values of Live Music'. (2019)

²⁵ Sydney Morning Herald, 'Young people's mental health crisis must be addressed' (2022)

²⁶ Department of Communications and the Arts, 'Response to Productivity Commission Issues Paper'. (2019)

2. CHALLENGES FACING MUSICIANS AND VENUES

The challenges facing the industry fall into two distinct categories:

- **the immediate and ongoing impacts of the COVID-19 pandemic.** These include restrictions on operations and suppressed demand for live music, and are outlined further in section 2.1, and
- **longer term trends impacting musicians and venues.** These include digitization, low pay rates per stream, cost of living for artists and regulatory and financial barriers for venues and are outlined further in section 2.2.

2.1 PANDEMIC SPECIFIC CHALLENGES

The pandemic compounded structural challenges impacting venues and exposed the precarious position of musicians. During FY19, FY20 and FY21 numerous State public health orders prevented venues from opening their doors. Tens of thousands of gigs were cancelled. A variety of sources indicate a substantial collapse in activity:

- An *Australian Live Music Business Council* survey in late 2020 found three quarters of venues reporting a revenue downturn of over 75% in the past six months.
- Live Performance's *Ticket Attendance & Revenue Report* showed contemporary music experienced a decline of 63% in revenue and 65% in attendance between 2019 and 2020.
- *I Lost My Gig* survey data revealed 23,000 gigs and events were cancelled, equating to nearly \$64m of lost income since July 1st 2021 – or \$16m per week.

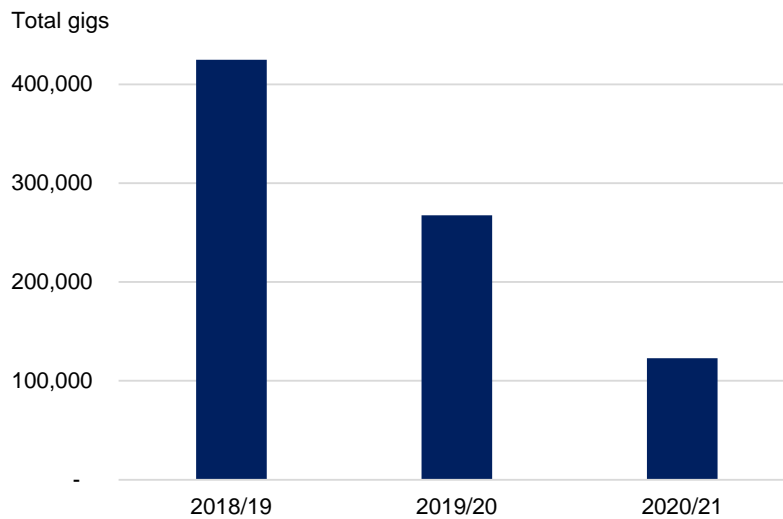
As indicated, venue survey work undertaken by BIS Oxford Economics in collaboration with APRA AMCOS, confirms these findings. Responses suggest that in FY19 around 425,000 gigs were hosted at venues across the nation. This number dropped to around 265,000 in 2019/20 and fell again to 122,000 in 2020/21. The number of gigs held in 2020/21 was therefore 70% lower than the number held in FY19.

The number of gigs held in FY21 was **70% lower** than the number held in FY19

60% of musicians

experienced a period of (official) unemployment in 2020

Fig. 7. Decline in venue-based performances FY19-FY21



Source: BIS Oxford Economic, n = 162

Musicians were among the most affected Australian workers: Prior to the pandemic there were an estimated 15,000 professional musicians practicing in Australia. With the impact of the pandemic, many musicians experienced significant drops in their income and became reliant on government income support. Many accessed their savings, and what little they had in superannuation. Some pivoted towards online strategies to replace lost income sources, yet there is little evidence that these strategies were effective in doing so. Surveys of musicians suggest over 60% experienced a period of (official) unemployment in 2020²⁷. What’s more, health orders impacted the hospitality and education sectors, which are important sources of secondary income for musicians²⁸.

The collapse in live music could have long-term impacts: According to the venue survey, 1 in 7 venues indicated they would never host as many gigs as they did prior to the pandemic, indicating the pandemic will have a lasting impact. Smaller venues, such as pubs, are crucial for the development of new artists, a place where emerging musicians refine their craft and gain experience.

Musicians are pessimistic about the future: Sentiment about future income and employment opportunities returning in 2022 and beyond is negative among musicians²⁷. Evidence suggests that many musicians are turning away from the industry for good²⁹. A survey of musicians in Victoria conducted in July

²⁷ Crosby and McKenzie, ‘Survey Evidence on the Impact of COVID-19 on Australian Musicians and Implications for Policy’. (2021)

²⁸ Australia Council, ‘Making Art Work: An Economic Study of Professional Artists in Australia’. (2017)

²⁹ The Guardian, ‘“It Just Feels Safer”: The Australian Musicians Pivoting from an Industry in Crisis’. (2021)

and August of 2020 revealed 58% of respondents were considering leaving the industry³⁰. This was prior to the Delta and Omicron waves.

The absence of live music has taken a toll on mental health. For most musicians their artistic practice is highly ingrained in their identity. The cancellation of tours, gigs, and contracts often happened overnight and without warning. 63% of Australia’s performing artists reported worsening mental health during the pandemic³¹.

Less musicians could mean less music exports. Without policy action the COVID-19 pandemic is likely to have a long-term impact upon the supply of Australian musicians, along with the music they record and perform. This could have a bearing on our long-term music exports and our cultural influence (soft power).

Future variants and the lack of federal insurance creates uncertainty. Ongoing waves of new variants have wreaked havoc on those planning gigs and events. Even after the Omicron wave, some medical experts have warned that new variants are a question of “when not if”. New waves of infection heighten the risk of cancellation and create uncertainty for those aiming to rebuild the live music ecosystem, while disparities in State public health orders make planning and touring challenging. The lack of a Federal insurance scheme compounds the risks and uncertainties, leaving many without the confidence to invest and plan new gigs and events.

Survey data suggests

half of musicians

were considering leaving the industry during the pandemic



BOX 2.1 THE NEED FOR A NATIONAL INTERRUPTION OR INSURANCE FUND

Many music planners lack the confidence to commit time and money to gigs and events that could be cancelled due to COVID-19 health orders. European governments recognise the risks of reactivating events. For Example, the German government has committed €2.5 billion (approximately \$A3.9 billion) to tackle the issue of COVID-19 related cancellations. Similar packages have been enacted in several other nations.

A national approach is needed if the live music and entertainment industry is required to buoy Australia’s live performance industry through future waves and provide planners with confidence to kickstart the industry. Both Live Performance Australia and APRA AMCOS have called for a joint Federal/State scheme to tackle the issue and assist in providing certainty for the market.

³⁰ Fabian Cannizzo and Catherine Strong, ‘Understanding Challenges to the Victorian Music Industry during COVID-19’. (2020)

³¹ Rusak, ‘63.5% of Australia’s Performing Artists Reported Worsening Mental Health during COVID’. (2020)

2.2 LONG TERM CHALLENGES FACING MUSICIANS

96% of artists

on Spotify have
less than 10,000
monthly listeners



Digitisation & new platforms: Over the first decade of the 21st century illegal peer-to-peer file sharing decimated music industry revenues. Global and Australian recorded music revenues more than halved³². More recently streaming platforms, such as Spotify and Apple Music, have grown to become the dominant means of listening to music and have supported a rebound in recorded music revenues. Over 12.7 million Australians (61%) now use a music streaming service³³. The arrival and rapid growth of social media and subscription video on demand services has facilitated new income streams for music creators. More recently the emergence of platforms such as TikTok, online fitness and digital games provide new areas of growth in both the licensing and commissioning of music.

An explosion of competing content: The cost of producing, promoting, and distributing new music fell sharply with digitisation. Lower barriers to entry resulted in a rise in the supply of music and music availability was no longer constrained by the stocking constraints associated with physical formats - no matter how niche or obscure a record the 'endless shelf space' of digital platforms provides room. This is good news in one sense given success has become less concentrated around superstars - at the peak of the CD era the top 50 artists accounted for 25% of sales, on Spotify the top 50 artist account for just 12% of streams³⁴. However, these factors have resulted in an explosion of competing content - around 60,000 songs are released onto Spotify every day - meaning aspiring artist must compete with an ever-increasing number of releasing musicians. Most never make it 'big' - 96% of artists with music on Spotify have less than 10,000 monthly listeners³⁴.

Prior to the pandemic

50-75%

of musician incomes
were sourced from
live performances



Low pay per stream: Low streaming remuneration compounds the intense competition in the industry. Spotify and Apple music pay out around US\$ 0.003 and US\$ 0.008 US per stream respectively³⁵. This means that only artists with a significant number of streams make a living from their streaming pay-out. For most their creative outputs will never be more than a side hustle – only 0.3% of all artists on Spotify generated \$50,000 in total royalties to rights holders in 2020³⁴.

Competition from international acts: Australia is a net importer of music - meaning we listen and pay more to international acts, mostly American, than, oversees listeners listen and pay to Australian artists. Typically, less than a third

³² IFPI, 'IFPI Global Music Report 2021'.

³³ '12.7 million Australians Use Streaming Music Services'. (2021)

³⁴ Spotify, 'Loud and Clear by Spotify'. (2021)

³⁵ Digital Music News, 'How Much Do Artists Make Per Stream?' (2021)

of the top 100 weekly songs sold or streamed in Australia are releases from Australian acts³⁶.

Contractual arrangements, unstable incomes: Musicianship is the original 'gig' economy. A large share of workers in the arts and cultural sectors earn most of their income through short-term and often informal contracts. In 2016 only 12% had a salary or wage - the majority were self-employed³⁷.

Reliance on live performances for income: Low streaming remuneration has meant musicians are increasingly dependent on live performances as a source of revenue³⁸. Apart from providing invaluable experience for emerging artists themselves, live performances represent an experience for audiences that cannot be easily replicated. Accordingly (and perhaps ironically in a world increasingly focussed on online activity), they command a premium in terms of prices and revenues. Surveys have shown that close to three quarters of musician's incomes come from live performances³⁹. For an exporting musician live performance contributes around half of total income⁴⁰. This fact made musicians vulnerable to large declines in income during the COVID-19 lockdowns.

Overall, the average musician earns very little: Even after supplementing recorded music sales with income from live performance, a professional musician's creative income remains meagre, averaging \$30,400 (in 2015 dollars)⁴¹. Less than a quarter earned more than \$50,000 in creative income⁴¹. A healthy venue-based live music scene is essential to support the incomes of Australia's middle class of artists.

Less than a
quarter



of musicians earn more than
\$50,000 in creative income.

³⁶ BIS Oxford Economic analysis of Billboard Top 100 charts.

³⁷ Krueger, *Rockonomics*. (2019)

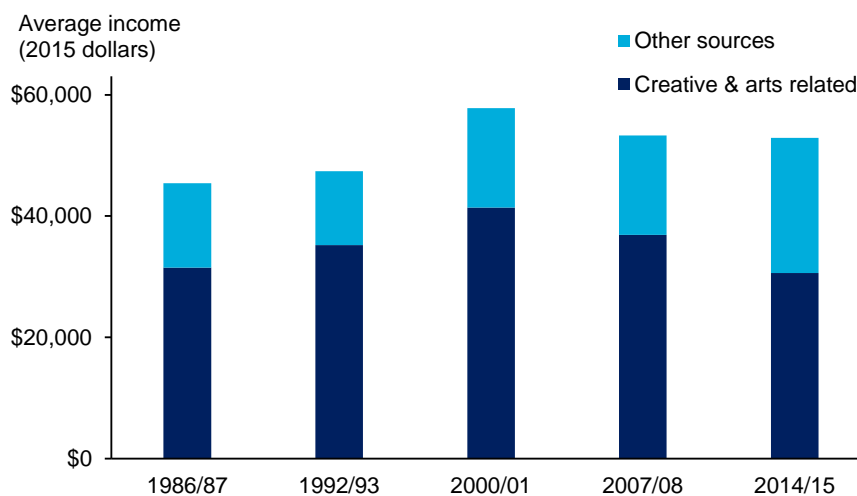
³⁸ Krueger, *Rockonomics*. (2019)

³⁹ Deloitte Access Economics, 'The Economic, Social and Cultural Contribution of Venue-Based Live Music in Victoria'. (2011)

⁴⁰ Australia Council, 'Born Global'. (2020)

⁴¹ Australia Council, 'Making Art Work: An Economic Study of Professional Artists in Australia'. (2017)

Fig. 8. Musician’s incomes in recent decades



Source: BIS Oxford Economics, Throsby & Petetskaya (2017)

Most musicians require other sources of income: In the face of unstable work within the traditional 'gig economy', and highly variable, most musicians are reliant upon other sources of income. A growing share of artist income is earned from non-creative sources.

Gender equality remains an issue: Women represent only one-fifth of songwriters and composers registered with APRA AMCOS, despite making up 45% of qualified musicians and half of those studying music. Female creative artists earn far less than their male counterparts; women also receive less airplay on Australian radio⁴².

2.3 LONG TERM CHALLENGES FACING VENUES

A prescriptive regulatory environment: Local, State and Federal regulations govern the live music economy. The regulations facing local live music venues cover liquor licensing, trading hours, planning and development controls, environmental protection, noise, and sound amenity. To stage live music, there are numerous regulatory 'hoops' venues must jump through. Complex, overlapping, and restrictive regulations can deter venues from staging live music. Almost half (49%) of live music venues that regulatory reforms would encourage them to host more live music. Additionally close to half of non-live music venues cited restrictive regulations as a key barrier to hosting live music.

The relative health of the live music ecosystems across our major cities can reflect their respective regulatory environments. For example, prior to the pandemic Sydney's 'lockout' regulations were associated with a 40% drop in

Half of venues

said regulatory reform would encourage them to host more live music



⁴² 'Skipping a Beat: Assessing the State of Gender Equality in the Australian Music Industry'. (2017)

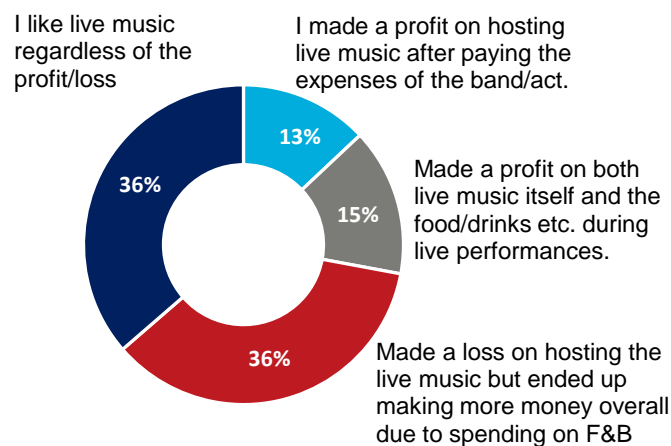
live performance revenues for venues in the CBD⁴³. Melbourne, on the other hand, is often touted as an example of a jurisdiction with a less prescriptive regulatory environment. NSW has since taken steps to improve the regulatory environment facing live music venues, and the Live Music Office continues to advocate better regulation to unlock the value of live music across jurisdictions.

Venues have different motivations for and expertise in hosting live music:

Some venues indicated they made a direct profit from hosting music (i.e. ticket or cover charge revenue more than compensated for hosting costs, such as musician fees). However, for many venues, music acts as a 'loss leader'. These venues do not recover the full costs of hosting the live music directly through patrons (e.g., through tickets), but indirectly through additional patron expenditure on food and beverages. For these venues live music is an essential part of their business model, it can create a point of difference and add to the venues brand. However previous research highlighted a lack of understanding and expertise around the underlying economics of hosting music⁴⁴.

The pandemic added to the complexities of hosting live music. For many venues it was not commercially viable to resume gigs under physical distancing requirements. Venues face new barriers, such as higher insurance premiums, and uncertainty around future variants.

Fig. 9. Venue motivations for hosting live music



Source: BIS Oxford Economics, n = 162

⁴³ Live Music Office, 'Sydney CBD Sees Drop in Live Performance Revenue since Introduction of Lockout Laws'.

⁴⁴ Ernest & Young 'Investment initiative to cultivate the Australian contemporary music industry' (2016)

2.4 POTENTIAL ACTION AREAS

Tackling the challenges above will involve a broad suite of policy measures that recognise the interrelated revenue channels for music creators and artists. Such measures could include:

- Supporting local content on online media through local content requirements and incentives
- Artist fellowships, incubator programs, & living wage subsidies
- Innovative investment and consumption programs, such as vouchers and rebates
- Continued reforms to the regulations facing venues
- A national cultural plan to set a vision for the industry

As a part of the venue survey, venues that hosted live music in FY19 were asked of the factors that would encourage them to stage more live music performances (figure 10). The most popular response was more government grants, followed by a reduction in the overall costs to stage live music.

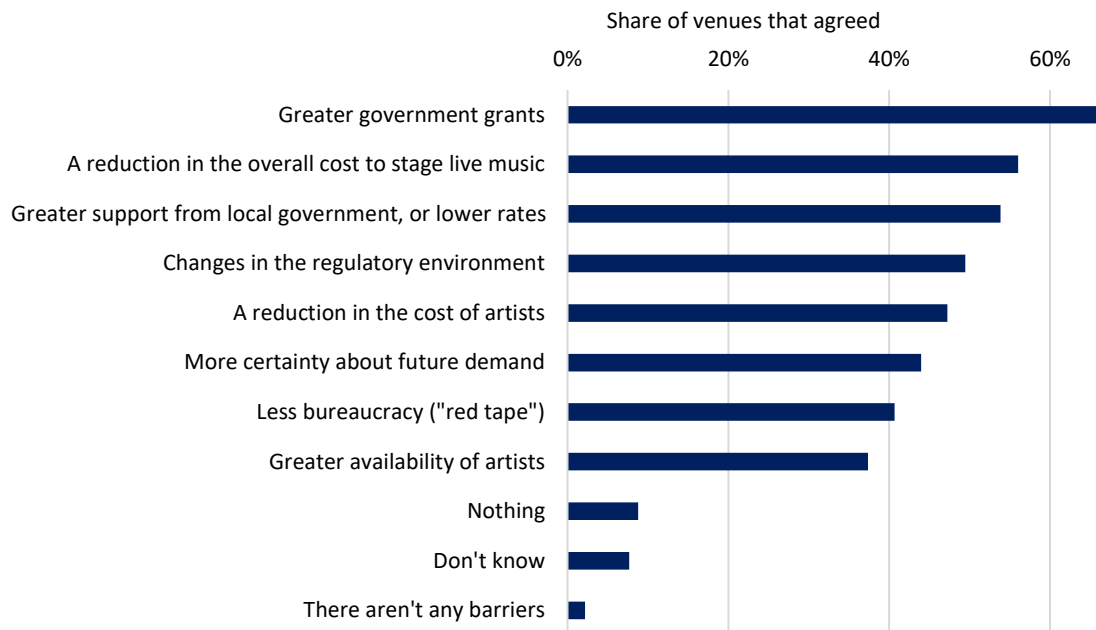
While grants can support venues over the short run, particularly through COVID-19 related closures, this report seeks to unpack longer term solutions to the challenges faced by musicians and venues. Exploring all possible options is beyond the scope of this report. Stakeholders noted that while grant programs have been supportive, there is often a limited pool of funds meaning they are competitive in nature.

Many stakeholders are keen to see long-term and non-competitive solutions and identified tax offsets as a potential policy option. Annual tax offsets for venues staging live music could reduce the overall cost of staging live music and incentivise further investment in live music over the long run.

Half of venues

agreed a reduction in the overall costs to stage music would encourage them to host more

Fig. 10. Factors that encourage venues to host more live music



Source: BIS Oxford Economics, n = 92

BOX 2.2 BODIES TACKLING MUSIC INDUSTRY CHALLENGES

- **The Live Music Office** (LMO) identifies and advocates for better policy, regulation and strategy for the Australian live music sector across state and territory governments. APRA AMCOS established the LMO in 2013 and provides operational funding. Some project related funding has been provided by Federal, State and Local governments and councils.
- **APRA AMCOS** directly supports the work of the Live Music Office, Sounds Australia and National Aboriginal and Torres Strait Islander Music Office (NATSIMO). APRA represents over 110,000 songwriter, composer, publisher members and licenses more than 112,000 businesses. APRA AMCOS collaborates on advocacy and policy development with key organisations across the contemporary music industry.
- **Sounds Australia** Established in 2009, Sounds Australia is a centralised, whole-of-industry initiative, activating the world's best networking, performance and business-matching opportunities for export-ready Australian artists and music businesses. Sounds Australia is a joint partnership between the Australia Council for the Arts, APRA AMCOS, the Australian Government, ARIA, the PPCA and state government agencies. Sounds Australia fuels the growth of the Australian music industry, connecting small businesses to global opportunities, contributes to arts excellence and innovation, seeds economic prosperity and job creation for the sector and contributes to cultural identity.
- **Support Act** is the music industry's charity, delivering crisis relief services to artists, artist managers, crew and music workers across all genres who are unable to work due to ill health, injury, a mental health problem or some other crisis, such as COVID-19.
- **The Australia Council** runs several programs that support contemporary music including the Contemporary Music Touring Program (CMTP).

- **Australian Recording Industry Association (ARIA)** is the national industry association representing major and independent record producers, manufacturers and distributors.
- **Phonographic Performance Company of Australia (PPCA)** is a non-profit copyright collecting society that provides blanket licences for the use of recorded music in Australia.
- **OneMusic Australia** is a joint initiative between APRA AMCOS and PPCA to issue joint music licences to businesses who use music.
- **Live Performance Australia (LPA)** is the peak body for Australia's live performance industry
- **Australia Live Music Business Council (ALMBC)** is the newly formed national music industry association led by Australian business owners.
- **State based music bodies** - Music Victoria, MusicNSW, West Australia Music (WAM), QMusic, Music NT, Music Tasmania, Music SA and Music ACT as well as the Victorian and South Australian Music Development Office's support artist development, distribute grants and fund music events.

BOX 2.3 TAX INCENTIVE SCHEMES FOR CULTURAL INDUSTRIES

Several nations have tax incentives that support the creative industries:

EU VAT Exceptions - artists and their work can be classified in a list of basic necessities, which may completely shield them from VAT or only apply a low rate for VAT.

Record in Iceland initiative – involves a rebate of 25% of recording expenses. Eligible expenses include travel and accommodation costs, and studio fees. Eligibility also requires that the recording be no longer than 30 minutes and be released no more than 18 months after the sessions.

UK Orchestra Tax Relief (OTR) scheme - provides a tax deduction of 100% of enhanceable expenditure; or if a loss is surrendered, 25% of the loss up to the amount of enhanceable expenditure.

Irish tax offset for artists - the first €50,000 in profits or gains per year earned by writers, composers, visual artists and sculptors from the sale of their work is exempt from income tax in Ireland under certain circumstances.

American theatre tax incentives - Illinois, Louisiana, New York State, and Rhode Island provide 20% - 35% tax credits for qualifying expenditure by production companies.

Australian film and TV offset scheme - feature films are eligible for a 40% rebate of qualifying expenditure, and other programs such as TV, miniseries and documentaries are eligible for a 30% rebate.

3. TAX OFFSET METHODOLOGY: VENUES

As indicated above, the COVID-19 pandemic and longer-term changes have posed a serious threat to the Australian live music industry. One policy response to this is the development of a refundable tax offset to venues as a financial aid to encourage venues to hold more live music events (see box 3.1 for an explanation of a refundable tax offset).

The concept of a tax offset for live music for venues was first explored by EY in 2016⁴⁵. While this report has a broader focus, it also estimates and provides an update of these figures using a revised methodology and updated data, and taking into account the changes unleashed by the COVID-19 pandemic.

BOX 3.1 REFUNDABLE TAX OFFSETS

The terms 'tax offset', 'tax rebate' and 'tax credit' are synonymous. All these terms refer to a tax concession that directly reduces the tax that a business must pay. The ATO looks at businesses taxable income and works out how much tax is owed, then reduces that amount by the value of the tax offset. For example, if a business pays \$20,000 in 'tax payable' at the end of the year, a \$2,000 tax offset would directly reduce their tax payable to \$18,000 (resulting in the final tax payable). Refundable tax offsets work as negative income taxes. If an individual's tax liability is zero, any remaining value of the offset will be directly paid to the business as a tax refund.

While, as its name suggests a tax offset will involve government foregoing taxes, it can also have a stimulatory economic effect on the industry and the broader economy. Moreover, as indicated above, it will help revive and support the live music industry at a time when its contribution to the fabric of Australian life is under threat. Assisting the live music industry will provide important support to the Australian musical ecosystem as well providing mental health and social benefits, noted above.

Our approach to assessing the economic impact of tax offsets to venues is outlined in figure 11, and each step is described in more detail below.

⁴⁵ EY (2016) 'Investment Initiative to Cultivate the Australian Contemporary Music Industry'.

Fig. 11. The modelling approach



3.1 DEFINING KEY MEASURES

The key measures used in the tax offset impact analysis include the following:

Industry gross output - the market value of goods and services produced by an industry, often measured by industry turnover/revenue. Industry output is also referred to as 'gross economic contribution' or simply revenue.

Industry gross value added (GVA) – similar to GDP, the market value of goods and services produced by an industry, after deducting the cost of goods and services used.

Industry employment – the number of workers directly employed by the industry, measured in this study in terms of headcount.

All three measures are useful. Industry gross output is a measure of production, while GVA is (like GDP) a measure of wealth generation. Employment can be seen as a measure of how the wealth is distributed, or a benefit in its own right, given the material and psychological importance of a having a job. GVA is generally the most accepted indicator used in comparing industry size against others.

To assess changes in these economic indicators we use some key venue-level metrics:

- The number of live performances per year by venue type
- The average attendance at each performance
- The average ticket price or cover charge
- The average patron spend on food and beverages

These metrics enabled us to estimate of the size of the industry in FY19. Changes in these metrics allow for estimation of the economic ramifications that stem from tax offset incentive scenarios.

3.2 DEFINING THE VENUE BASED LIVE MUSIC INDUSTRY

Live music can occur at festivals, parks, and venues such as galleries, stadiums, and sporting arenas. However, our analysis is focussed more on locations which are subject of regular live music performances. For the purpose of this study live music venues are defined as hospitality venues licensed with OneMusic Australia to stage live music events. These fall with one of the following categories:

- hotels/bars
- restaurants/cafes
- clubs
- nightclubs
- other miscellaneous hospitality venues (“other”)

Patrons attending live music performances at these venues are assumed to be customers of the venue based live music industry. These patrons provide the industry with a source of funding via their ticket purchases, cover charges or door entry, as well as spending on food and beverages.

Additionally, we have examined the potential for venues that currently do not host live music do start doing so in the future. These venues are defined as hospitality venues not currently licenced with APRA AMCOS to host live music.

3.3 ESTABLISHING THE TAX OFFSET SCENARIOS

There could be many variations of tax offset scenarios, the purpose of this report is to demonstrate the potential impacts of a select few scenarios. The tax offset scenarios explored in this report were developed in collaboration with APRA AMCOS, and are as follows⁴⁶:

	Value of tax offset
Existing live music venues	5% of expenses
	10% of expenses
	20% of expenses
Non live music venues	\$12,000
	\$24,000
	\$48,000

3.4 DATA COLLECTION

The venue survey was used to assess how venues live music hosting decisions would change under each scenario. The focus of the study was on hospitality venues (i.e. hotels/bars, clubs, restaurants, cafes, nightclubs and other hospitality venues). Accordingly, the venue survey was designed in collaboration with APRA AMCOS, who hold a database indicating venues holding musical performance licenses (“the APRA database”). The survey was distributed to over 19,461 hospitality venues in the APRA database over a four-week period in November 2021. 325 responses were received, with representation from all states.

⁴⁶ These are similar to the scenarios estimated in EY(2016) *Investment initiative to cultivate the Australian contemporary music industry*. However note that our model (and modelling approach) varies somewhat from the EY approach and uses a variety of different or updated data sources.

27% of hospitality

venues hosted live music in
FY19



An overview of survey results indicates that:

- 66% (213) of surveyed venues hosted live music in 2018/19, while 33% (111) did not.
- A range of venues responded: hotels/bars (42%), restaurants (23%), clubs (21%), nightclubs (2%) and other (14%).
- Average attendance per gig ranged from 5,000 patrons to 20 patrons.
- Gigs per venue per annum ranged from 1 to 450.

Additional information was also provided by the APRA database. This indicates:

- The number of hospitality venues in the database for FY19 was 19,501.
- In FY19, 27% of hospitality venues (5,169) were licensed to host live music. 51% of these venues were hotels/bars, 17% restaurants/cafes, 26% clubs, 1% nightclubs and 5% other.
- The remainder (14,292) were not licensed to host live music.

3.5 DEFINING THE BASE CASE

In order to assess the impact of tax offsets they need to be compared to a base case. The base case is essentially “business as usual”. Because of the distortionary effects of the pandemic itself, we have used the 2018-19 financial year (FY19) as the base case reference year (the last ‘normal’ year before the pandemic.) Combining APRA’s database with the venue survey responses helps build the ‘base-case’ scenario.

Fig. 12. The venue based live music industry in 2018-19

Venue type	Not licensed for live music	Licensed for live music	Average gigs/year* (licensed venues)	Total annual gigs
Hotel/bar	3,049	2,635	108	285,370
Restaurant/cafe	8,178	902	38	33,910
Club	1,490	1,350	53	72,200
Nightclub	145	31	175	5,420
Other	1430	251	111	27,900
Total	14,292	5,169	85	424,810

Source: BIS Oxford Economics, APRA AMCOS

Figures may not sum to totals due to rounding

*n = 162

3.6 ESTIMATING THE ECONOMIC CONTRIBUTION

The estimation process involves assessing the economic ramifications of the changing venue behaviour in response to the tax offset incentives. This involves estimating for each tax offset scenario:

- how many venues that *did not* host live music in FY19 would host live music, and if so, how many more performances (gigs) they would put on:

- how many more (if any) live music performances would *existing* live music venues host.

A tax offset will have both direct and “flow-on” (Indirect and induced) effects across the economy:

Direct effects – The offset will encourage venues to hold more live performances. The venue survey indicates that this will encourage increased patronage, with nights on which live music acts performed attracting an average of 183 attendees per venue as opposed to 124 per venue for non-live nights. Increased patronage, in turn, results in higher food and beverage spending by consumers. Moreover, ticket sales and/or cover charges will also mean consumer spending increases. This increase in consumption spending (some of which flows to venues, some to artists) represents a direct economic benefit.

Flow-on (indirect and induced) effects – The direct increase in venue income and expenses produces flows on effect for other parts of the economy. This includes the artists hired to perform as well as food and beverage suppliers and transport services, and increased hotel and accommodation expenditure. These service sectors will then increase their own demand for goods and services in response. These are known as supply chain or indirect effects.

In addition, venue staff will use their wages to buy other goods and services along with those down the supply chain. These are known as consumer or induced effects.

The combination of direct, indirect and induced effects is known as the total economic contribution. The total economic contribution represents the full effects of spending across the economy on an industry or initiative. The change in the contribution also illustrates what would happen across the economy if a particular initiative were introduced (e.g. tax offsets).

Figure 13 below provides an indication of the approach to total economic contribution adopted for this study while the accompanying methodology box goes into further detail on modelled outputs.

INTRODUCTION TO ECONOMIC CONTRIBUTION ANALYSIS

As indicated, a standard economic contribution assessment, uses three channels of economic contribution.

- *Direct effects* – constitute the first channel of contribution. These reflect the economic activity generated by spending at the venues themselves which in turn supports venue revenues, profits and staff employment.
- *Indirect effects* – form the second channel of contribution. These reflect the economic activity generated by the supply chain when venues purchase goods and services (e.g. payments to artists, food and beverage supplies).
- *Induced effects* – are the third channel of contributions. These capture the economic activity supported by staff and those employed in direct supply chains, spending their wages on goods and services in the economy.

The sum of the direct, indirect and induced contributions constitutes the total economic contribution. Metrics used to measure economic impacts include:

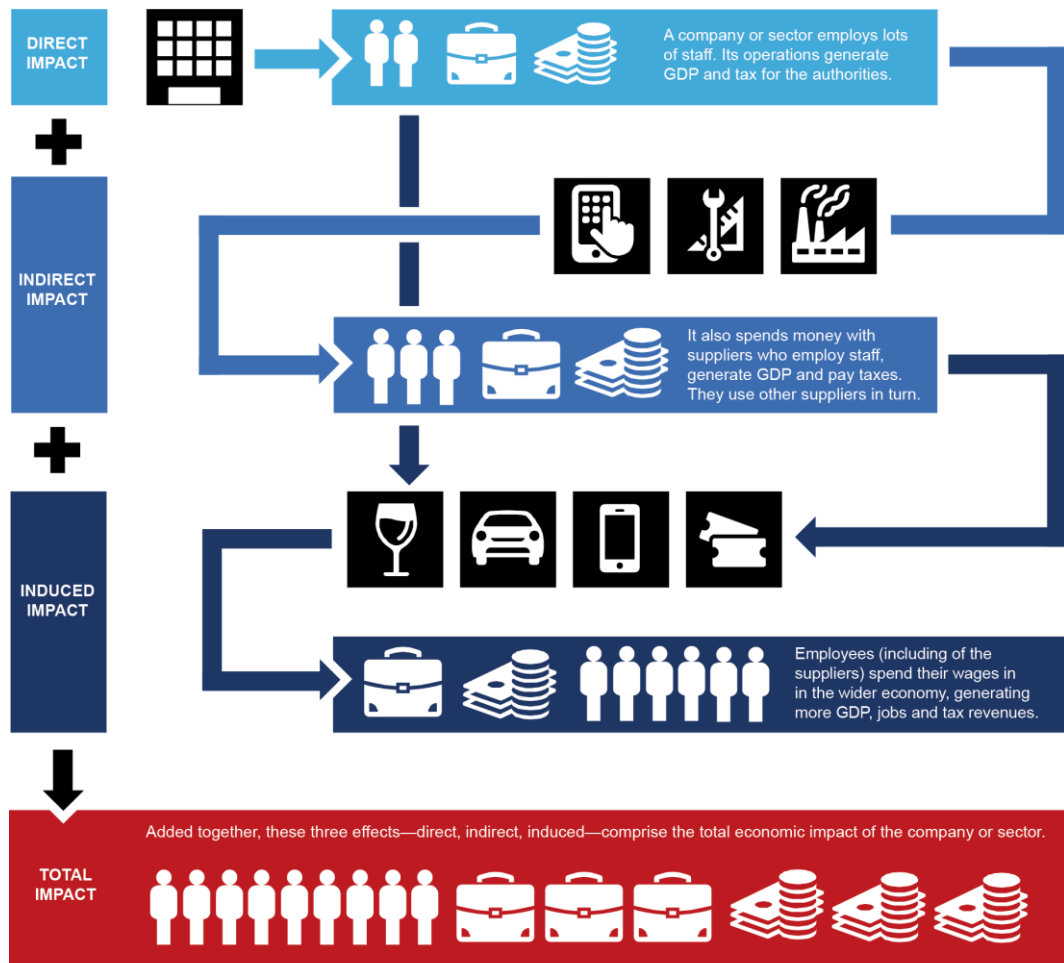
- *Gross output* – which is, in effect, gross revenue
- *Employment* – measured on headcount terms.
- *Gross value added (GVA)* – GVA is similar to GDP but excluding taxes (less subsidies) on products. GDP in turn is most easily thought of as the value of the output produced less the value of the inputs used in that output's production.

Direct effects for the base case were calculated based on estimates of ticket/cover charge and food and beverage spending at live music venues. Indirect and induced effects were calculated using multipliers derived from an input-output (I-O) model developed using Australian Bureau of Statistics (ABS) input-output data⁴⁷. Employment estimates were using ABS Labour Force data. GVA estimates were likewise constructed based on ABS I-O data. The survey results indicated the number of additional performances that live and current non-live venues would put on under each option. Given that live music performances, on average, attract more patrons (183) than non-live ones (124), impacts for the scenarios were then estimated, based on the increased revenues which would arise from higher patronage under different tax offset options (at both live and current non-live venues).

Economic impact estimates were made based on the last pre-pandemic year (FY19) to filter out the distortionary effects of the pandemic itself.

⁴⁷ Australian Bureau of Statistics, Australian National Accounts: Input-Output Tables, 2018-19, Commonwealth of Australia .

Fig. 13. The channels of economic contribution



4. ECONOMIC ANALYSIS

4.1 MODELLING RESULTS

4.1.1 The base case

The base case was derived from data collected by the venue survey. Total patronage is calculated as the product of the total number of performances (or 'gigs') and average patronage per performance. This is calculated by each venue type (see figure 14 below). Relevant total venue revenue is calculated as the sum of ticket and cover charge revenue and food and beverage revenue.

- Total venue based live music industry revenue is estimated to be \$2.4bn,
- Over 85% of revenue is sourced from food and beverage sales, with the remainder sourced from ticket and cover charges
- Over 60% of revenue flows through hotels/bars, 25% from clubs, with the remainder from restaurants, cafes, nightclubs, and other venues

The base case is calculated based on the total revenue outcome for FY19 of \$2.4 billion is indicated below.

Fig. 14. The venue-based live music industry in FY19

Venue type	Total gigs	Avg patrons per gig ⁴⁸	Total patrons (millions)	Ticket/cover charge revenue ⁴⁹ (millions)	Food & beverage revenue ⁵⁰ (millions)	Total revenue (millions)
Hotel/bar	285,367	147	41.8	\$178.0	\$1,251.2	\$1,429.2
Restaurant/cafe	33,915	91	3.1	\$25.6	\$92.6	\$118.2
Club	72,196	274	19.7	\$85.6	\$590.7	\$676.3
Nightclub	5,425	254	1.4	\$9.2	\$41.2	\$50.4
Other	27,905	160	4.5	\$34.1	\$133.6	\$167.6
Total	424,807	183	70.5	\$332.5	\$2,109.3	\$2,441.7

Source: APRA AMCOS BIS Oxford Economics analysis, n= 148

Note: Individual figures may not precisely sum to totals due to rounding.

85% of revenue

is sourced from food and beverage sales



⁴⁸ Patronage per performance figures are sourced from venue survey responses.

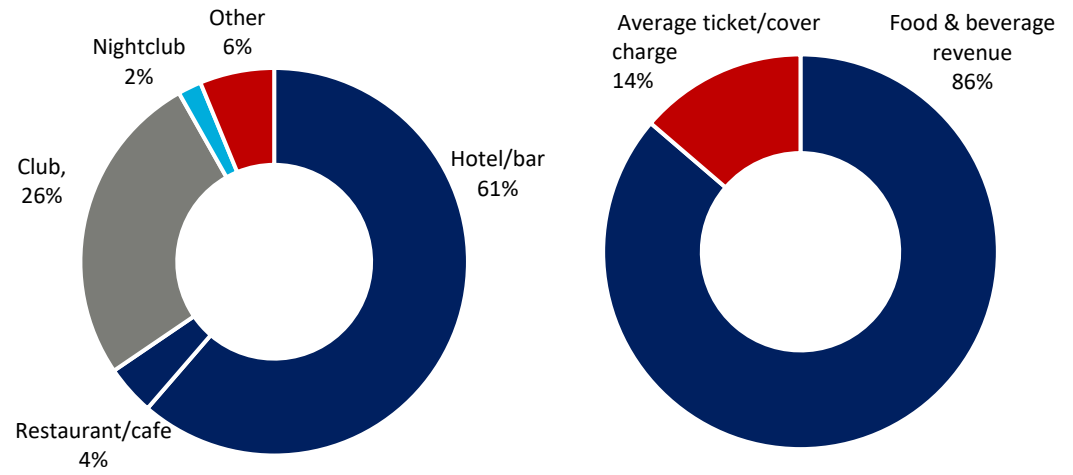
⁴⁹ Ticket sales and cover charges are sourced from venue survey responses

⁵⁰ Average patron spend is calculated as \$30 from survey responses

More than half
of industry revenues comes
though hotels & bars



Fig. 15. Total revenues by venue type and source (% split)



Source: BIS Oxford Economics

4.2 VENUE RESPONSE TO OFFSET INCENTIVES

In this analysis venues are split into two categories:

- Those that did not host live music in FY19
- Those that did host live music in FY19

4.2.1 Venues that did not host live music in FY19

These venues were asked how they would respond if they were offered a refundable tax offset of \$12,000 (12K), \$24,000 (24K) and \$48,000 (48K) to host live music. 64% of these venues stated they would begin hosting live music with a 12K tax offset, and this share rises with the 24K and 48K offset.

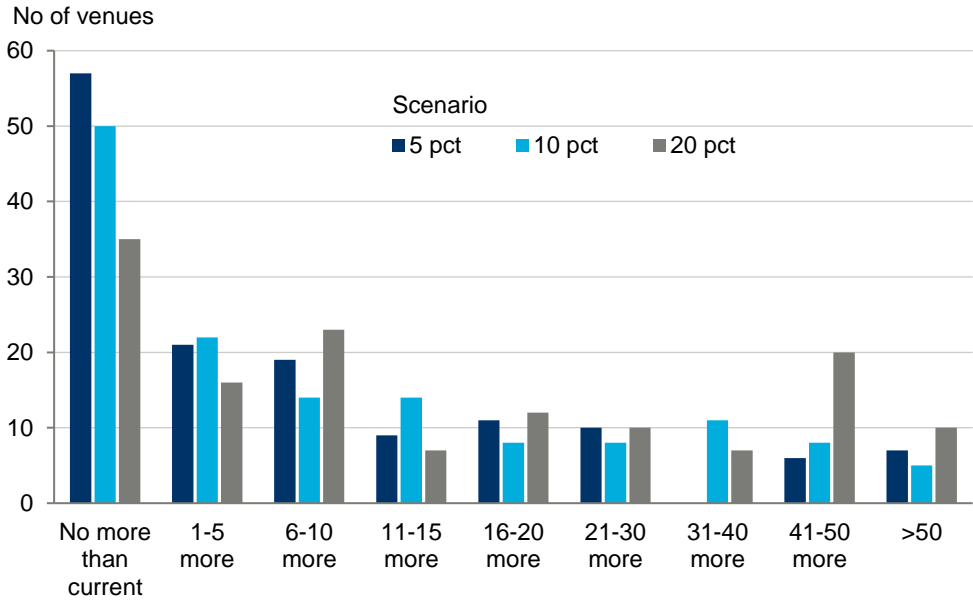
Unsurprisingly, venues indicated they would host more gigs if the offset were higher. Of those that would host live music, the average number of annual gigs were 17, 21 & 26 under the 12K, 24K and 48K scenarios respectively.

Of the non-live venues that agreed a tax offset would encourage them to host live music:

- 40% were hotels/bars, that indicated they would host an average of 19, 23 and 27 gigs/year under the 12K, 24K and 48K scenarios respectively.
- 38% were restaurants/cafes, that indicated they would host an average of 14, 19 & 25 gigs/year under the 12K, 24K & 48K scenarios respectively.
- The remaining 20% were clubs, or other hospitality establishments

Fig. 16. Response to tax offset scenarios: Venues not hosting live music

How many more live performances would you host annually if you received a refundable tax offset?



Source: BIS Oxford Economics, n = 140

4.2.2 Venues that hosted live music in FY19

Venues that hosted live music in FY19 were asked how they would respond if they were offered a refundable tax offset equivalent to 5%, 10% and 20% of their annual live music expenses. 60% or more of the venues stated they would host additional gigs under each of the offset scenarios. Of those the venues that would host more music, the average number of additional performances were 17, 19 & 24 under the 5%, 10% and 20% scenarios, respectively.

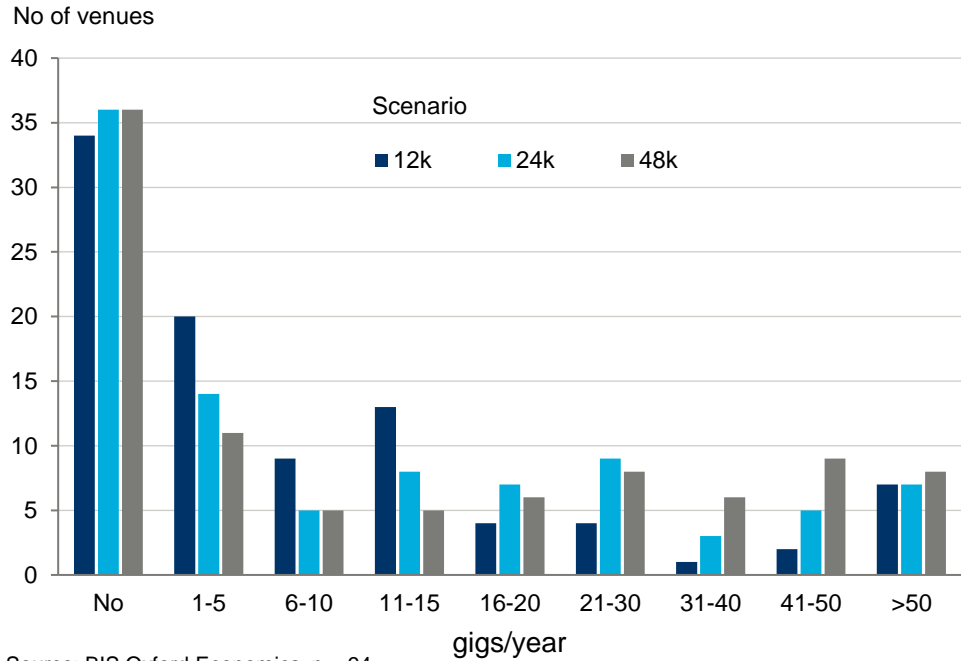
Of the live music venues that agreed a tax offset would encourage them to host live music:

- 50% were hotels/bars indicating they hold 20, 22 & 26 additional gigs/year under the respective scenarios.
- 25% were clubs indicating they hold at least 14, 15 & 19 additional gigs/year under the respective scenarios.
- 14% were restaurants/café indicating they hold at least 13, 17 & 22 additional gigs/year under the respective scenarios.

63% of venues
that didn't host live music in FY19 agreed a tax offset would encourage them to host live music

Fig. 17. Response to tax offset scenarios: Venues hosting live music

Would a refundable tax offset on the expenses in staging live music encourage you to host live music?



Source: BIS Oxford Economics, n = 94

Overview of venue responses

The rise in the number of venues hosting live music, combined with a rise in the average number of gigs hosted by existing live music venues will boost the number of gigs hosted annually. Figure 18 provides an overview of the impacts of each tax offset scenario. Unsurprisingly, the larger the tax offset the greater the rise in gigs per year. The 48K scenario produces 230,600 additional live gigs while the 20% scenario (for existing venues) provides 91,900 additional gigs per year.

Combining the figures for venues that did not host music in FY19 with those that did provides the aggregate additional performances under a combination of offset scenarios. For example, the combined uptick in gigs/year under both the 12K & 5% scenario is around 203,000 additional gigs/year.

Multiplying the number of additional gigs by the average attendance by venue type provides the total number of attendances under each scenario. The increase in gigs per year results in an additional 24 million and 20 million attendance at live gigs under the 48K and 20% offset scenarios respectively (or 44 million collectively).

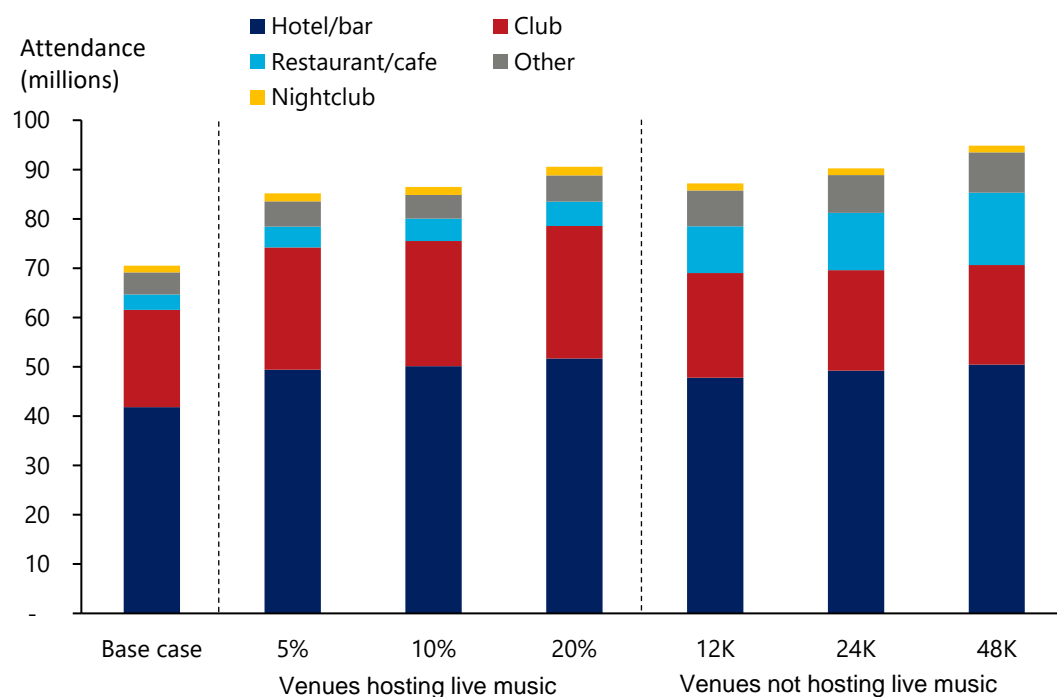
Fig. 18. An overview of each scenario

Scenario	Base	Venues not hosting live music			Venues hosting live music		
		12K	24K	48K	5%	10%	20%
Gigs/year	424,80	575,300	612,500	655,400	477,500	488,900	516,700
<i>Increment</i>	-	+150,500	+187,700	+230,600	+52,700	+64,100	+91,900
Attendance/year (millions)	70.5	87.2	90.3	94.9	85.1	86.5	90.6
<i>Increment</i>	-	+16.7	+19.8	+24.4	+14.6	+16.0	+20.0

Source: BIS Oxford Economics

It is worth highlighting that the significant lift in gigs from venues not currently hosting music is dampened by the capacity of these venues. The majority of these venues are cafes and restaurants (see figure 12). These venues reported lower capacity on live music nights than other venues such as pubs and hotels (see figure 20 below). While there was pronounced effect in terms of the number of additional gigs, these additional gigs do not translate as strongly into the attending patrons as current live music venues.

Fig. 19. Attendance per year by scenario and venue type (gross)



Source: BIS Oxford Economics, n = 148

Some caveats to these figures should be noted however:

- Gross attendance vs net economic impacts* - The additional live performances (and accompanying attendances) discussed above are “gross” in the sense that they represent the additional number of *live* gigs and accompanying attendees which we estimate the tax offset initiatives would encourage. However, for the purposes of estimating the true economic contribution we have effectively netted off the number of attendees at non-live events who would attend in any case. As discussed below, we estimate an **additional 59 people** attend and spend at a venue on a live music night as opposed to non-live night (see figure 20). It is this “incremental growth” figure which has been used in estimating the net change from an economic contribution perspective.

Fig. 20. Attendance by type of venue and night

Venue type	Night	
	Live music	Non live music
Hotel/bar	147	78
Restaurant/cafe	91	63
Club	274	189
Nightclub	254	78
Other (please specify)	160	192
Total	183	124

Source: BIS Oxford Economics

- While net figures are important for the economic calculations, gross live performance and attendance figures may be seen as important in broader terms. From the point of view of the music industry and society substituting live for non-live music performances may have a value of its own. That is, we may prefer a thriving live music ecosystem to one in which audiences simply listen to live music at venues. In addition, the existence of a thriving live music scene helps support the existence of recorded music itself. This issue has been raised in the discussion in the preceding chapters.
- Supply and demand side constraints* – In practice, venues may have limits on the capacity to which they could accommodate additional gigs. In addition, while patronage has been assumed to match this increase in supply, the extent to which audiences respond and attend such events (i.e., demand elasticity) has not been formally modelled in this study. Formal modelling would require additional research.

- Nonetheless, as indicated, to the extent that a net approach has been used to undertake an economic assessment these factors may be controlled for to some extent as a part of that assessment. That is, live music venues which reported that they experience an increase in a patronage on live music nights implicitly already have some capacity to accommodate additional patrons were they to put on more such nights. In addition, to the extent that both live and non-live venues indicated a willingness to put on more live acts, also this contains some implicit understanding of the ability/feasibility of doing so. This is reflected by proportions of respondents willing/not willing to respond to such incentives. Those not willing to respond, for example, may do so precisely because they do not believe it would be logistically or financially feasible.

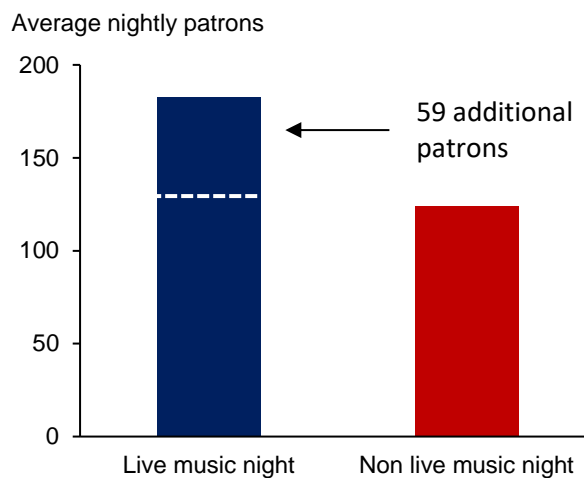
4.3 DIRECT ECONOMIC IMPACTS

4.3.1 Venue revenues

As discussed, survey responses indicated that in FY19 venues reported greater attendance during live music nights (or days) than non-live nights. Specifically, as indicated in the figure below, venues reported an average of 183 patrons on live music nights when performances took place whereas non-live nights averaged 124 patrons. In other words, one additional live music performance produces a net increase of 59 patrons for the average venue.

Survey data indicated that patrons spend an average of \$30 per person at venues on food and beverages on average (regardless of whether they are attending a live or non-live music event). Accordingly, higher patronage at live music events increases this spend.

Fig. 21. Patronage for live music vs non-live music nights



Source: BIS Oxford Economics, n =148

Patrons to live events will also spend on ticket revenue/cover charges in cases where one applies. Data derived from the survey indicates for venues for all venues the average ticket/cover charge was \$11.22 on live music performance occasions. Accordingly, as the tax offset scenarios boost the number of live acts they result in:

- increased spending on food and beverages due to higher patronage; and
- increased spending on tickets/cover charges to gain entry to (an increased number of) live events.

Combined with the willingness to put on new live performances, indicated above, these effects produce a direct increase in total venue revenue in the event of a tax offset being implemented, as shown in the figure below.

Fig. 22. Direct venue revenues: Base case and *incremental* impacts (\$m)

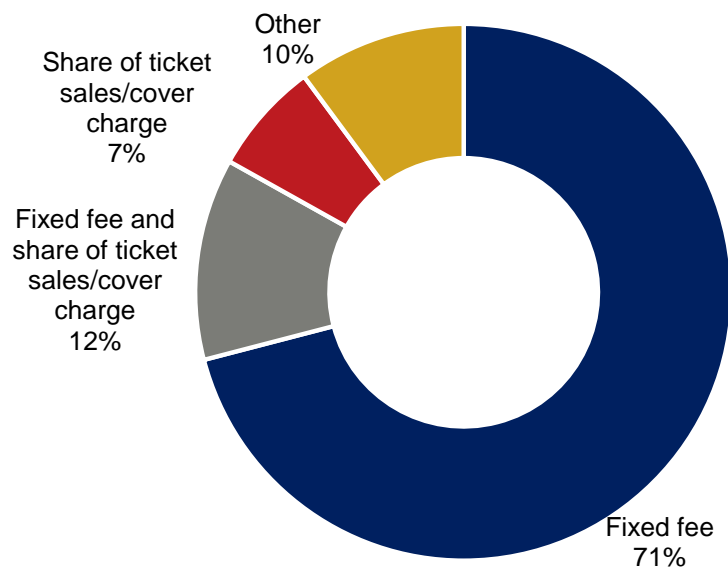
Item	Base case (\$m)	Tax offset scenario (\$m incremental change to base)					
		Non-live venues			Live Venues		
Scenario		\$12K	\$24K	\$48K	5%	10%	20%
Revenue	\$2,442	+\$247	+\$300	+\$375	+\$235	+\$253	+\$322

Source: BIS Oxford Economics analysis

4.3.2 Artist incomes

Venues typically pay artists through a fixed performance fee, as a share of ticket sales or cover charge, or through a combination of the two. Of those that paid artists, survey data indicates that the average payment in FY19 was \$1,100.

Fig. 23. Split of venue payment types to artists

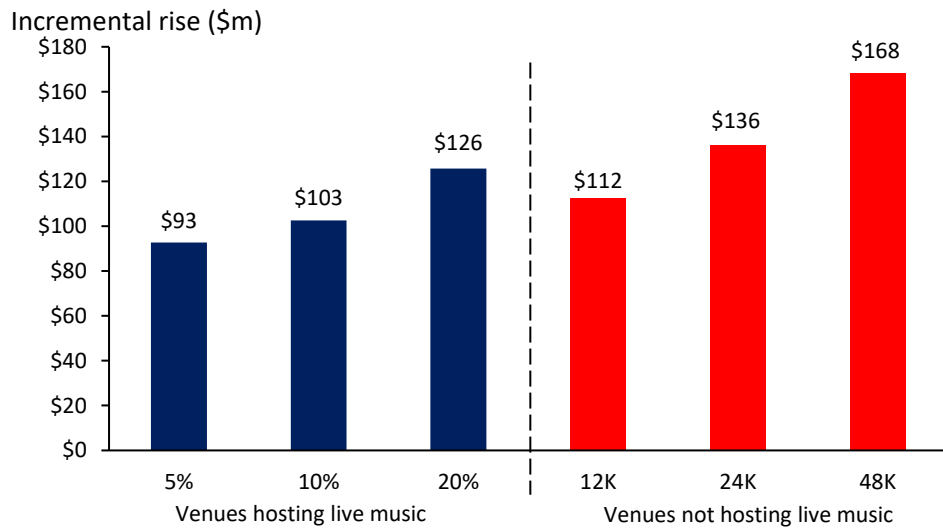


Source: BIS Oxford Economics, n = 148

As venues put on more performances, artist incomes will also rise. The increase in the annual number of gigs boosts the number of payments to artists and lifts total artist income by between \$93 and \$168 million depending on the scenario (see figure 24). Changes in artist incomes are incorporated into the changes in venue revenue noted above in the economic modelling. As indicated, a key motivation of the offsets is to encourage a healthy live performance ecosystem. Providing more opportunities for artists to perform and boosting the overall size of the artist sector itself is a key part of this.

It is interesting to note that, based on venues responses, the rise in total artist income is roughly around 40% of the rise in total venues revenues, meaning that a significant portion of the revenue benefits of live music are being shared with artists⁵¹.

Fig. 24. Increment in artist incomes by scenario



Source: BIS Oxford Economics, n = 143

⁵¹ Although there may have been a bias in venues responses to artist pay, i.e. venues who pay artists very little, or not at all, may be less likely to respond to the question.

4.4 TOTAL ECONOMIC IMPACTS

As indicated, the direct increase in consumer expenditure on venues (and the accompanying impacts on venue revenues) produces flow on effects for other parts of the economy. With more live performances and greater spending on tickets and food and beverages, more must be spent on inputs (expenses) such as payments to artists themselves, as well as food and beverage suppliers and transport services. These will have flow-on effects to the rest of the economy through indirect and induced impacts as described above.

Accordingly, the total economic combination of these effects is modelled below for the various tax offset scenarios based on I-O modelling of the changes in venue revenues⁵².

Gross output, GVA and employment contributions increase for all the modelled scenarios. As would be expected the 48K and 20% offset scenarios for non-live and live venues respectively produce the greatest increase in gross output, GVA and employment contributions.

In particular, a 48K offset to non-live venues would contribute \$495 million to GVA and 5,800 jobs, while the corresponding figures for the 20% offset to live venues are \$425 million to GVA and 5,000 jobs respectively. The combination of the two would see a \$920m impact, with 10,800 jobs created.

Although the offsets provided to non-live and live venues differed (one being a cash amount the other a percentage) responsiveness to offsets appeared to be greater overall for non-live venues. Also notable is that for live venues the differences in outcomes between the 5% and 10% scenarios are relatively small, though the 20% scenario produces a much larger relative impact. These economic results in turn reflect the responsiveness of venues to the incentives.

It is not clear why this might be the case, although the below suggestions are offered as possibilities:

- *Impacts of the pandemic itself on live venues* – As indicated the pandemic has seen a major cut in live performances. While many venues have indicated their intention to return to live performances, 13% have indicated they do not intend to put on the same number as

⁵² We acknowledge that there may also be costs in doing so, most notably the cost of offsets themselves and the potential for deadweight loss. Addressing such issues would require more formal modelling which is beyond the scope of this study. However, we note that the pandemic itself has introduced major supply and demand shocks into the live music and artistic sectors, producing major distortions into the normal functioning of such markets and accompanying negative externalities. As indicated, in some cases, this has led some venues to indicate they will permanently reduce the amount of live music performances they put on while others suggest only a gradual recovery. These distortions to the supply side are unlikely to have happened, absent the pandemic. Likewise, as indicated, the pandemic has produced major negative externalities through the curtailment of a vibrant live music scene and a reduced quality of life for large parts of the population, with negative social and mental health effects. The proposed measures seek to redress these issues.

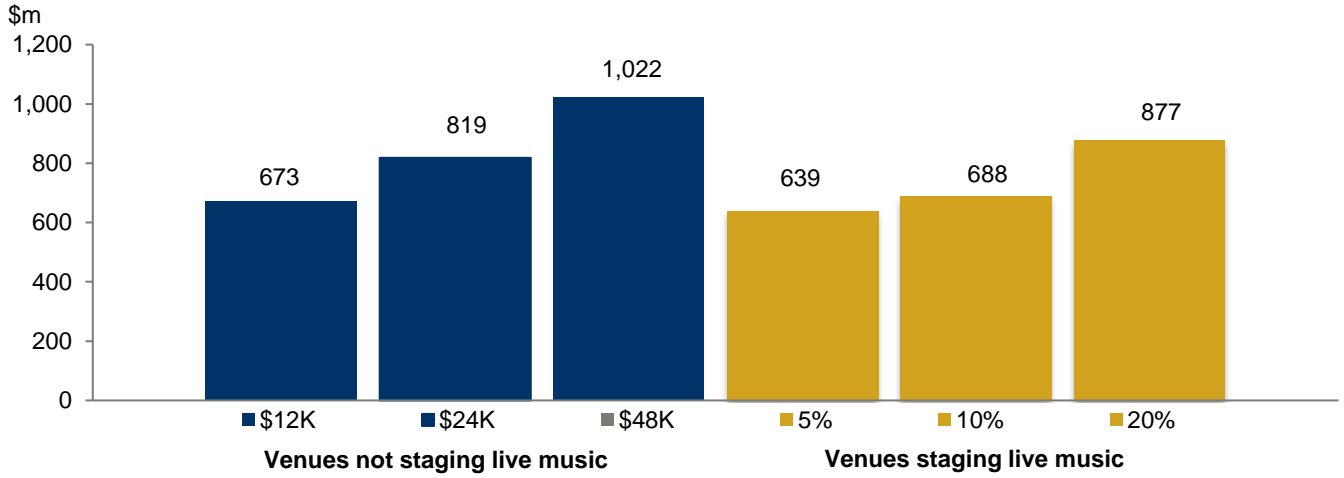
**A combined offset
adds \$920 million to
GVA and creates
10,800 jobs**

pre-pandemic. While the offsets are intended to reverse these effects, the results may reflect the lingering experience of the pandemic. However, given the objective of revitalising the live music industry this might suggest that higher end offsets (i.e. in the 20% range) might be more compelling, given the need to send a strong message of support to the industry. The substantial increase in willingness to put on performances (and economic outcomes) between the 10% and 20% scenarios (compared to the difference between the 5% and 10% scenarios) might also be an illustration that industry would respond to a strong signal of intent.

- *Non-live venues seeing an opportunity* – In contrast to live venues, non-live venues may see putting on live acts as an opportunity to revitalise their business after years of hardship and lockdowns. Live performances, boosted by government financial support, could be seen as a new opportunity for such businesses.
- *The large number of non-live venues relative to live venues* – In the APRA database there are 14,292 hospitality venues that did not host live music in FY19, while there are around 5,169 that did. Scaling the responses up to the population of venues results in a larger impact in terms of additional gigs/year for non-live venues (see figure 12). However, the overall impact is constrained by the smaller capacity of non-live venues; close to 60% of non-live venues are café/restaurants which have lower patron capacity than the other venue types.

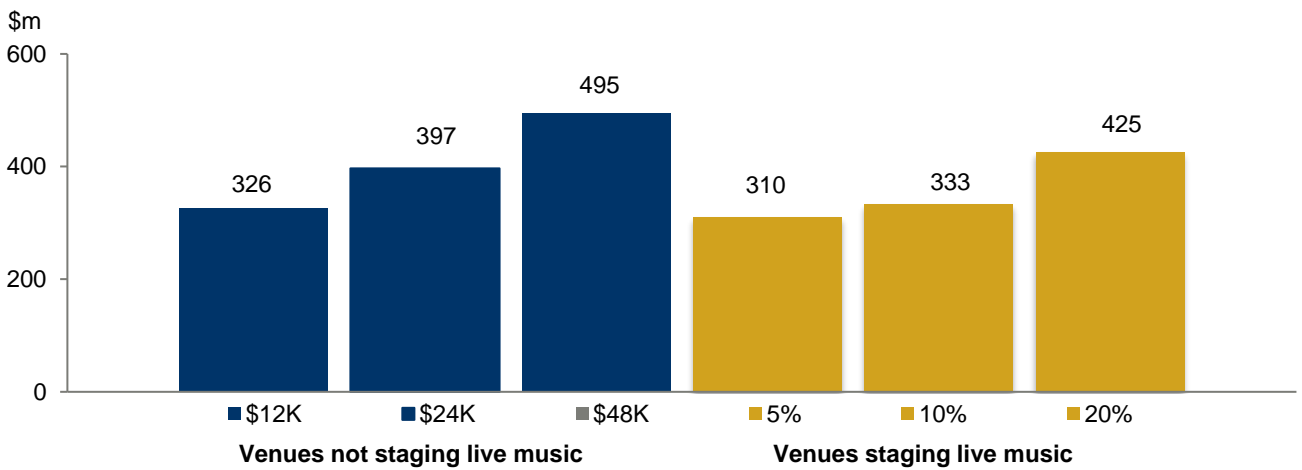
The results can also be disaggregated into direct, flow-on and total effects for each scenario to indicate the contribution of each. This is illustrated in the tables below, dealing with gross revenues, GVA and employment respectively. For example, direct industry employment is 23,700 in the base case but rises to 26,800 in the 20% offset scenario. The corresponding figures for total employment (including direct and flow on effects) are roughly 37,700 and 42,700, respectively. Direct incremental effects are also indicated to illustrate how the scenarios would impact on venues themselves. For example, the 20% offset scenario would directly increase direct (i.e., venue) revenues by \$322 million and support an additional 3,100 jobs at venues.

Fig. 25. Scenario results: Total output incremental to base case



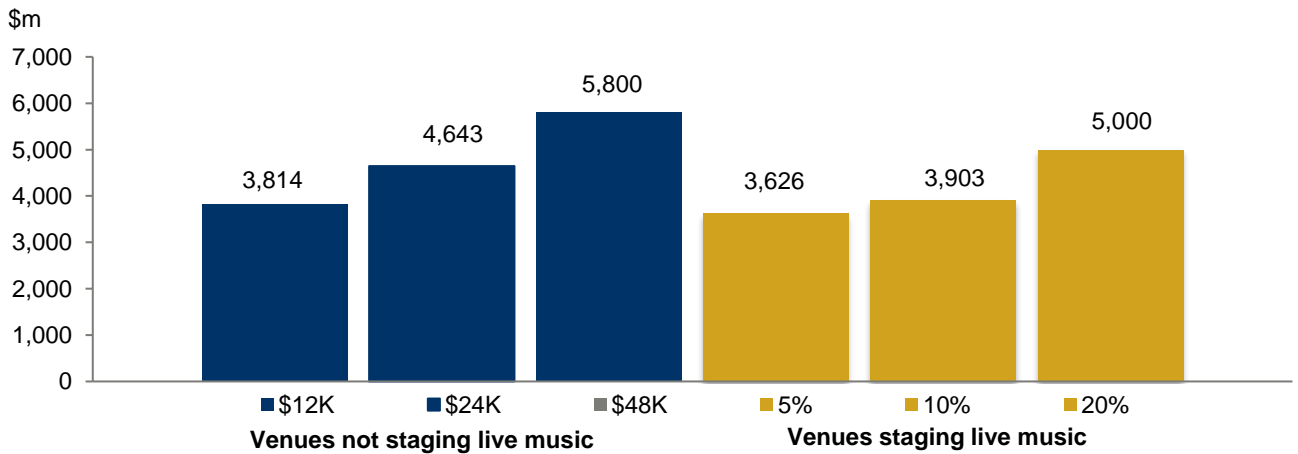
Source: BIS Oxford Economics

Fig. 26. Scenario results: GVA incremental to base case



Source: BIS Oxford Economics

Fig. 27. Scenario results: Employment incremental to base case



Source: BIS Oxford Economics

Fig. 28. Scenario results: breakup of gross revenue effects

Item	Base case (\$m)	Tax offset scenario effect (total \$m)					
		Non-live venues			Live Venues		
		12K	24K	48K	5%	10%	20%
Scenario/effect							
Direct	2,442	2,689	2,742	2,817	2,676	2,694	2,764
Flow-on (indirect and induced)	4,412	4,638	4,730	4,859	4,617	4,648	4,767
Total	6,654	7,326	7,472	7,675	7,293	7,342	7,531
<i>Incremental to base case (direct)</i>		247	300	375	234	252	322

Source: BIS Oxford Economics analysis

Fig. 29. Scenario results: breakup of GVA effects

Item	Base case (\$m)	Tax offset scenario effect (total \$m)					
		Non-live venues			Live Venues		
		12K	24K	48K	5%	10%	20%
Scenario/effect							
Direct	1,134	1,249	1,273	2,308	1,243	1,251	1,283
Flow-on (indirect and induced)	2,088	2,299	2,345	2,409	2,289	2,304	2,364
Total	3,222	3,548	3,619	3,717	3,532	3,555	3,647
<i>Incremental to base case (direct)</i>		115	139	1,174	109	117	149

Source: BIS Oxford Economics analysis

Fig. 30. Scenario results: breakup of employment effects

Item	Base case (employees)	Tax offset scenario effect (employees)					
		Non-live venues			Live Venues		
		12K	24K	48K	5%	10%	20%
Scenario/effect							
Direct	23,700	26,100	26,600	27,300	25,900	26,100	26,800
Flow-on (indirect and induced)	14,100	15,500	15,800	16,200	15,400	15,500	15,500
Total	37,700	41,500	42,400	43,500	41,400	41,600	42,700
<i>Incremental to base case (direct)</i>		2,400	2,900	3,600	2,200	2,400	3,100

Source: BIS Oxford Economics analysis

4.5 IMPLEMENTATION

It is acknowledged that implementing new legislation can be burdensome. Annual administration, ongoing monitoring and evaluation can also be costly. However as noted above, such costs should be seen in the context of the distortions introduced to markets by the pandemic itself and the need to redress these in some of the most affected sectors such as live music performances. However, in the case of tax offsets, there is a good opportunity to leverage existing frameworks and legislation. One precedent is the R&D tax offset scheme administered by the ATO. The proposed scheme also has parallels to existing film industry offset schemes. One framework would see the scheme administered by the ATO, with the assistance of a music body or authority to determine qualifying expenditure.

As indicated, the scope of this project does not extend to a detailed analysis of the costs of implementation. Accordingly, the design of the scheme will require further research and analysis and further stakeholder consultation before it is enacted.

5. SUPPORTING ARTISTS BEYOND THE PANDEMIC

5.1 BACKGROUND

While our network of venues is the infrastructure that facilitates live music, ultimately the health of the industry rests on the creative outputs and skills of our musicians, songwriters, and artists. Without them there simply would be no live music industry. As discussed in section 2, the pandemic compounded challenges already faced by musicians, including low streaming remuneration, winner-take-all outcomes and unstable work. Over FY19 and FY20 many professional musicians left the industry and less entered.⁵³

Prior to the pandemic Australia's music exports were increasing and delivering substantial economic and cultural benefits to the nation (see Box 5.1). However, the impact of the pandemic threatens Australia's future music export market. Without support Australian artists may fail to take advantage of the continued growth in the international streaming market.

BOX 5.1 AUSTRALIA'S MUSIC EXPORTS

Sounds Australia's *Born Global*⁵⁴ report highlights that Australia is in the top ten music markets in the world. The report also finds that:

- international royalty revenue has **doubled since 2013**, growing to \$43.7m in 2018,
- annual export income of Australian artists, music publishers and record labels are estimated at \$195m in 2018,

In 2021 when the US and UK opened up ahead of Australia, a number of prominent Australia acts were needing to leave the country in order to realise significant touring and festival appearances. Sounds Australia calculated this amount, of just over \$80m (which does not include merchandise, spikes in album downloads and digital streams, or broadcast and performance royalties, which is substantial additional revenue).

Sounds Australia also emphasise that exporting artists share Australian stories, culture, and perspectives with the world, helping to build national identity and contributing to cultural diplomacy and Australia's reputation on the world stage.

⁵³ See for example <https://www.smh.com.au/culture/music/they-will-go-into-different-careers-fears-for-lost-generation-of-musos-20211014-p58zwc.html>

⁵⁴ The Australia Council, 'Born Global'. (2019)

While the Federal government has a number of programs through which it supports musicians (see Box 5.2), stakeholders noted that many of the current programs are competitive, meaning they can create winners and losers (those that receive the grants and those that don't). Grants are only awarded to a small subset of artists each year. Musicians have also noted that the sheer number of Federal & State grant programs can be confusing, with criteria and eligibility changing from year-to-year. Applicants can suffer from 'grant fatigue'. Additionally, grants often form part of non-recurrent government expenditure, meaning that funding can end, creating uncertainty for artists.

Stakeholders supported the case for an inclusive, non-competitive support program that would reach a broad range of artists, from 'middle-class' emerging artists seeking to build a fanbase to established acts seeking to export their music overseas. Musicians and managers noted that a long-term and streamlined program would provide them with more confidence invest in touring and development over the long run. It is interesting to note overseas initiatives such as the Irish Basic Income for the Arts (BIA) as indicated in box 5.3.

BOX 5.2 GOVERNMENT SUPPORT FOR MUSICIANS

Most arts organisations qualified for **Job Keeper** due to substantial declines in revenue. Job keeper provided \$730 million of support to business and their employees in the Creative and Performing Arts subdivision of industry⁵⁵. However, due to the high share of self-employed and casual workers in the arts and culture there were many who did not qualify for support⁵⁶. Government also provided funding to **Support Act**, who delivered crisis relief services to artists, artist managers, crew, and music workers.

There are many Federal and State government grant programs currently supporting musicians. For example, the **Contemporary Music Touring Program** administered by the Australia Council funds Australian musicians to perform their own work on tour in Australia, with a priority on regional and remote locations. APRA AMCOS and SOUNZ's **Art Music Fund** supports innovative musicians in the creation of new work. While these programs are welcome, they only reach a small subset of the total artist population. State based initiatives include Victoria's Sustaining Creative Workers initiative, Arts Queensland's Individuals Fund and South Australia's Music Development Office's Live Music Support Program⁵⁷.

⁵⁵ Ministers for the Department of Infrastructure, 'An Extra \$135 Million to Help Australia's Creative Sector Rise'.

⁵⁶ Commonwealth Government, 'Characteristics of Employment and Business Activity in Cultural and Creative Sectors'. (2021)

⁵⁷ See <https://soundsaustralia.com.au/funding/> for more examples.

BOX 5.3 IRISH BASIC INCOME FOR THE ARTS (BIA) PILOT

The Irish Government has announced it will pilot a Basic Income for the Arts (BIA) program. The pilot will run for three years and support around 2,000 creative workers. Selected artists will receive a standard subsidy of €325 per week. There is no means test, and participants will be selected randomly.

The program was a top recommendation of *A Life Worth Living*, a 2020 report from the Irish Arts and Culture Recovery Taskforce. Proponents highlight that the program is not 'welfare' but rather a means to recognize the value of artists' practice and to enable artists to be appropriately compensated for creating this value.

5.2 WORKSHOPPING OPTIONS FOR ARTIST SUPPORT

Several options of artist support were workshoped with stakeholders. In developing the support consideration was given to:

- The **objectives** of support
- the **instrument of funding** (grants v. tax offsets)
- the **eligible expenses & administration** of the policy
- the **eligibility criteria & estimates** of eligible artists
- the broader **economic costs & benefits**

5.3 OBJECTIVES***Support a greater level of touring, encourage artists to cross borders again.***

Touring is a crucial but costly part of artist development. Artists incur upfront costs such as accommodation and transport. State health orders have increased uncertainty around touring interstate and many artists are unable to take on the risk given the upfront costs.

Support regional economies. Any program should be designed to support artists performing in the regions. Research has shown audiences are prepared to travel significant distances to attend live music, and this demonstrates live music is a source of regional competitive advantage⁵⁸. Live music can support regional economies recover following the bushfires, droughts, floods, and the pandemic. A well-known artist playing in a regional community would attract tourists, as well as provide social and wellbeing benefits to the local community.

Support greater domestic 'penetration' of Australian artists. Australian artists come under intense pressure from international acts - many of Australia's most popular musicians are not Australian. Support for Australian artists could result in greater import replacement of Australian live and digital music.

⁵⁸ University of Tasmania. 'The Economic and Cultural Value of Live Music in Australia' (2015)

Capture a larger share of the global music market. The continued rise in the global music market represents a significant export opportunity for Australians. APRA AMCOS estimates that Australian artists, publishers and creators have the potential to earn between 5-10% of the global market.

5.4 INSTRUMENT OF FUNDING (GRANTS V. TAX OFFSETS)

Stakeholder noted a refundable tax offset (or rebate) is the preferred delivery mechanism, given they are typically non-competitive, and are set in place over long time periods. However, a grant program could also meet the above objectives.

5.5 ELIGIBLE EXPENSES, ARTISTS & ADMINISTRATION

5.5.1 Approach

Many expenses go into producing and performing new music to audiences. Expenses include production, promotion, and travel costs. Stakeholder consultation highlighted travel expenses as an unavoidable cost associated with touring. Given the objective is to encourage touring, travel expenses would be a suitable category of expenses on which to base the offset.

Travel costs include transport costs, such as van hire and air travel, as well as accommodation costs. One benefit, relevant to administration, is that travel costs are difficult to counterfeit, meaning the program will be less prone to fraud than if other costs were used. When touring, musicians receive receipts from airlines, hotels, and car hire companies. These costs are easy to verify and make administration of the program straightforward.

Stakeholder consultation highlighted an easily demonstrable set of criteria on which to base the eligibility of the proposed offset:

Fig. 31. Preferred criteria for funding

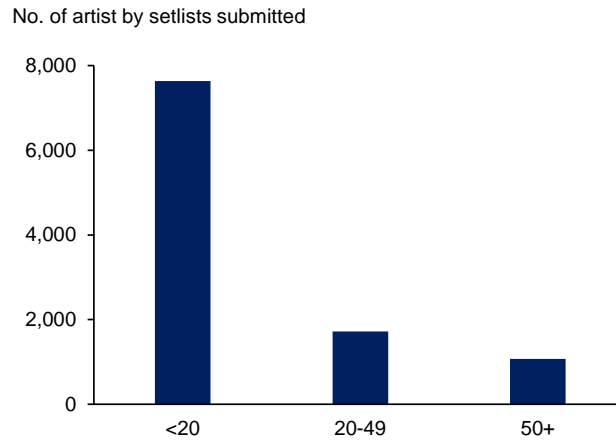
Criteria	Minimum per year	Rationale	Proof
No. of performances	20	Target established, touring artists that are releasing new music	APRA setlists submission receipts
Travel expenditure	\$20,000		Expense receipts
Release of new music	4 singles		ISCN codes
Regional shows	4	Support regional economies	APRA setlists submission receipts and ARIA index

Source: APRA AMCOS, BIS Oxford Economics analysis

5.5.2 The number of eligible artists/acts

Performing artists are required to submit setlists to APRA AMCOS each year. The below graph shows the distribution of setlists submitted across artists. Over 10,000 artists/acts submitted setlists to APRA AMCOS in FY19, approximately 2,800 of these artists submitted 20 or more setlists.

Fig. 32. Artist setlists submitted: FY19



The additional criteria outlined in figure 33 (minimum travel expenses of \$20,000, at least 4 new singles released and 4 regional shows) reduce the number of eligible artists to an estimated **200-300 artists each year**.

5.5.3 Sensitivity to eligibility criteria

Adjusting the eligibility criteria allows policymakers to target support toward specific groups of artists, such as more established artists, or alternatively, broaden the support to a greater range of artists. The figure below shows the sensitivity of the number of artists eligible under different performance and expense criteria. Highlighted in bold is the criteria preferred by stakeholders.

Fig. 33. Approximate no. of artists /acts eligible under different criteria

Min. gigs		Min. travel expenditure		
		\$20,000	\$50,000	\$75,000
1		800	450	225
20		250	125	60
35		125	70	35

Source: APRA AMCOS, BIS Oxford Economics analysis

5.5.4 Cost of the program

Stakeholders noted the value of the tax offset ideally would be set at 50% of eligible travel expenses. Under a 50% offset scenario and the criteria listed in

figure 33, eligible artists/acts would be receiving an estimated average annual offset between \$20,000 and \$30,000 each (half of the estimated average travel costs). With 200-300 artists/acts eligible, it is estimated that the program would directly cost (in forgone tax) between **\$4 and \$9 million per annum**.

5.5.5 Administration

The offset could be delivered through the ATO with assistance from a body such as the Australia Council or Sounds Australia. One key benefit of limiting the eligible expenses to travel expenses is that such expenses are difficult to fake or manipulate. This reduces the risk of fraud, and hence the administrative burden of the program.

5.6 BROADER ECONOMIC COSTS & BENEFITS

The main focus of the program is to provide artist support to enable post-pandemic cultural recovery. Not only will this help rebuild Australia's musical ecosystem, but it also holds the potential to assist regional communities, build export markets and provide key social and mental health benefits. We have not formally modelled these outcomes, but the following constitute a set of potential benefits.

Flow on economic benefits. When artists tour, they spend on services such as vehicle hire, accommodation and crew. A greater level of touring would have indirect economic benefits for these servicing industries.

Skills development and employment opportunities. More touring would enable artists to further refine their skills and build audiences. More touring would also provide employment opportunities in supporting roles, such as road crew or sound engineers.

Rebuild Australia's cultural 'capital' beyond the pandemic. Australia must rebuild its cultural capital to counter the impacts of COVID-19. Supporting artists is an investment in Australia's cultural life.

Support Australian music exports. Our domestic venues are the training ground on which our successful exporting musicians start their careers. Encouraging touring will have a positive flow on effect for our music exports. The continued rise in the global music market presents a significant opportunity for Australian creators.

Stimulate regional economies. A minimum number of shows in regional areas will ensure artists head to the regions to play. This would encourage travel to the regions, supporting local economies.

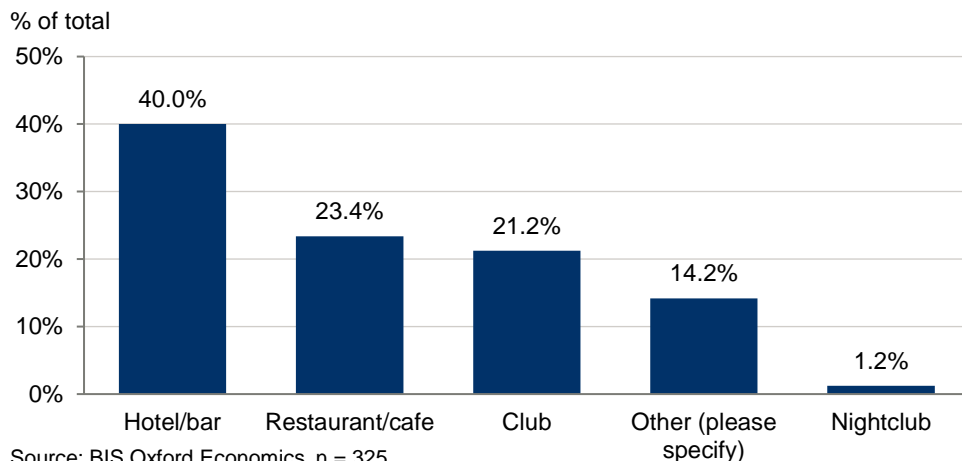
Support wellbeing and mental health. The effect of the pandemic on mental health is a serious issue and one which will dominate policy discussions and policies themselves for years to come. In straightforward

terms, encouraging artist tours and a vibrant live music scene is a chance to bring people together to smile and dance again following a challenging few years. It would provide a strong signal and part of the answer to one of the most common questions heard during the pandemic: "When will I be able to live a normal life again?"

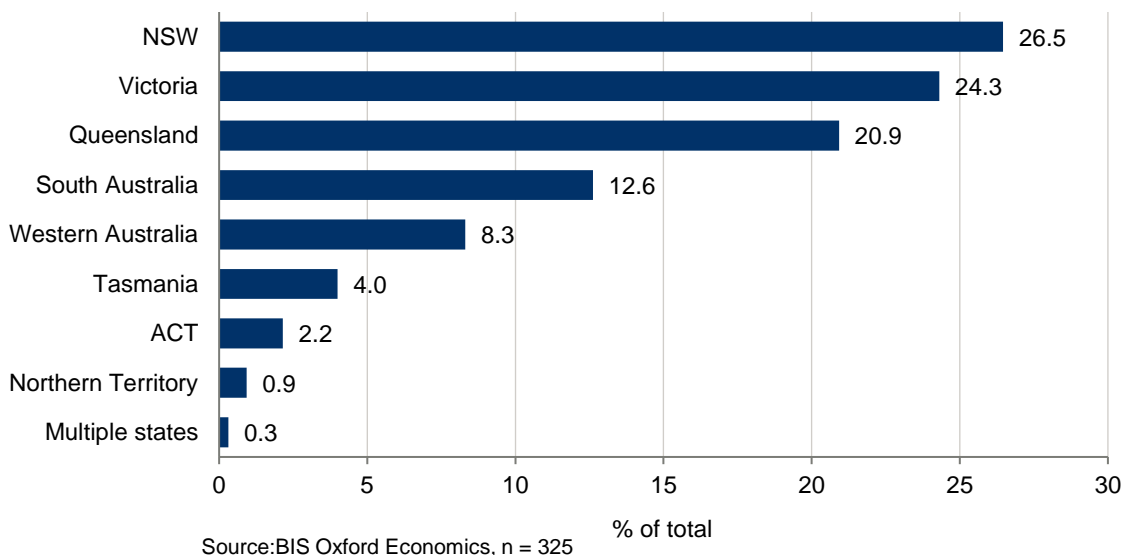
6. APPENDIX 1: VENUE SURVEY RESULTS

ALL VENUE RESPONSES

What best defines your venue? (All venues)

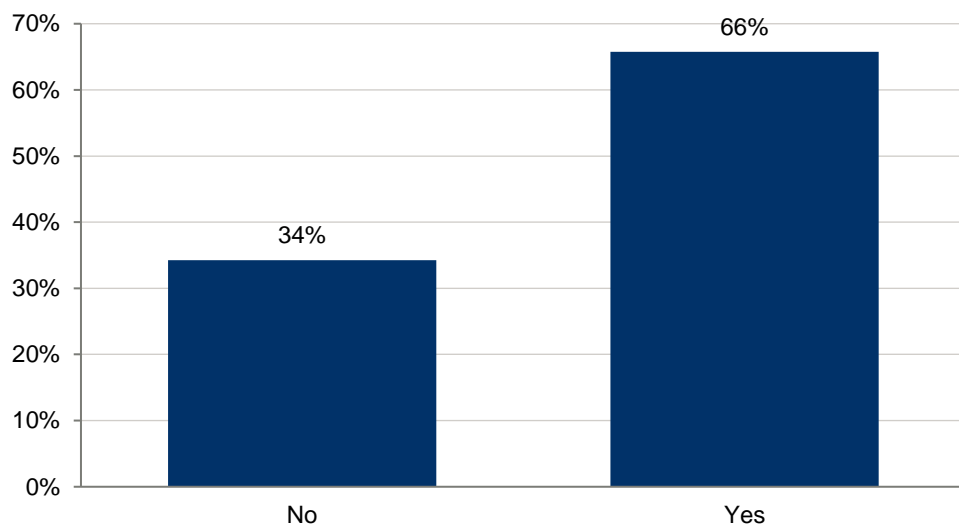


In which state or territory does your business operate in? (All venues)



Did your business host a live music performance FY-19? (All venues)

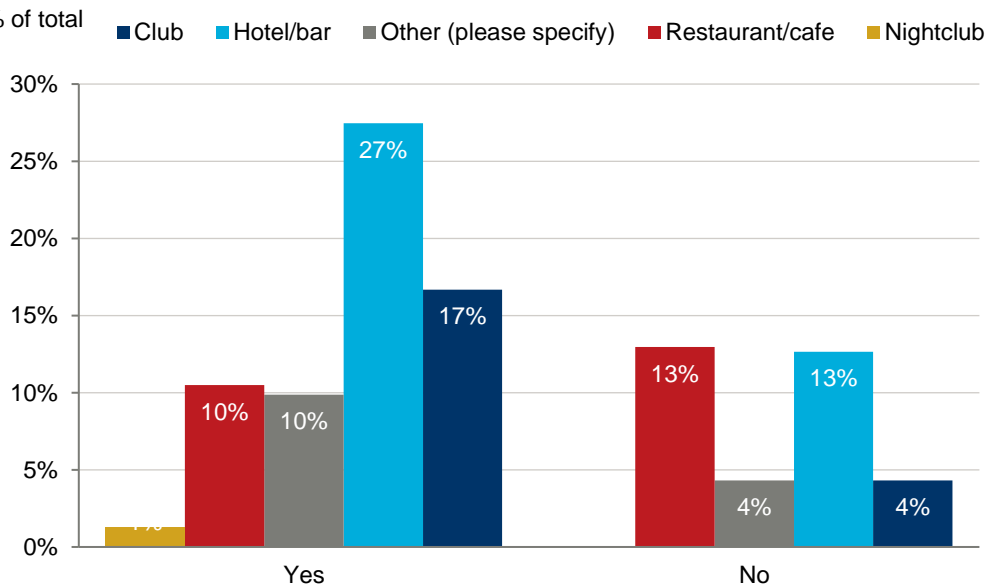
% of total



Source: BIS Oxford Economics, n = 324

Did your business host a live music performance FY-19? (All venues)

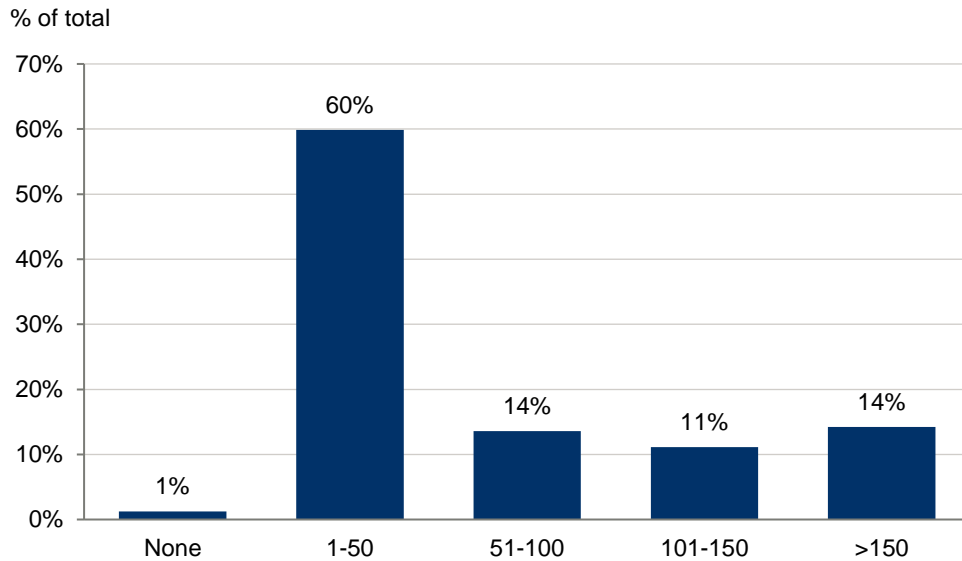
% of total



Source: BIS Oxford Economics, n = 324

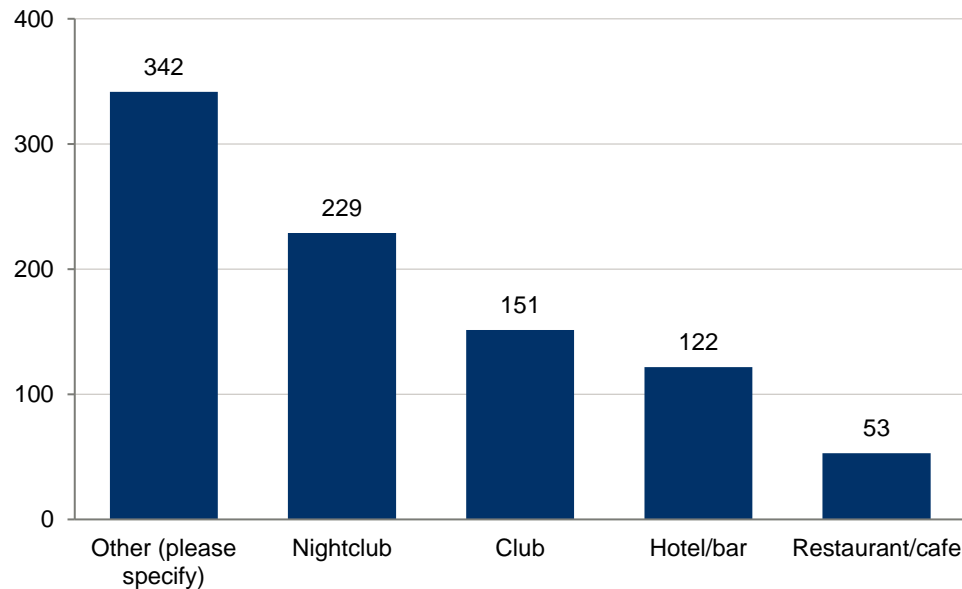
LIVE MUSIC VENUE RESPONSES

How many live music performances did you host in FY19? (Live music venues)



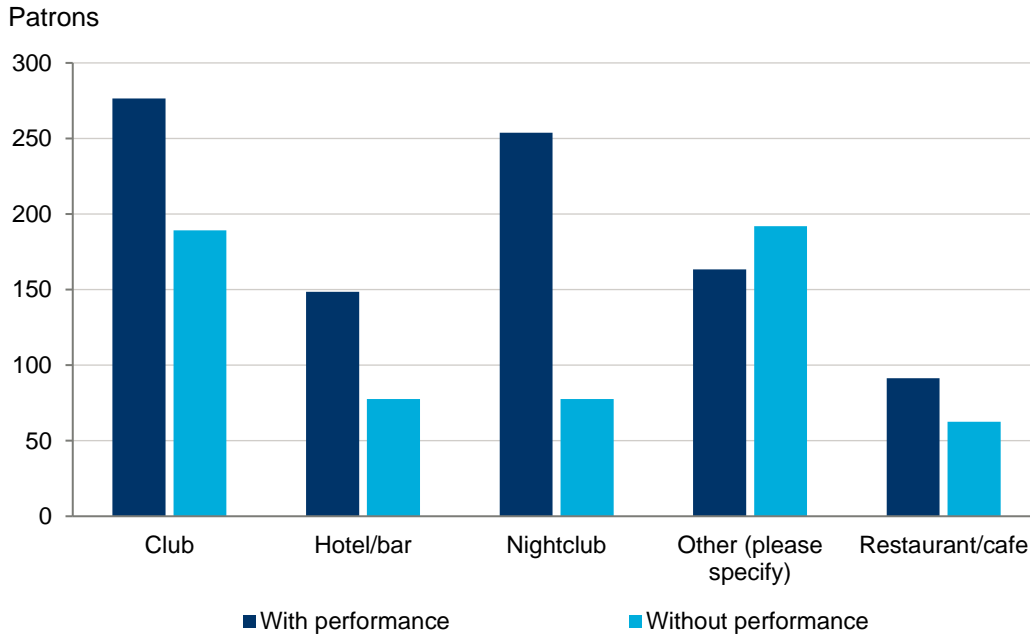
Source: BIS Oxford Economics, n = 162

What was the average attendance per live music performance in FY19? (Live music venues)



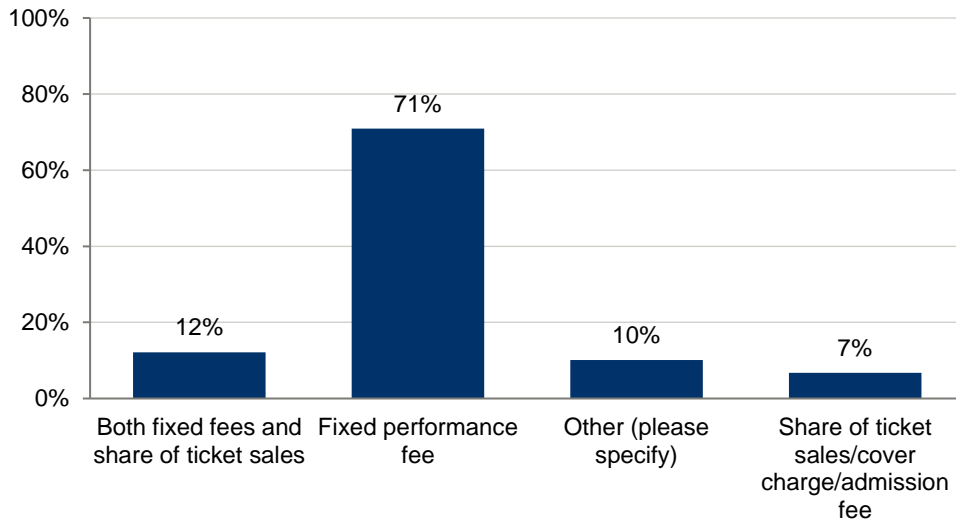
Source: BIS Oxford Economics, n = 158

What was the average attendance at venue in FY-19? (Live music venues)



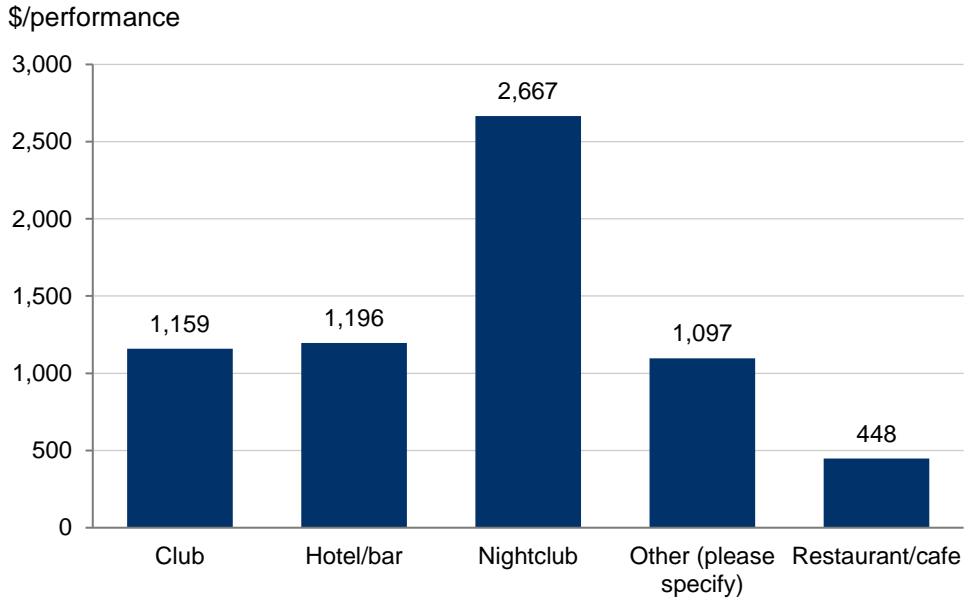
Source: BIS Oxford Economics, n = 145

How did you typically pay for each performance in FY-19? (Live music venues)



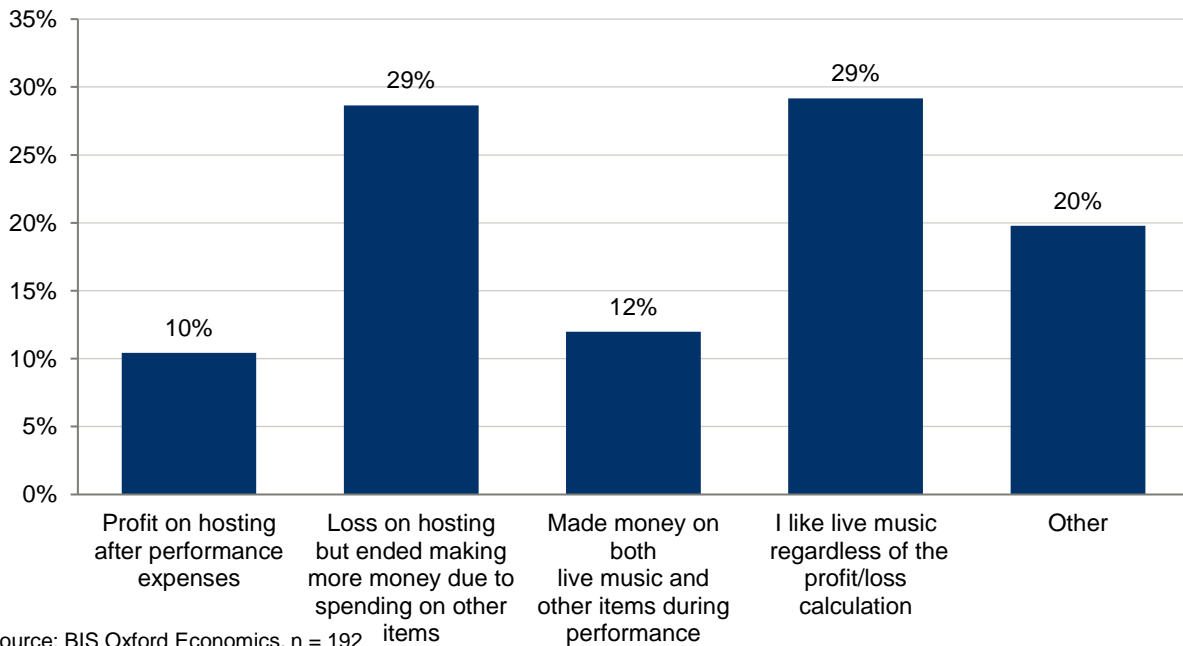
Source: BIS Oxford Economics, n = 148

On average how much did you pay each act per performance? (Live music venues)



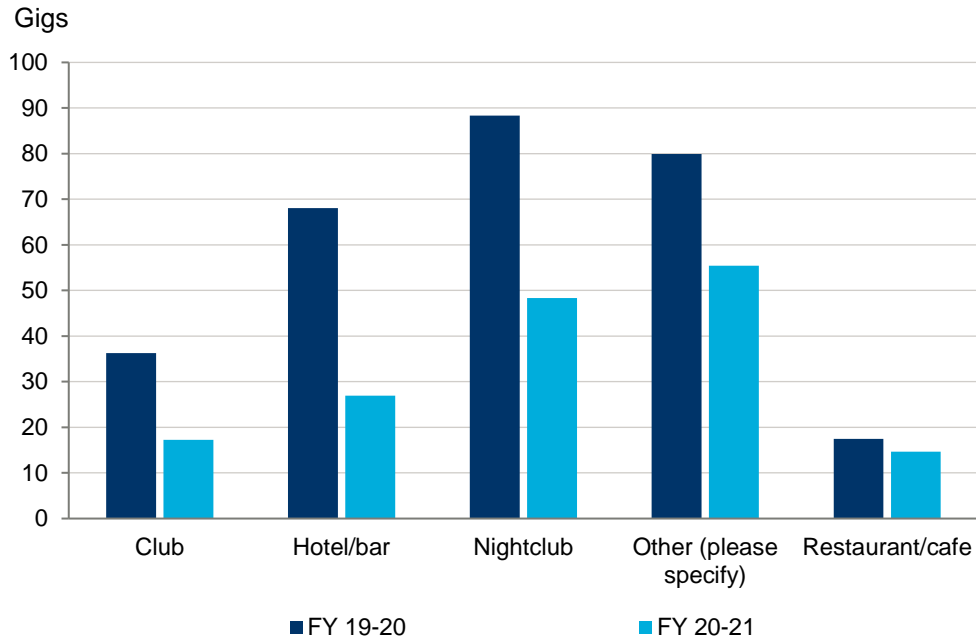
Source: BIS Oxford Economics, n = 137

Main reason respondents decided to host live music performances in FY19? (Live music venues)



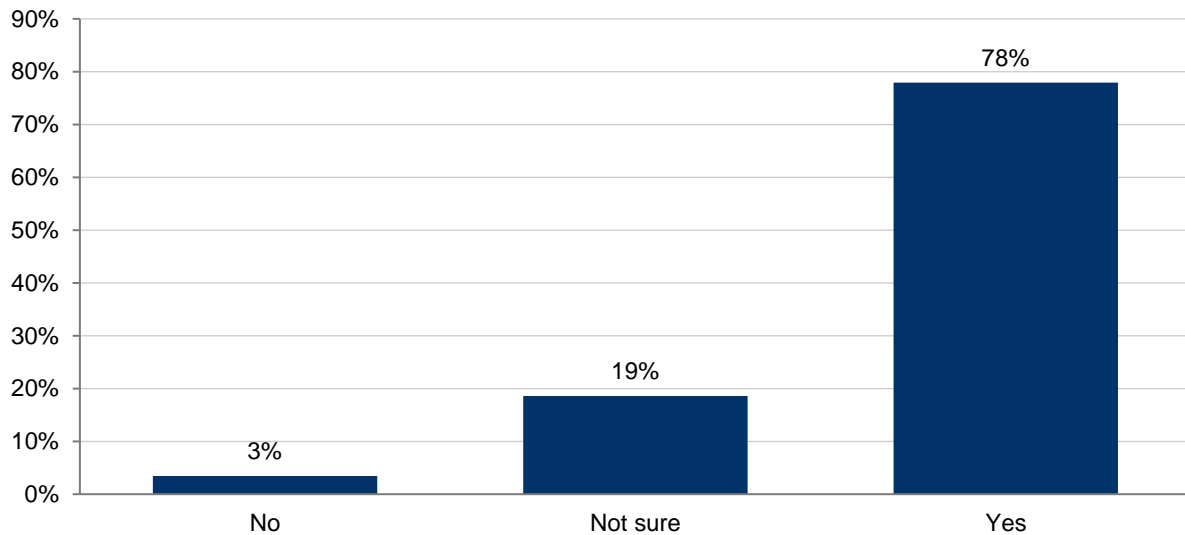
Source: BIS Oxford Economics, n = 192

How many live music performances do you estimate you hosted at your business in...? (Live music venues)



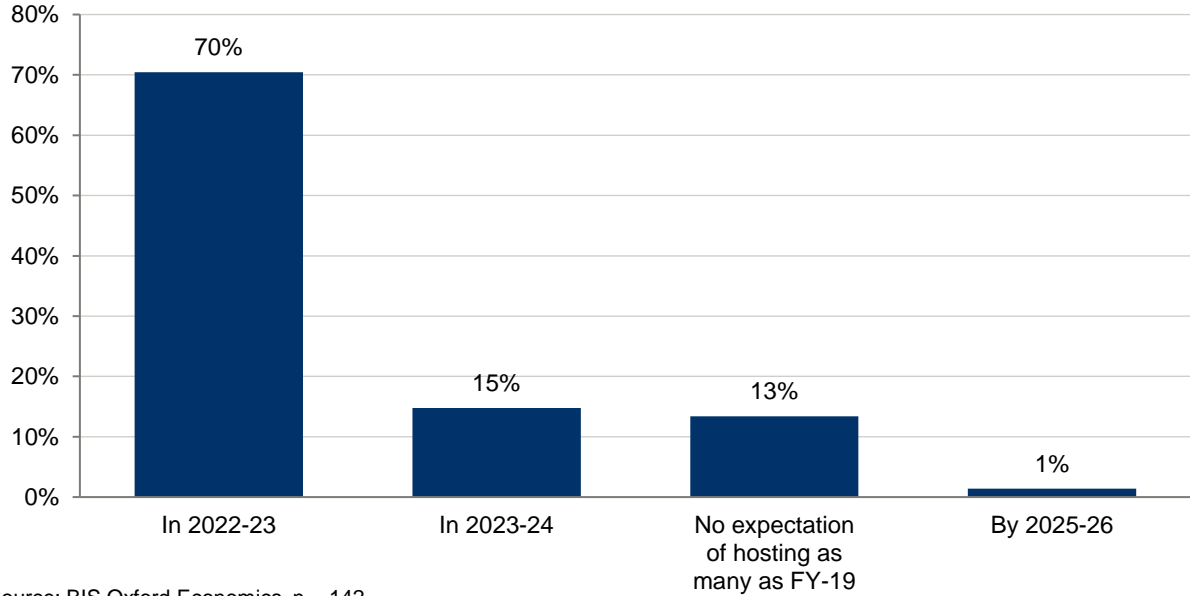
Source: BIS Oxford Economics, n = 142

Do you intend to host any live performances before 30 June 2022? (Live music venues)



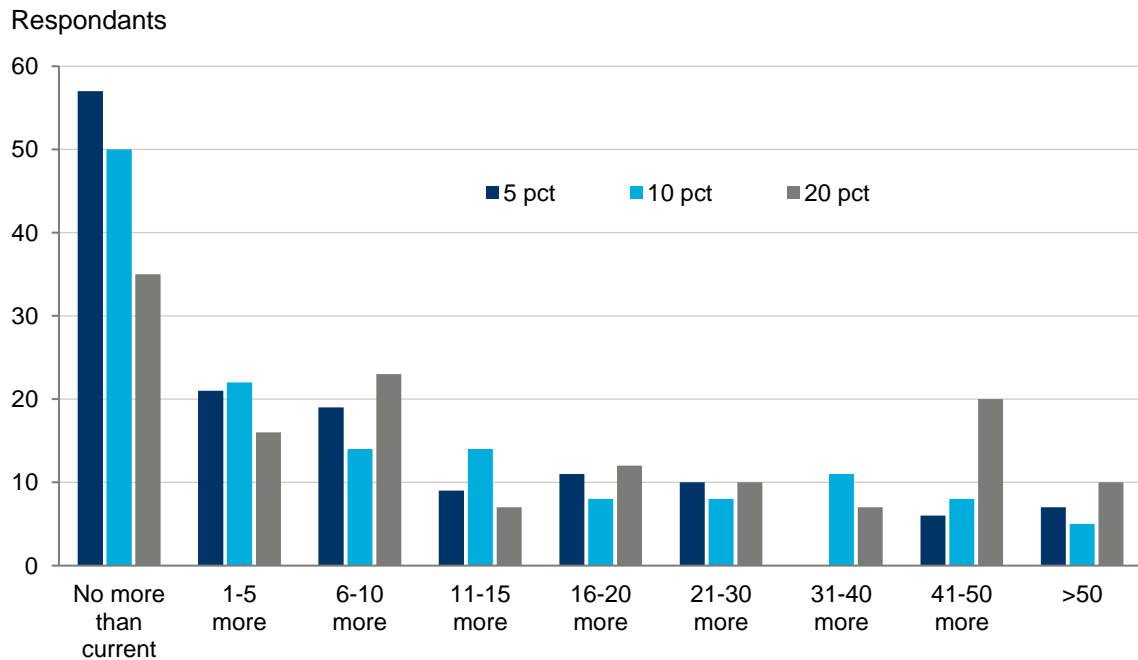
Source: BIS Oxford Economics, n = 145

When do you expect to host as many live performances per year as you did in FY-19? (Live music venues)



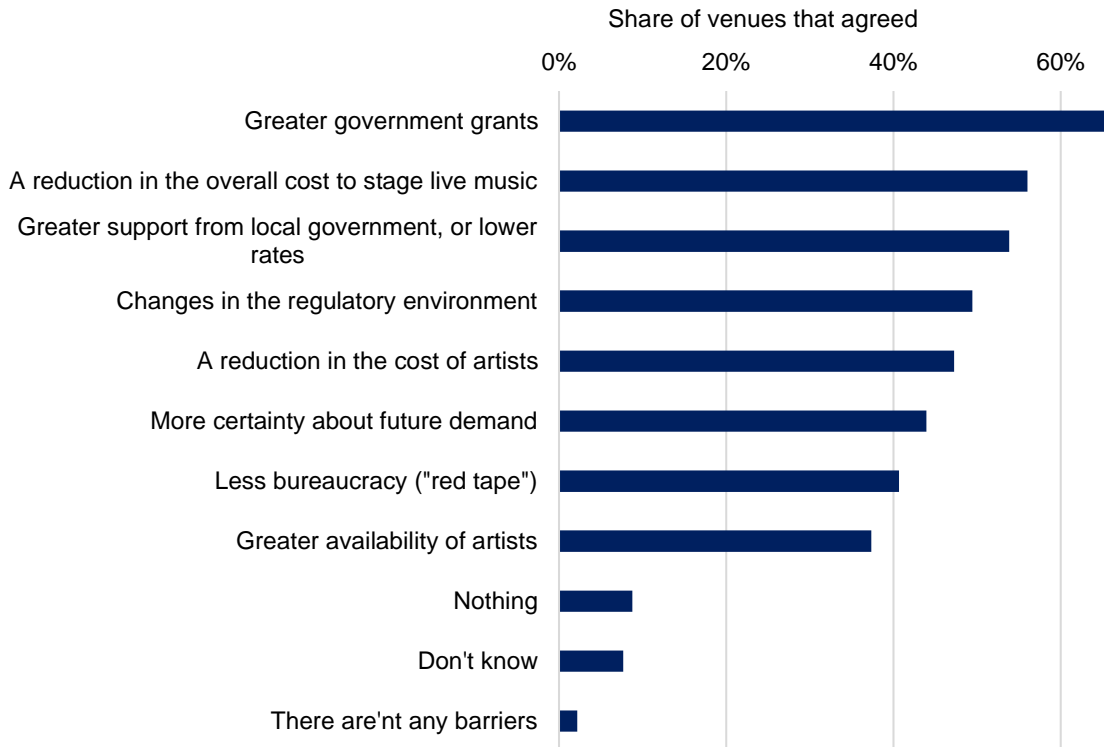
Source: BIS Oxford Economics, n = 142

How many more live performances would you host annually if you received a refundable tax offset? (Live music venues)



Source: BIS Oxford Economics, n = 140

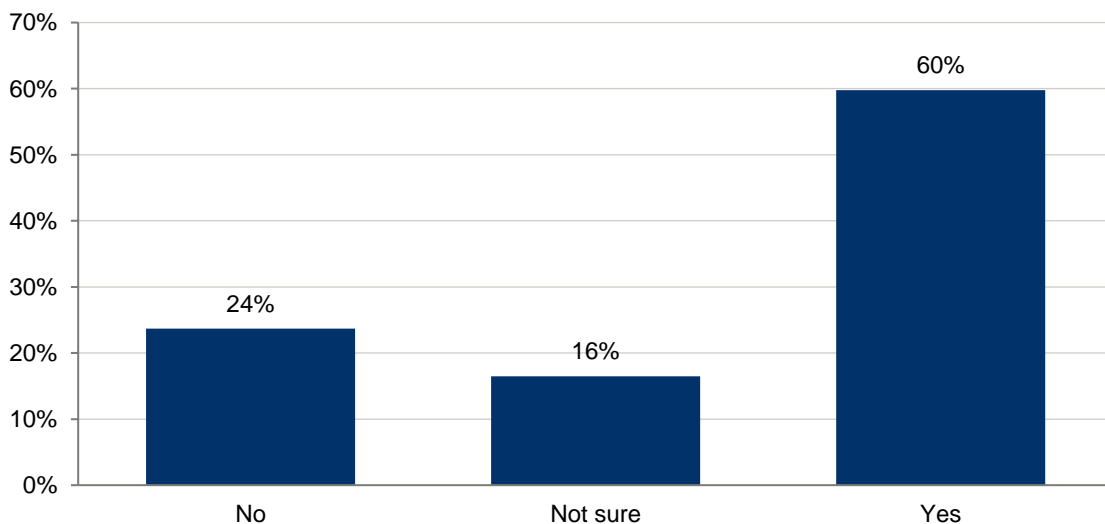
What other factors would encourage you to stage more live music performances at your venue? (Live music venues)



Source: BIS Oxford Economics, n = 92

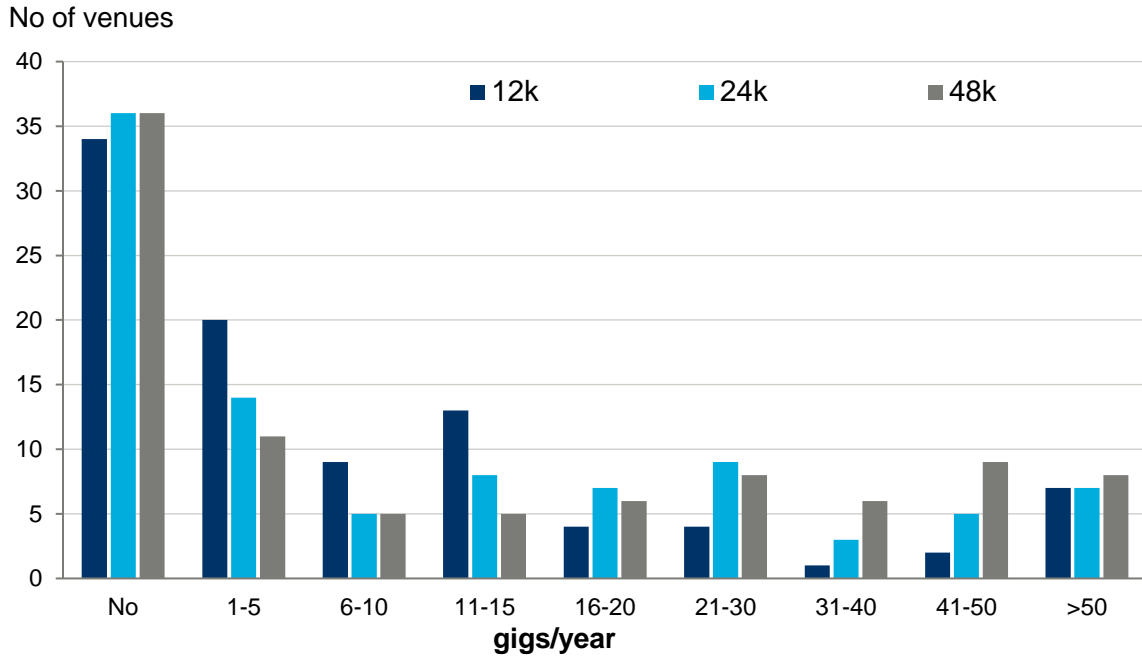
NON-LIVE MUSIC VENUE RESPONSES

Would you ever consider hosting live music at your venue? (Non-live music venues)



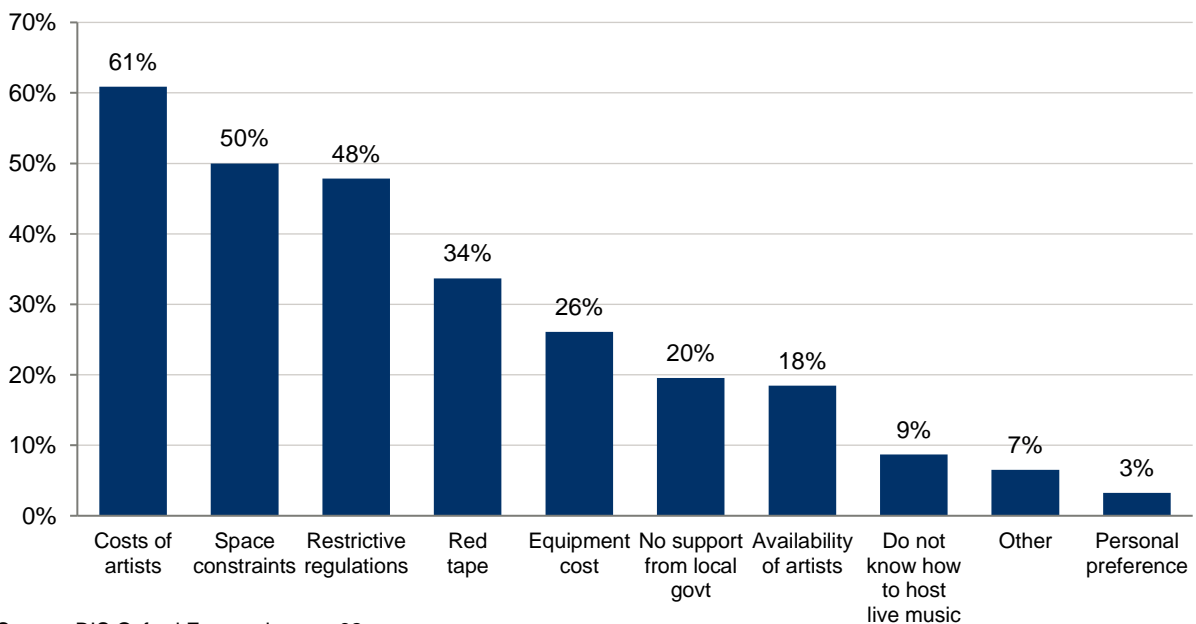
Source: BIS Oxford Economics, n = 97

Would a refundable tax offset on the expenses in staging live music encourage you to host live music? (Non-live music venues)



Source: BIS Oxford Economics, n = 94

What are the key barriers to your business staging live music? (Non-live music venues)



Source: BIS Oxford Economics, n = 92

What other factors would encourage you to stage more live music performances at your venue? (Detailed live music venues 'other' responses)

- Costs money to host and to be kinder to the neighbours, grants to build sound shelter to keep noise down
- Some artists charge excessively
- There are plenty of artists out there but it's no good hiring them if we can't get people to the venues.
- Liquor licencing rules on security. At the moment we need the same amount of security for a solo act on a Sunday afternoon that we need for a 5-piece band on Saturday nights - not cost effective.
- A higher demand for live music on weekday nights.
- A recommended or Government mandated minimum ticket price would help artists to be paid adequately.
- Assistance with overnight accommodation for visiting musicians
- Insurance costs
- Our big performances are promoter driven so we are restricted by what they bring to Tasmania
- We should be given a reduction in Insurance, i.e. Govt pays 50% rebate
- Lower fees for small business who use music as an add on (not sole reason for business)
- More certainty that we would continue to be open - not shut down by govt
- We live remotely and our airfares are very high to fly over performers
- Your red tape and costs are a big part of killing grass roots live music venues
- Agents commission should be included in ticket price not added on after sale

What are the key barriers to your business staging live music? (Detailed non-live music venues 'other' responses)

- Residential area
- Councils letting us use outdoor space. Newcastle city is not willing to help.
- Strata laws
- Access to technical professionals e.g., Audio/visual engineers etc for Development and design on infrastructure projects
- Local council makes all activities related to small business very difficult
- Council being proactive and more responsive to local area festivities
- Difficulty with one music licencing - make it simpler especially for not-for-profit organizations
- Noise restrictions
- Encouragement & support from Councils
- Less restrictions
- Any other funding to support smaller venues - not based on revenue, but on value to the music scene and community
- My business is on an island so there are also the costs with getting them here and back and potentially accommodating them
- An artist database
- Reduced music fees, we serve food music isn't our business just a quiet background noise to distract other tables conversations

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