

# *Overseas earnings for New Zealand musicians 2012-2016*

A report for the New Zealand  
music industry

*Estimating the value of  
overseas earnings by  
New Zealand musicians*

*September 2017*



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4 September 2017

Dear Damian

**Overseas earnings of the New Zealand music industry**

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

This report is provided in accordance with our terms of engagement dated 28 July 2016, and is subject to the Restrictions set out in Appendix A.

If you require any clarification or further information, please feel free to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Rice', written in a cursive style.

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# New Zealand musicians' overseas earnings - at a glance

Total overseas earnings for New Zealand musicians is estimated as **\$74.9m** between the 2014 and 2016 years. For the longer five year period between 2012 and 2016, total overseas earnings is estimated as **\$100.5m**.

Annual average earnings for the 2012 to 2016 period is estimated as **\$20.1m**, and for the 2014 to 2016 period annual average overseas earnings are estimated as **\$25.0m**. The latter amount is equivalent to the annual export earnings from around **3.7m** bottles of wine or over **800** international university students.

Earnings from recordings and publishing (ie from copyright protected works) make up **85%** of overseas earnings, while earnings from live performance make up **15%** of overseas earnings.

Overseas earnings by New Zealand musicians are approximately **32%** of the music **GDP** (direct value added) generated by New Zealand content.

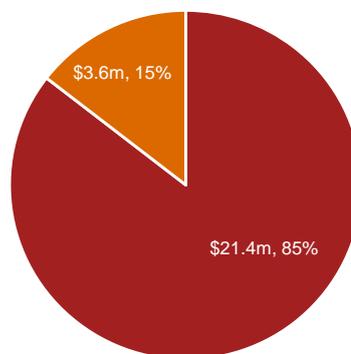
Annual government grants of approximately **\$400,000** (via the NZ Music Commission Outward Sound Programme) support the **\$25.0m** return, while **intellectual property** rights support the overseas recording and publishing earnings.

**Table 1 Total overseas earnings by New Zealand musicians**

	2012-2016		2014-2016	
	Total	Average	Total	Average
Income from recordings and publishing (copyright protected works)	\$84.7m	\$16.9m	\$64.1m	\$21.4m
Live performance	\$15.7m	\$3.1m	\$10.9m	\$3.6m
<b>Total overseas earnings</b>	<b>\$100.5m</b>	<b>\$20.1m</b>	<b>\$74.9m</b>	<b>\$25.0m</b>

Source: PwC analysis of industry provided and survey data

**Figure 1 Composition of annual average earnings (2014-2016)**



■ Income from recordings and publishing ■ Live performance

Source: PwC analysis of industry provided and survey data

# Introduction

The purpose of this study is to estimate the overseas earnings generated by New Zealand musicians between 2012 and 2016.

This report has been commissioned by Recorded Music New Zealand (Recorded Music NZ) supported with funding from its project partners, the Australasian Performing Right Association/Australasian Mechanical Copyright Owners Society (APRA AMCOS), New Zealand Music Commission, NZ On Air, Te Mangai Pāho, Independent Music New Zealand, the Music Managers' Forum and Creative New Zealand, in order to better understand the economic role (including as supported by copyright/intellectual property rights) of the New Zealand music industry. It complements the findings of our series, *The economic contribution of the New Zealand music industry*, published annually.



In our analysis, we have estimated two key metrics, as outlined and defined in Table 2.

**Table 2 Key metrics estimated in this report**

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

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

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# Method

## *What are we estimating?*

This report estimates overseas earnings for New Zealand musicians. It incorporates the payments from offshore sources relating to the use of original music and recording by New Zealand musicians. These include licensee payments, royalties and live performances for New Zealand musicians regardless of where they are based.

Recent changes to the development of New Zealand's national accounts mean that the treatment of these earnings now contribute to New Zealand's gross domestic product (GDP). As such, our estimates for the overseas earnings of New Zealand musicians directly contribute to the New Zealand music industry's GDP. Our previous analysis on the economic contribution of the New Zealand music industry to New Zealand will be updated to reflect the change.<sup>1</sup>

## *Data sources*

We used multiple sources of data for this study, including data from collection agencies, copyright owners, financial representatives, music managers, other industry organisations and directly surveyed musicians.

In each case, the data obtained related to:

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

Our analysis combines the data from all sources. The overall data is comprehensive, and we understand that it covers the vast majority of the musicians who generate overseas earnings. Industry stakeholders believe that combined data will incorporate the bulk of the dollar value of overseas earnings.

We have aggregated the information provided to us from stakeholders as part of this project. In our work, we have sense checked the data at a high level for appropriateness eg discussions with stakeholders around whether the data collated matches known trends in the industry, but we have not completed an audit in respect of the data.

## *Use of survey data*

### *The survey*

The survey was intended to incorporate all New Zealand musicians. The online survey was distributed to New Zealand musicians primarily through Recorded Music NZ, the Music Managers' Forum, and the New Zealand Music Commission.

The number of musicians who completed the online survey was low. The bulk of the required income information was therefore obtained from the other data sources. There were 49 musicians who completed part of the survey, but only six of these provided complete responses to the financial questions in the survey.

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<sup>1</sup> See for example the most recent report (for the 2015 year): <https://www.recordedmusic.co.nz/wp-content/uploads/2016/10/2016-NZ-Music-Industry-Economic-Report-FINAL.pdf>

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This appears to reflect two different factors. Firstly, we understand it was difficult for the musicians to identify and collect the appropriate financial information that we sought. Secondly, some musicians who attempted to complete the survey do not have overseas earnings, and therefore may have started but not completed the survey.

This low response rate for the survey is not considered a major limitation to the analysis, as the survey data is one of multiple data sources. When taken as an overall package, the data sources are expected to cover the vast majority of the overseas earnings by New Zealand musicians.

## *Adjustments to survey data*

Data from six out of the seven data sources were able to be used and aggregated directly without any adjustments. There were a few adjustments required to the survey data (which contributed less than 5% of total overseas earnings).

First, we adjusted the survey data for potential double counting of earnings streams.

In principle, the survey data could include information related to both musicians who are included in the other data sources and musicians who are not. However, from our investigation of the survey data and discussions with Recorded Music NZ, it was considered that the majority of the small number of survey respondents were independent musicians who were unlikely to be included in the industry-organisation dataset.

There was one data point which we considered had high likelihood of being double counted and as such, it was removed from the survey data.<sup>2</sup>

Second, we completed an extrapolation process for the survey data. The Outward Sound programme was used as a proxy for independent musicians with material overseas earnings. This programme is administered by the New Zealand Music Commission and provides financial assistance for initiatives that support New Zealand artists to enter global markets. We have extrapolated the results based on the expected coverage of our sample with those artists who are part of the Outward Sound programme (our expected population) as shown in Table 3.<sup>3</sup>

We would have preferred to obtain more responses from musicians so that we could have more data to analyse. We do recognise that the information base for the figures in Table 3 is small. However, the figures represent a small fraction of total overseas earnings – two or three percentage points – so any resulting error is also relatively small.

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<sup>2</sup> This respondent had an earnings amount which was considerably higher than the other respondents, and it was considered that this respondent was most likely to not be independent, and to already be included in the industry-organisation dataset. Note that due to the confidentiality of the survey, we were not able to confirm this.

<sup>3</sup> It is acknowledged that the true population of interest for this study (ie all New Zealand artists) is broader than the Outward Sound programme as musicians who do not receive support from the Outward Sound programme (in a particular year) are able to generate overseas earnings. However, as the original survey was distributed by the New Zealand Music Commission to Outward Sound recipients, it is likely that there is some degree of crossover between the groups. As such, we consider that this is one (of many) ways to extrapolate the results to a broader industry level.

**Table 3 Example of extrapolation method<sup>4</sup>**

	Total number of survey responses	Outward Sound recipients	Sample as proportion of population	Total earnings per survey	Extrapolated industry earnings
2014	5	47	11%	\$52.7k	<b>\$495.0k</b>
2015	5	61	8%	\$43.0k	<b>\$524.0k</b>
2016	6	57	11%	\$68.5k	<b>\$650.3k</b>
Total	N/A	N/A	N/A	\$164.0k	<b>\$1.7m</b>

Source: Recorded Music NZ survey responses, New Zealand Music Commission Annual Reports.

Third, we extrapolated the survey results for the 2012 and 2013 years. While earnings information for 2012 and 2013 was collected from the survey, these survey questions were not consistently completed, so we extrapolated figures for 2012 and 2013 on the basis of the observed average annual growth rate between 2014 and 2016.

## **Other adjustments**

This data was provided for the last five years (2012 – 2016). All figures in this report have been adjusted to real 2016 dollars using the Overseas Trade Index from Statistics New Zealand. We have not made any other adjustments.

## **What are we not estimating?**

Music contributes to New Zealand in a number of other ways that are not measured in GDP. The enjoyment, or utility, ie the cultural capital that New Zealanders derive from consuming and producing music is likely to be considerable but is not easily quantified. In addition, the positive impact of New Zealand musicians performing overseas on the “New Zealand brand” ie goodwill and New Zealand reputation could be significant. The mechanism for the impact could be through improved awareness of New Zealand as a centre for creativity (music, writers, film making etc), destination for tourism, the home of diverse (film or video) shooting locations and as the birthplace of talented world-renowned New Zealanders. These effects are difficult to quantify and we have not included these effects in our analysis.

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

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<sup>4</sup> Figures have been rounded.

# Overseas earnings results

## Overall results

Our estimate of the total overseas earnings by New Zealand musicians over the 2012 to 2016 period, using the data sources and methods described above, is shown in Table 4. The core data provided 95% of the required information while the adjusted data contributed less than 5%.

We have aggregated (as is usual in such circumstances) the results to show total earnings for 2012 to 2016 to ensure that the confidentiality of respondents is maintained.

**Table 4 Total overseas earnings by year (2016\$)**

	2012-2016		2014-2016	
	Total	Average	Total	Average
Income from recordings and publishing (copyright protected works)	\$84.7m	\$16.9m	\$64.1m	\$21.4m
Live performance	\$15.7m	\$3.1m	\$10.9m	\$3.6m
<b>Total overseas earnings</b>	<b>\$100.5m</b>	<b>\$20.1m</b>	<b>\$74.9m</b>	<b>\$25.0m</b>

Source: PwC analysis of survey and industry-organisation data

## Breakdown of estimate by source

Table 5 below sets out a summary of the overseas earnings information provided without adjustments. The summary of the data which required adjustments is included in Table 6. The data sources are aggregated and we consider there is no double counting within this combined data set.

Over the 2012-2016 period, total overseas earnings represented \$98.0m, with an annual average of \$19.6m. Over the shorter 2014-2016 period, average annual earnings were \$24.4m.

Music earnings, along with other creative sectors, are inherently cyclical. The differences between the 2012-16 and 2014-16 earnings amounts reflect the cyclical nature of music earnings. For example, there are peaks and troughs of earnings as albums are released and musicians go on promotional tours.

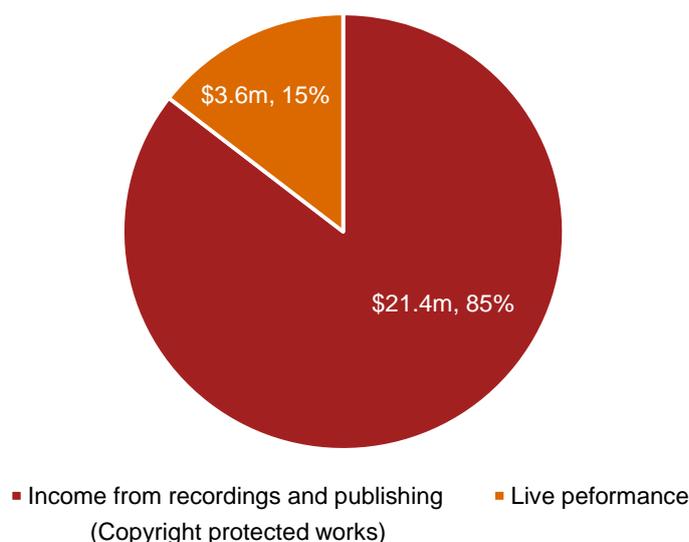
**Table 5 Aggregated data from industry organisations (2016\$)**

	2012-2016		2014-2016	
	Total	Average	Total	Average
Earnings from recordings and publishing (copyright protected works)	\$82.9m	\$16.6m	\$63.0m	\$21.0m
Live performance	\$15.0m	\$3.0m	\$10.3m	\$3.4m
<b>Total overseas earnings</b>	<b>\$98.0m</b>	<b>\$19.6m</b>	<b>\$73.3m</b>	<b>\$24.4m</b>

Source: Industry organisations

As shown in Figure 2, approximately 85% of average annual earnings comprised earnings from recordings and publishing overseas ie copyright protected works, while 15% was made up of earnings from live performances offshore. On average, the industry generated **\$16.6m** of earnings from recordings and publishing per year between 2012 and 2016, and \$3.0m of live performance earnings per year over the same period.

**Figure 2 Breakdown of overseas earnings data (2014-2016 average)**



Source: Industry-organisation data supplied by Recorded Music New Zealand

While the dataset included year-by-year information, this is not shown in this report. We have aggregated the results over time in order to remove annual fluctuations in the data and ensure that artist confidentiality is maintained.

Table 6 below sets out our estimate of the overseas earnings from the adjusted data. The data from a survey of musicians was adjusted and extrapolated as outlined in the Method section.

**Table 6 Estimate from survey data (2016\$)**

	2012-2016		2014-2016	
	Total	Average	Total	Average
Income from recordings and publishing (copyright protected works)	\$1.8m	\$0.4m	\$1.1m	\$0.4m
Live performance	\$0.7m	\$0.1m	\$0.5m	\$0.2m
<b>Total overseas earnings</b>	<b>\$2.5m</b>	<b>\$0.5m</b>	<b>\$1.7m</b>	<b>\$0.6m</b>

Source: Recorded Music NZ survey respondents

## Further research

Completing this study at regular intervals will demonstrate the trends over time. However, a key improvement would be to increase participation in the survey. Ensuring the sample is a representative sample will be imperative to ensure that the results have as little bias as possible.

We expect that collecting the data from musicians will be easier in future years. This report needed to establish the benchmark. In future years, only one year of financial information will be required.

As previously mentioned, there are also other New Zealand music businesses whose international success has not been included in this study. Their success relies on music and the sale of copyright/intellectual property rights. A separate study could aim to quantify the impact of these businesses to New Zealand and investigate the implications of changes to copyright/intellectual property rights legislation.

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# Discussion

The New Zealand music industry is not as large as other industries, including other creative industries such as advertising<sup>5</sup>, but New Zealand musicians generate overseas earnings which are not immaterial to the industry and the artists who generate them. Average annual overseas earnings of \$25.0m is equivalent to the annual revenue from over 800 international fee paying university students<sup>6</sup> or export revenue from sales of over 3.7m bottles of wine.<sup>7</sup>

Almost 85% of this revenue, the recording and publishing component, is only possible due to the protection and subsequent exploitation of intellectual property rights. It would be lost in a scenario where these rights, licences and royalties arrangements did not exist or were undermined without continuing robust and strong protection and reciprocity with other international territories.

The international aspect of the New Zealand music industry is in a significant growth phase. Average overseas earnings grew on average by 20% per annum between 2012 and 2016 (albeit off a low base), while the overall industry's value added in New Zealand has grown at half that annual rate (10% pa).

Improving international connectedness is a broad goal for many governments: access to larger international markets, resources, knowledge and ideas can help firms to boost their export receipts and productivity. The New Zealand Government has a goal of increasing the ratio of exports to GDP from 29.2% to 40% by 2025.<sup>8</sup> The New Zealand music industry, as a highly global industry, is well on the way to achieving that substantial goal. The previous treatment of overseas earnings as the return to an original creative work meant that the ratio of overseas earnings to direct value added from New Zealand generated content was **40%** on average over 2012-2015. It has also grown from **23%** in 2012 to **47%** in 2015, or 40% on average over the 2012 to 2015 period.<sup>9</sup>

Under the new treatment of overseas treatment (2015 onwards) the ratio falls slightly to 32%, due to the larger base GDP figure.

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<sup>5</sup> Refer to the New Zealand Comms Council <http://commscouncil.nz/about/>

<sup>6</sup> Course fees are assumed to be \$30,000 per annum. This is within the range of the 2017 Undergraduate fees, by course, at The University of Auckland. Refer to <https://www.auckland.ac.nz/en/study/fees-and-money-matters/tuition-fees/undergraduate-international-fees.html>

<sup>7</sup> Estimated as the average export price of packaged wine of \$8.81/L (source: New Zealand Winegrowers 2016 Annual Report) and a standard size bottle of 750ml.

<sup>8</sup> Refer to <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-image-library/towards-2025/mb13078-1139-bga-report-01-export-markets-09sept-v17-fa-web.PDF>

<sup>9</sup> As previously noted, our estimate relates to the overseas earnings of all New Zealand musicians regardless of where they are based. The export earnings of New Zealand musicians would only include the earnings of musicians who live in New Zealand.

**Table 7 Overseas earnings by NZ musicians and direct GDP contribution from NZ generated content (previous treatment)**

	2012	2015	Average 2012-2015
<b>Total overseas earnings (real)</b>	\$9.9m	\$26.6m	\$20.0m
<b>Direct contribution of NZ music industry to GDP<sup>10</sup> (real)</b>	\$42.3m	\$56.4m	\$49.6m
<b>Overseas earnings as % of direct GDP contribution</b>	23%	47%	40%

**Table 8 Overseas earnings by NZ musicians and direct GDP contribution from NZ generated content (new treatment)**

	2015
Total overseas earnings (real)	\$26.6m
Direct contribution of NZ music industry to GDP <sup>11</sup> (real)	\$56.4m
GDP inclusive of overseas earnings	\$83.0m
Overseas earnings as % of direct GDP contribution	32%

New Zealand musicians can and do succeed when they have access to international markets and can use intellectual property protection and copyright to support their work.

It's likely that ease of access via digital mechanisms to international markets has played a key role in this growth. The New Zealand music industry is a digital industry where 63% of its revenues for recorded music are derived from digital sources.<sup>12</sup> If more New Zealand musicians were able to gain access to international markets, it would make a material impact to the overall overseas earnings values and enhance the profile of the New Zealand music industry more broadly.

Overall, as demonstrated in this report, the New Zealand music industry benefits from a global approach and it has the potential to generate far greater returns for both the industry, and the broader economy, in the future.

<sup>10</sup> The direct contribution of NZ music industry to GDP refers to the value added from expenditures, associated with music consumption, of New Zealand generated content, in New Zealand. The broader contribution of the music industry in New Zealand considers the role of content generated overseas in addition to New Zealand content. Refer the report *Economic Contribution of the New Zealand music industry 2015 for further details* <https://www.recordedmusic.co.nz/wp-content/uploads/2016/10/2016-NZ-Music-Industry-Economic-Report-FINAL.pdf>

<sup>11</sup> The direct contribution of NZ music industry to GDP refers to the value added from expenditures, associated with music consumption, of New Zealand generated content, in New Zealand. The broader contribution of the music industry in New Zealand considers the role of content generated overseas in addition to New Zealand content. We Refer the report *Economic Contribution of the New Zealand music industry 2015 for further details* <https://www.recordedmusic.co.nz/wp-content/uploads/2016/10/2016-NZ-Music-Industry-Economic-Report-FINAL.pdf>

<sup>12</sup> Source: Recorded Music NZ

## *Appendix A: Restrictions*

This study on the overseas earnings of New Zealand musicians between 2012 and 2016 has been prepared for Recorded Music New Zealand Limited (Recorded Music NZ), the Australasian Performing Rights Association and the Australasian Mechanical Copyright Owners Society (APRA AMCOS) and the New Zealand Music Commission. This report has been prepared solely for this purpose and should not be relied upon for any other purpose.

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

Our report has been prepared with care and diligence and the statements and opinions in the report are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. In preparing our report, we have relied on the data and information provided by members of the sponsor group as being complete and accurate at the time it was given. We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the data. The views expressed in this report represent our independent consideration and assessment of the information provided.

No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

We reserve the right, but are under no obligation, to revise or amend our report if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of our report, but was not drawn to our attention during its preparation, subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 28 July 2016.