



NSW Creative Industry Economic Fundamentals



Department of State and
Regional Development



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**NSW Creative Industry:
Economic Fundamentals**



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1. Overview

This report ('the Report') is the companion piece to *NSW Creative Industry Insights*. It provides the detailed economic fundamentals for the creative industry and for each of its sectors.

1.1. Data

The creative industry is not well served by comparable and comprehensive data. In developing this evidence base it has been necessary to utilise a range of data sources and also to make a number of assumptions to ensure that the data presented aligns as closely as possible with the Report's definition of the creative industry (Section 2). Furthermore, with data from different sources, it is often not possible to make meaningful comparisons across sectors within the creative industry. (A statistical overview of the industry, drawing on the data that is comparable across the sectors and sub-sectors, is presented in Section 3).

The data presented in this paper falls into two main categories:

1. Overall economic characteristics of the sector or sub-sector, covering:
 - a. Revenue and exports¹;
 - b. Number and size of businesses²; and
 - c. Employment and incomes³.

Australian and NSW data exists for all of the above indicators in most sectors and sub-sectors (besides exports where there is no NSW data) although, again, coverage and frequency varies.

2. Sector or sub-sector specific data from various sources.⁴

The report is based on data available up to 20 June 2008. The Project Team has endeavoured to include the most up-to-date data available. In the interests of ensuring the most up-to-date evidence base is used to guide government policy, it is intended that the evidence base underpinning this report will be updated on a regular basis.

¹ The revenue figures are principally sourced from various IBISWorld publications and the PricewaterhouseCoopers publication – Australian Media and Entertainment Outlook 2007-2011. The export figures are from various IBISWorld publications.

² Australian Bureau of Statistics (2007) *Counts of Australian Businesses, including Entries and Exits, Jun 2003 to Jun 2006* Cat. No. 8165.0

³ These data are sourced from the ARC Centre of Excellence for Creative Industries and Innovation (CCI) and based on ABS Census Data for 1996, 2001 and 2006. The employment data will likely underestimate the number of people employed as it only captures people who nominate a creative industry occupation as their main job. Thus, people employed in the creative industry as their secondary job or as a hobby will not be captured (even if they receive some income for their work).

⁴ These sources include specific ABS publications and industry organisations.

2. The creative industry

This Report defines the creative industry as follows: those industries which have their origin in individual creativity, skill and talent and that have a potential for wealth and job creation through the generation and exploitation of intellectual property.⁵ This report breaks down the creative industry into the following sectors:⁶

- Advertising
- Architecture
- Design
- Visual Arts
- Music
- Performing Arts
- Publishing
- Film
- Television
- Radio
- Electronic Games

This diverse group of sectors are all consistent with the above definition – individual creativity, skill, and talent is pervasive in the development of their products; and all sectors create wealth and jobs through the generation and exploitation of intellectual property. The increasing influence of digital technologies is also common to all sectors.

The sectors include a variety of components, some of which are not ‘creative’ in nature. In classifying what parts of the sector are included in this study, the value chain methodology proposed by the CCI, adopting only ‘core’ creative functions, has been used. This includes:

1. Pre-creation (such as art galleries and museums): this comprises both preservation and access that act as inputs into the creative industry (in the form of stimulation and research and development) and post consumption that effectively acts as outputs of creative products (such as display); and
2. Creation: this includes the originating artistic creation – such as writing, music composition, painting; the performance related activities – such as live theatre; and the recording stage (including digital).

Specifically excluded, however, are those downstream stages that are not a direct measure of ‘creative capacity’. This includes such things as manufacturing, wholesaling, distribution, retailing, and second hand sales. For example, while the production of a film is included in the report’s indicators, the production of the ‘infrastructure’ used to view the film, e.g. a television, is excluded.

⁵ UK Department of Culture, Media and Sport.

⁶ This breakdown is in accordance with the definition used by the ARC Centre of Excellence for Creative industry and Innovation (CCI).

3. Statistical snapshot of the creative industry in NSW

Comparable cross-country data on the size of the creative industry is extremely limited. The creative industry share of gross domestic product (GDP) is the only variable for which comparable cross-country data can be presented and there is only one data point (Table 1).⁷ Excluding the UK, the creative industry share of GDP in Australia, 3.1 per cent, is around the average of Canada, France, and the US.

Table 1 - OECD estimates of cultural/creative industry contributions to five countries GDP/GVA

Country	Reference Year	Aggregate Measured	Percentage of GDP/GVA
Australia	1998-99	GDP	3.1%
Canada	2002	GDP	3.5%
France	2003	GVA	2.8%
UK	2003	GVA	5.8%
US	2002	GVA	3.3%

Source: Gordon and Beilby-Orrin (2007) International Measurement of the Economic and Social Importance of Culture, OECD, p. 54

3.1. Key themes

The creative industry is a **significant component of NSW's economy**, employing over 5 per cent of the workforce.⁸ Further, over the 10 years to 2006, employment in the creative industry increased by 28 per cent, against 13.5 per cent for all industries.

NSW is home to a **disproportionately large share** of the creative industry in Australia, with 37 per cent of total creative industry employment and 39 per cent of all creative industry businesses (against 32 per cent of Australian GDP, 32 per cent of Australia's workforce and 34 per cent of Australia's population). NSW retained this dominant position from 1996 to 2006, with NSW's share of creative employment declining marginally (one per cent).

Within NSW, **Sydney has a disproportionate share of creative industry employment** – in 2006, 82 per cent of those employed in the creative industry lived in metropolitan Sydney, against 71 per cent of total employment. Within Sydney, creative industry concentration is highest in Inner Sydney, Lower Northern Sydney, and the Eastern Suburbs.

There is **considerable dispersion of mean income** across the creative industry, although the average yearly income in 2006 (\$53,000 in NSW) was approximately 18 per cent above the mean income across all industries.

⁷ Time series data is not available across countries or for Australia.

⁸ This is the number of people employed in creative industry occupations, in creative industry businesses (known as specialist employees) and also the people employed in a creative industry occupation in non-creative industry businesses (e.g. a designer working at a mining company; known as embedded employees). This data was specifically calculated for this project by the CCI using ABS Census data.

The size distribution of businesses in the creative industry is **similar to other industries**, although there are important differences across sectors. In June 2006, 95 per cent of all businesses in the creative industry had less than 20 employees, and around 60 per cent of all creative businesses were non-employing businesses (against 96 per cent and 59 per cent respectively in all industries). Entry and exit rates for creative industry businesses are slightly higher than average across all industries (1 per cent and 3 per cent higher respectively).

3.2. Employment

Direct employment in the creative industry in NSW is almost 150,000, which makes up over 5 per cent of the state's total employment. NSW has a disproportionate share of all employment in the creative industry in Australia, with 37 per cent of all people employed in the creative industry, against 32 per cent of overall employment.

In NSW in 2006, a total of \$7.6 billion was earned through salaries and wages in the creative industry, which accounted for 5.4 per cent of all earnings in the state.

Design is the largest sector in NSW employing 24 per cent of all people in the creative industry, followed closely by publishing (Figure 1). Design, advertising and architecture account for almost 75 per cent of all employment in the creative industry in NSW.

Judged against its share of the national economy and population, NSW has:

- a **very high share** of creative industry employment in television, film, music, and advertising and marketing⁹
- a **roughly comparable share** of employment in publishing, design, visual arts, architecture, performing arts and radio; and
- a **much lower share** of employment in electronic games.

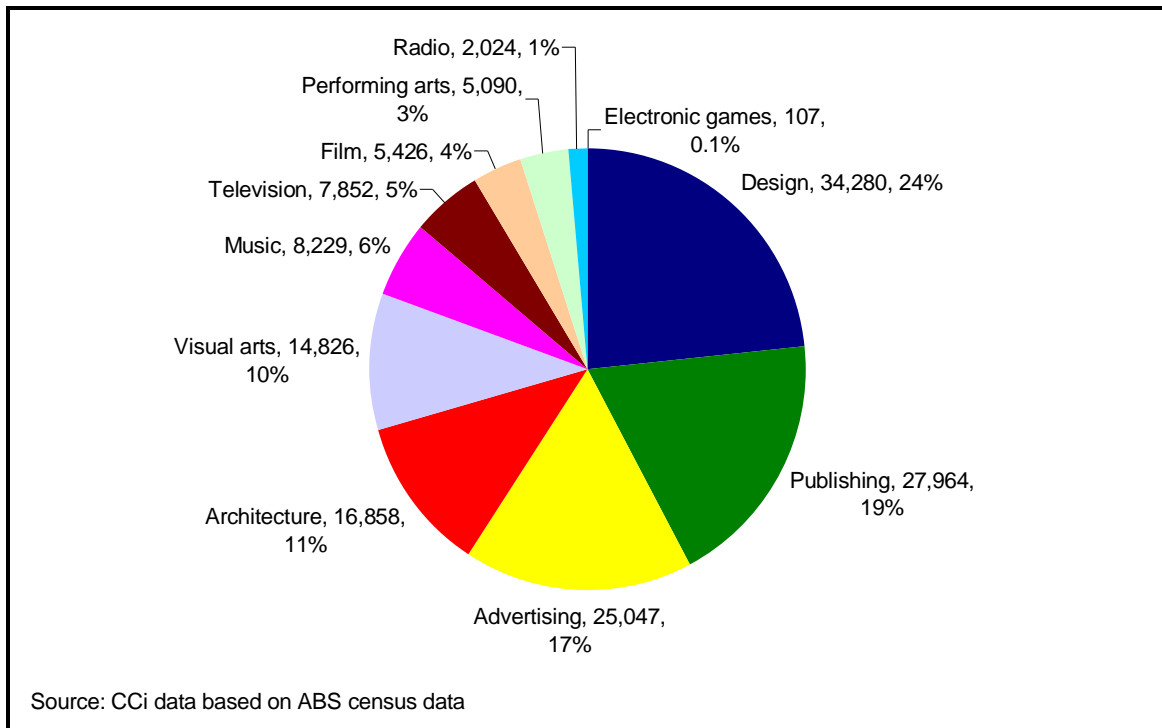
NSW's overall share of employment in the creative industry declined marginally from 38 per cent in 1996 to 37 per cent in 2006. By sector, NSW's share of total employment has:¹⁰

- **increased** in television and film
- **remained roughly the same** in music, advertising and marketing, publishing, and performing arts; and
- **declined slightly** in design, radio, architecture, and visual arts.

⁹ Note the CCI data does not distinguish between advertising and marketing. For the purposes of this investigation, advertising and marketing employment, income and density data will be combined.

¹⁰ 1996 employment data is not available for electronic games

Figure 1 - NSW creative industry employment by sector, 2006



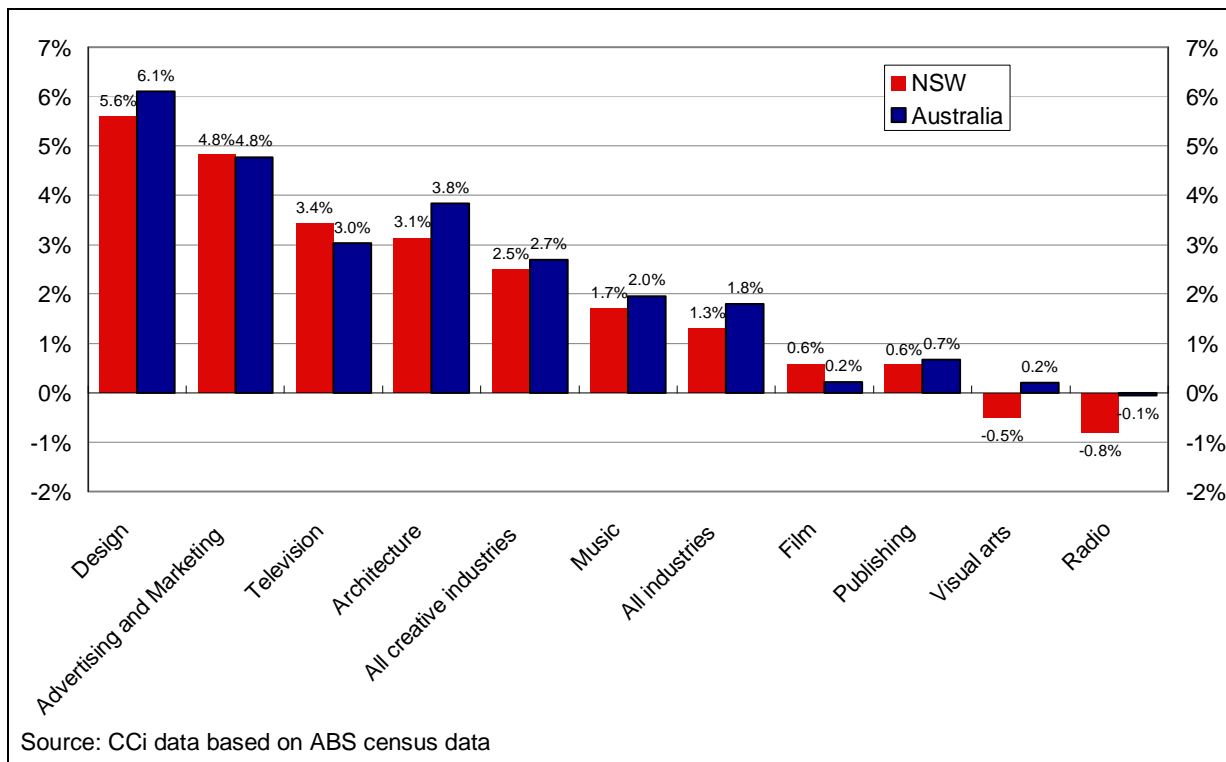
3.2.1. Growth in employment

For the period 1996 to 2006 annual employment growth in the creative industry in NSW was approximately double that of all industries (2.5 per cent and 1.3 per cent respectively –

Figure 2). Note, however, that creative industry employment growth across Australia was marginally higher than for NSW.

By sector, the strongest employment growth from 1996 to 2006 (both in NSW and Australia) was in design, advertising and marketing, television, and architecture. NSW employment grew more than the Australian rate in television and film, less in architecture and design, and significantly less in visual arts and radio.

Figure 2 - Employment: annual growth rates 1996 to 2006



3.2.2. Type of employment – embedded and specialist¹¹

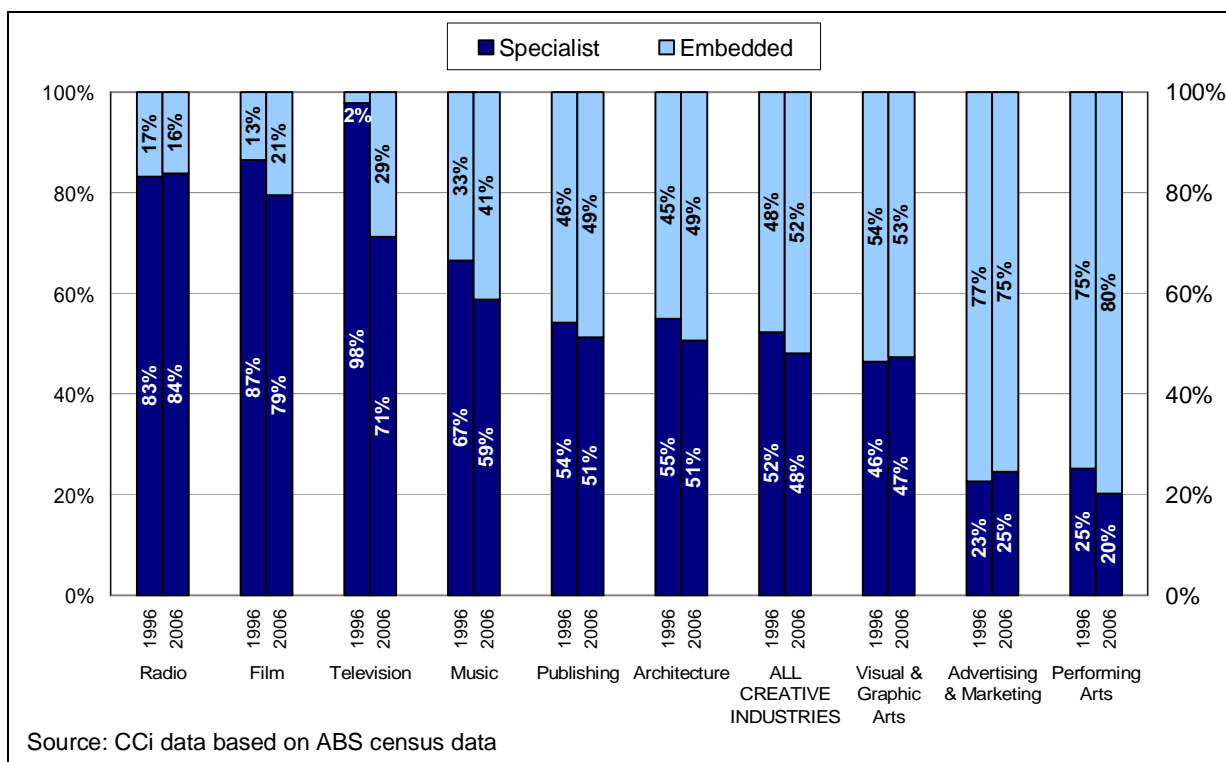
A useful distinction in the creative industry is between ‘specialist’ and ‘embedded’ employees. A **specialist** is employed in a creative occupation in a business in the creative industry – for example a graphic designer working in a graphic design company. An **embedded** worker is employed in a creative occupation, but not in a creative industry business – for example, a graphic designer working in-house for a mining company.

In 2006, the creative workforce was almost equally split between specialist and embedded workers (48 per cent and 52 per cent respectively, Figure 3), with a moderate shift to embedded workers over the preceding decade. The sectors with the biggest shift in distribution from specialist to embedded workers were television (27 per cent shift), film (8 per cent shift), and music (8 per cent shift).¹² The highest proportion of specialist workers was in radio, film, and television and the highest proportion of embedded workers in performing arts, advertising and marketing, and visual and graphic arts.

¹¹ Note other sections in this report include ‘support’ staff in the count of the number of employees. This section refers only to embedded and specialist employees.

¹² Note that the very small 1996 embedded figure for television should be interpreted with caution as classification difficulties with the cross over between television, film, and performing arts may influence the figure.

Figure 3 - Proportion of specialist and embedded creative workers in NSW by sector, 1996 and 2006

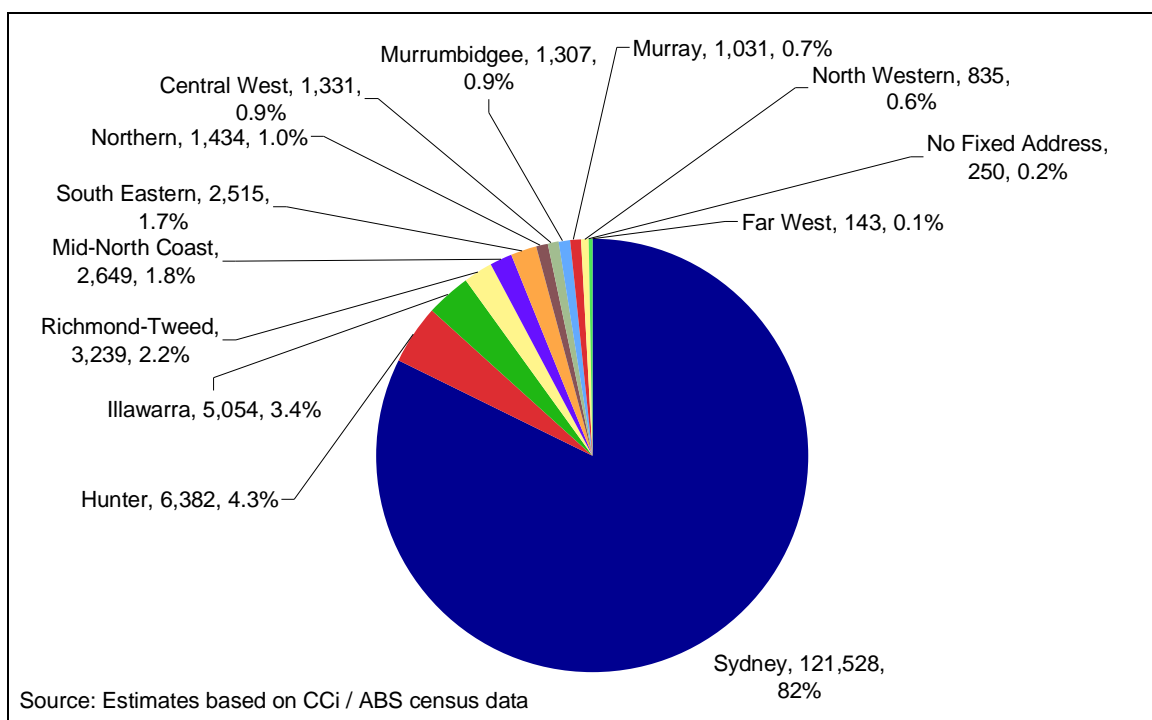


3.2.3. Geographic distribution of employment

As described in Section 3.2.2, employment in the creative industry includes both people working in creative businesses (for example a graphic designer working for a graphic design business) and people working in occupations in non-creative businesses (for example a graphic designer working in-house at a mining company). By merging ABS data regarding people employed in the creative industry and creative occupations (there is some, but not a full, overlap), the total creative employment at the statistical division level can be estimated.

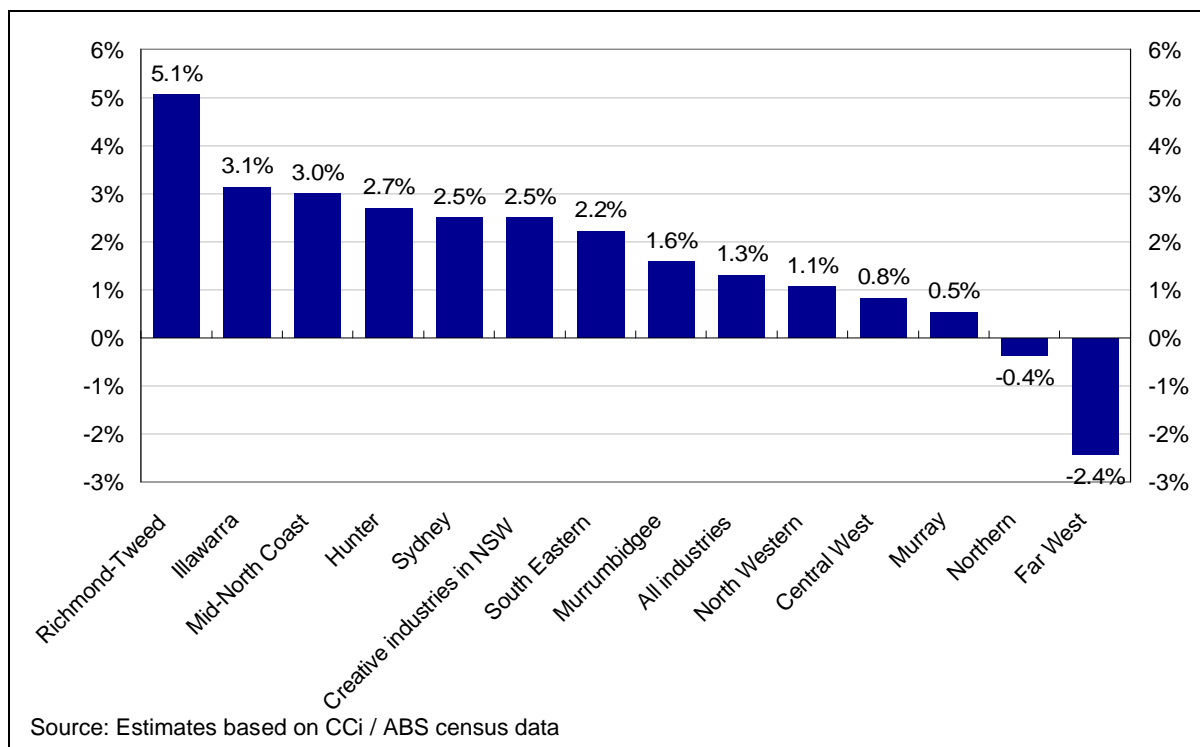
Employment in the creative sector in NSW is concentrated in Sydney (Figure 4). Sydney is home to 82 per cent of all employees in the creative industry, somewhat larger than its share of employees in all industries (71 per cent of employees). As such, Sydney has the highest density of creative industry employment (i.e. the creative industry workforce as a proportion of the total workforce) – in 2006 Sydney’s density was 45 per cent higher than the second most dense region in NSW, Richmond-Tweed (i.e. for every 1,000 people in the workforce, Sydney had 45 per cent more people employed in the creative industry than Richmond-Tweed).

Figure 4 – Creative sector employment: Geographic spread in NSW, 2006 (best estimate)



From 1996 to 2006, creative employment growth in NSW increased by 28 per cent, against a total employment increase of 13.5 per cent. Relative to all employment, above average total growth was experienced in the Richmond-Tweed (64 per cent creative industry, 23 per cent all industries), Illawarra (25 per cent creative industry, 16 per cent all industries), Mid-North Coast (24 per cent creative industry, 19 per cent all industries), and Hunter divisions (22 per cent creative industry, 16 per cent all industries) (Figure 5). Hence, the divisions with the greatest number of people employed in the creative industry had the strongest growth in creative industry employment, besides Sydney where growth was the same as NSW overall.

Figure 5 – Creative industry employment: Total growth by NSW statistical divisions, 1996 to 2006 (best estimate)

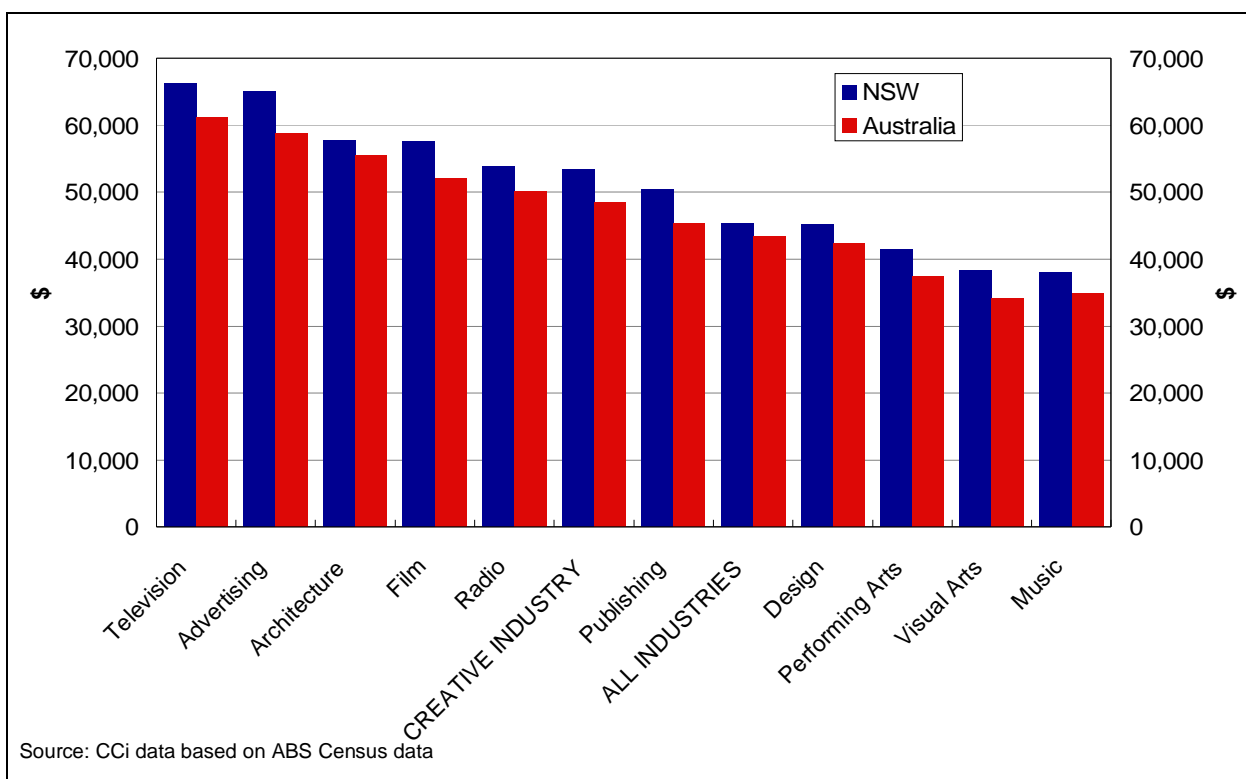


3.3. Mean income

Mean income in the creative industry in 2006 was approximately \$53,000, compared to \$45,000 in all industries (18 per cent higher). Creative industry incomes in NSW are 10 per cent higher than creative industry incomes in Australia (twice the difference between NSW and Australian incomes across all industries).

There is considerable dispersion of mean incomes across the creative industry (Figure 6), with mean income in the highest paying sector (television) around 75 per cent higher than mean income in the lowest paying sector (music). At the same time, however, real annual income growth over the past decade across the sectors in both NSW and Australia has been remarkably similar, with a range for NSW from 1.1 per cent (in television) to 2 per cent (in publishing). Mean income is higher in NSW than Australia across all sectors in the creative industry, with the largest difference in visual arts (12.1 per cent) and the smallest in architecture (3.9 per cent).

Figure 6 – Mean income: NSW and Australia (2006)



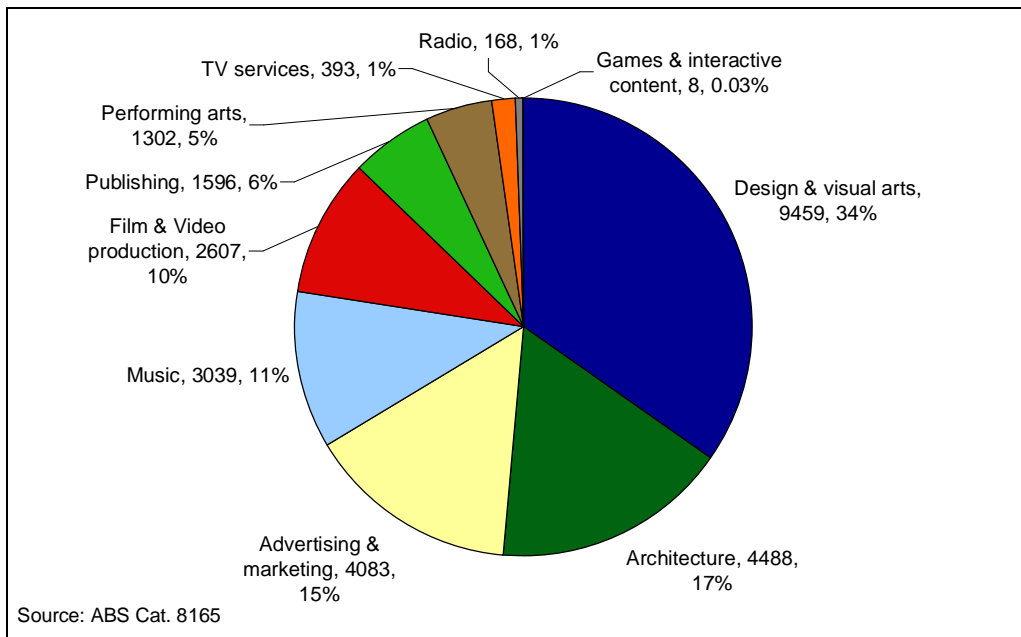
3.4. Businesses

There are over 27,000 businesses in the creative industry in NSW, making up 4 per cent of all businesses. Akin to employment, a disproportionately high share of NSW businesses are in the creative industry – 39 per cent of all creative industry businesses are located in NSW, in comparison NSW is home to 34 per cent of all businesses (in all industries) in Australia.

The sector with the largest number of businesses is design and visual arts, which is comprised of many sole traders / individual artists, while the sector with the smallest number of businesses is games and interactive content. NSW has a particularly large share of the businesses in film and video production, television services¹³, and performing arts.

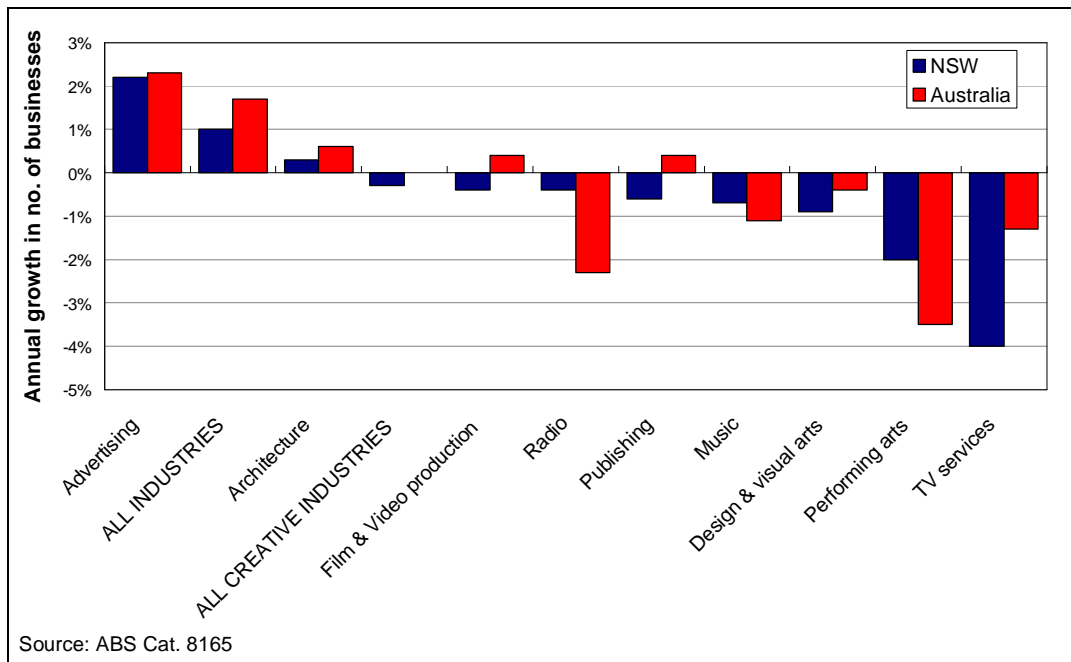
¹³ Note television services refers to businesses mainly engaged in television broadcasting (not production-only businesses)

Figure 7 - Number of creative industry businesses in NSW, July 2007



From 2003 to 2007 there was a slight annual decline in the number of creative industry businesses in NSW, while there was a moderate annual increase in the number of businesses across all industries (Figure 8). In NSW, the strongest growth was in advertising services, while there was a significant decline in the number of TV services and performing arts businesses.

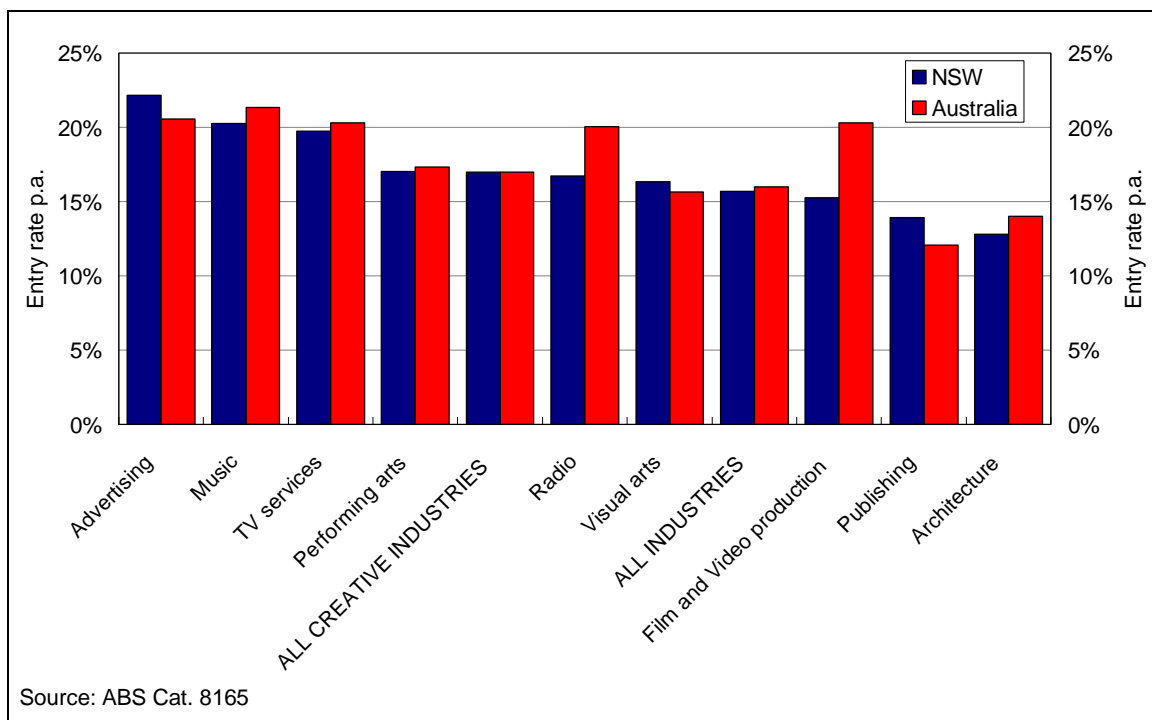
Figure 8 - Annual growth in number of businesses by sector, 2003-04 to 2006-07



3.4.1. Entry and exit rates

The creative industry has a slightly higher business entry rate than all industries (Figure 9). In NSW, the sectors with the highest entry rates are advertising, music and TV services, with architecture and publishing having the lowest entry rates. NSW has considerably higher entry rates than Australia in advertising and publishing, but considerably lower entry rates in radio and film and video production.

Figure 9 – Annual entry rate by sector, average for 2003-04 to 2006-07

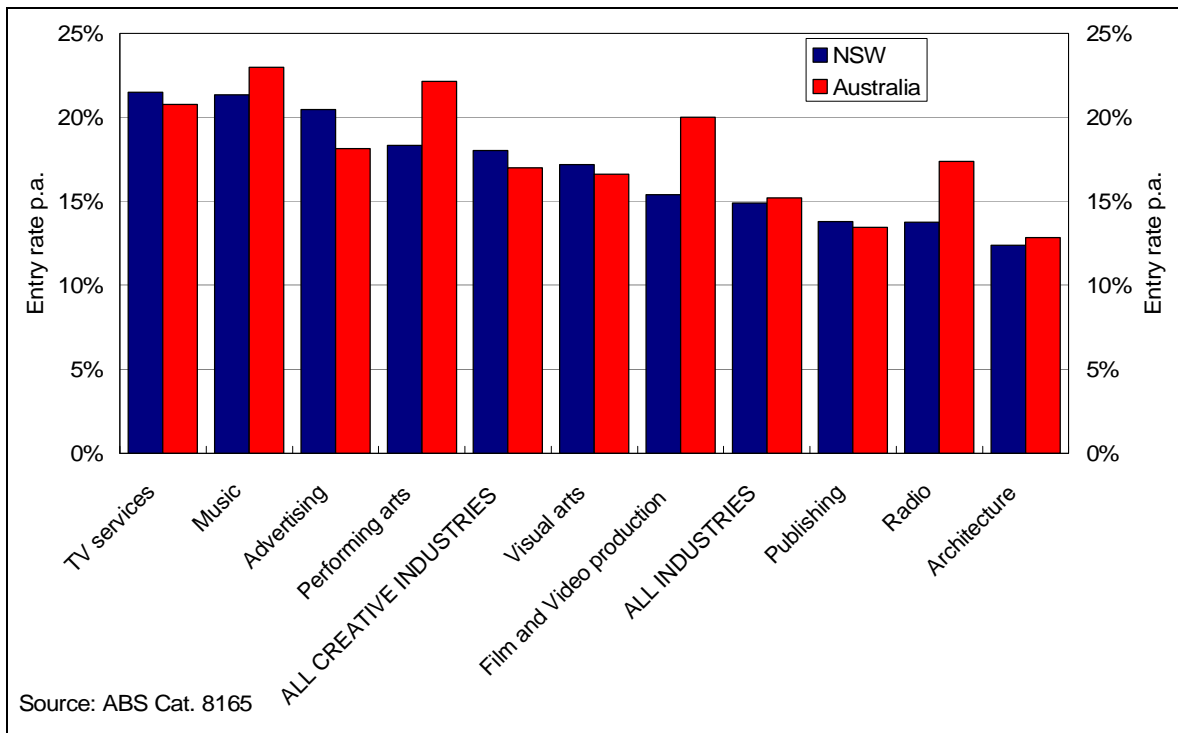


The creative industry has a slightly higher exit rate relative to the average for all industries (Figure 10). This is likely due to creative industry businesses forming around one-off (or contained) projects. A typical pattern is for businesses to wind up when projects are completed, with new businesses created for new projects, often with continuity of personnel.

Across the creative industry, NSW has a slightly higher exit rate than Australia overall, and a considerably lower exit rate in film and video production, performing arts, and radio.

Considering the entry and exit rates together, the creative industry as a whole experiences greater ‘churn’ than all industries. Publishing and architecture are the most stable sectors (low exit and entry rates and minimal growth), and music and advertising are the least stable (high entry and exit rates, although there has also been considerable growth in the number of advertising businesses, 2.2 per cent per annum).

Figure 10 – Annual exit rate by sector, average for 2003-04 to 2006-07



3.4.2. Size of businesses

Similar to the rest of the economy, the majority of businesses in the creative industry are small, typically non-employed businesses (Figure 11 and Figure 12). Music, visual arts, performing arts, and television services have the highest proportion of non-employed businesses (Table 2).¹⁴ Radio and television have the highest proportion of large (200+ employee) businesses, though such businesses are still a very small percentage of the overall number of businesses (1.9 per cent for each).

Figure 11 - Creative industry: NSW business size (June 2006)

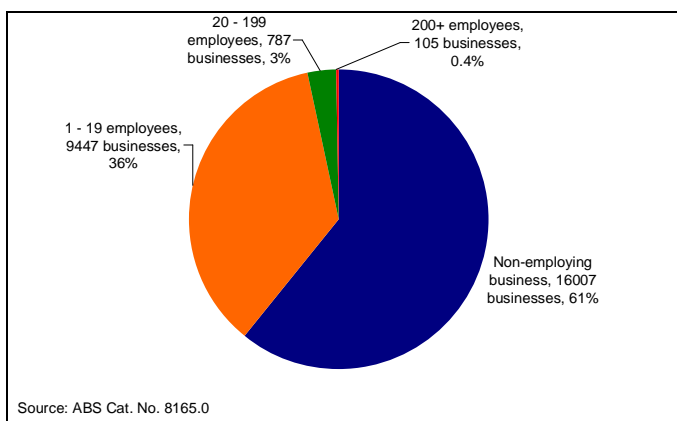
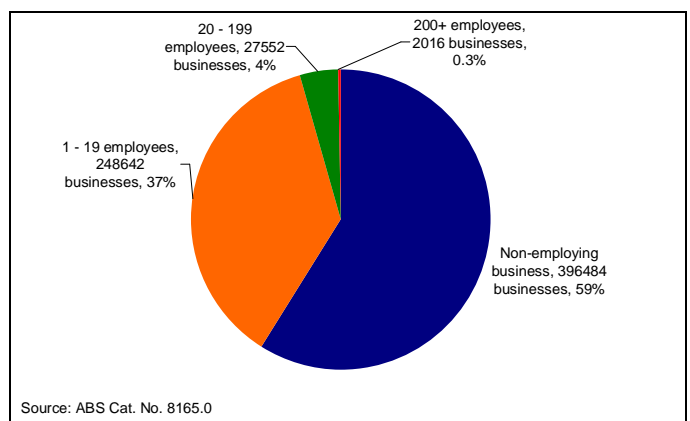


Figure 12 - All industries: NSW business size (June 2006)



¹⁴ The ABS defines non-employed businesses as those that do not pay income tax on behalf of employees.

Table 2 - Businesses in NSW by number of employees, 2006

Sector	Non-employing business	1 - 19 employees	20 - 199 employees	200+ employees
Advertising Services	52%	42%	5%	0.7%
Architectural Services	48%	50%	1.9%	0.1%
Visual Arts and Design	73%	26%	1.0%	0.1%
Film and Video Production	51%	44%	4.0%	1.2%
Radio Services	44%	37%	17%	1.9%
Television Services	61%	30%	7.7%	1.9%
Music	75%	23%	1.8%	0.3%
Performing arts	61%	33%	5.0%	1.2%
Publishing	48%	46%	5.8%	0.6%
<i>Creative industry (weighted average)</i>	61%	36%	3%	0.4%
<i>All industries (weighted average)</i>	59%	37%	4.1%	0.3%

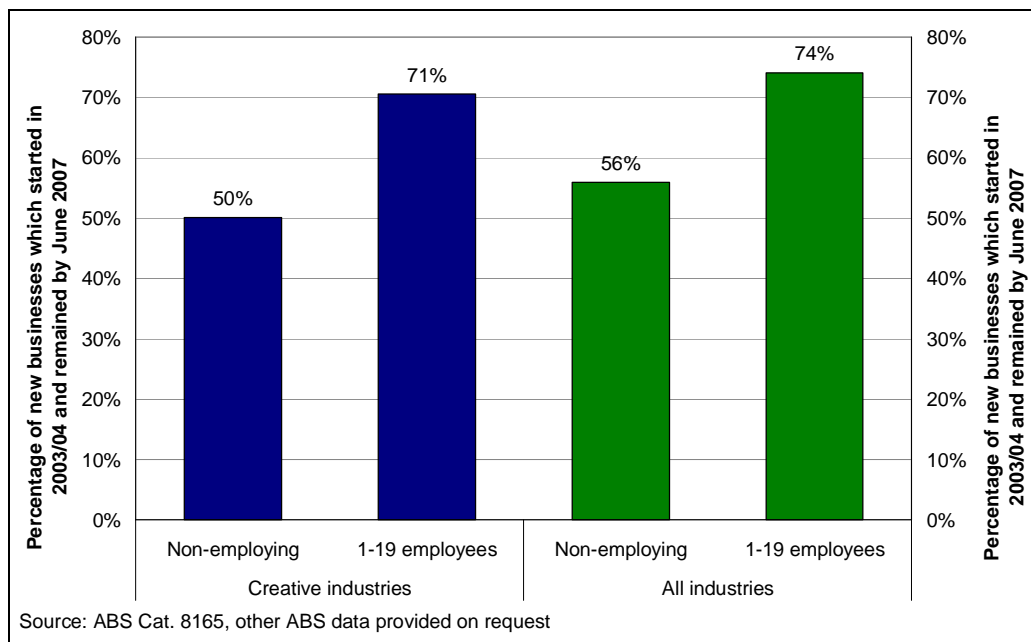
Source: ABS Cat. 8165 – Business numbers by employees

Note: The yellow shading highlights the highest represented sectors in each business size category

3.4.3. Survival rates of small businesses

Businesses in the creative industry have a slightly lower survival rate than all industries (Figure 13). Within the creative industry, around 50 per cent of non-employing businesses survive longer than three years, compared with 56 per cent in all industries. Small businesses with employees had significantly higher survival rates in the three year period (71 per cent for the creative industry and 74 per cent for all industries).

Figure 13 - Survival rates of small businesses in NSW



3.5. Government funding

Direct and indirect government funding is an important income source for a number of sectors in the creative industry. For example, government funding is critical in visual arts (including museums and other publicly-funded cultural institutions), and performing arts (performing arts companies and venues).

3.5.1. Funding across different tiers of government¹⁵

All tiers of government provide funding for the creative industry. The Federal Government provides the largest share with an average of 43 per cent of expenditure across Australia for the period 1999/00 – 2005/06 (Table 3).¹⁶ Federal expenditure has also recorded the largest increase in recent years. The share for state and territory governments has stayed relatively constant at around 34 per cent, with the share for local governments falling slightly over the period to 23 per cent.¹⁷

Table 3 – Real Government funding for the creative industry (\$m)

Jurisdiction	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Compound Annual Growth Rate
Federal	1,522	1,642	1,783	1,796	1,777	1,755	1,795	2.8%
State and Territory	1,276	1,134	1,405	1,361	1,340	1,345	1,423	1.6%
Local	938	969	977	1,165	1,034	939	973	0.5%
Total	3,736	3,745	4,165	4,322	4,152	4,040	4,190	1.7%

Sources: Cultural Funding in Australia: Three Tiers of Government 2005-06 (NCCRS);

Cultural funding by Government 2000-01 (ABS) Cat. 4183.0

Note: Real funding is calculated using the GDP deflator

3.5.2. State government expenditure

The proportion of total state government expenditure on the creative industry is a useful way of assessing expenditure across state governments (Figure 14).¹⁸ All mainland state governments devote a roughly similar share of their total budgets to the creative industry (between 1 and 1.5 per cent). While Queensland Government expenditure has increased significantly in recent years, this has brought Queensland into line with the other mainland states.

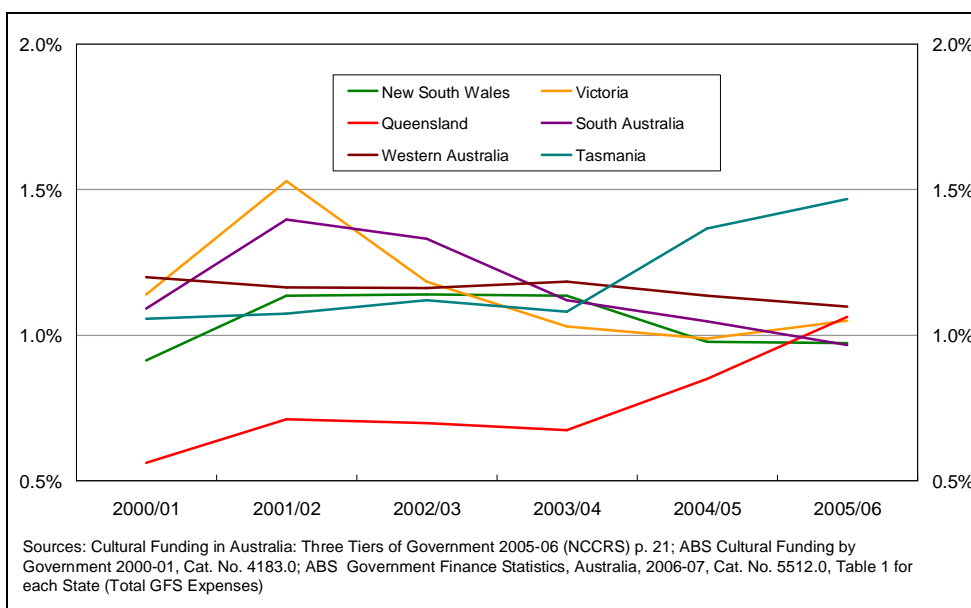
¹⁵ Note all figures quoted in this report refer to **direct** funding. The support provided by indirect government funding is potentially a fruitful area for further research.

¹⁶ The expenditure covers literature and print media, performing arts, visual arts and crafts, broadcasting and film, community cultural centres and activities, administration of culture, education, and major multi-arts festivals.

¹⁷ The Federal Government also provides support for exporting through the Export Market Development Grant scheme administered by the Australian Trade Commission (although this program is available across all industries). Further information on the scheme is available at: <http://www.austrade.gov.au/default.aspx?FolderID=1356>. The support provided by this mechanism is not captured in these figures.

¹⁸ This measure abstracts from inherent differences between states that makes a straight comparison of total expenditure or expenditure per person problematic. For instance, while more populous states like NSW spend more than less populous states, they are also likely to spend less per capita due to the economies in providing funding for particular institutions or activities.

Figure 14 – Creative Industry Expenditure as Proportion of Total State Government Expenditure



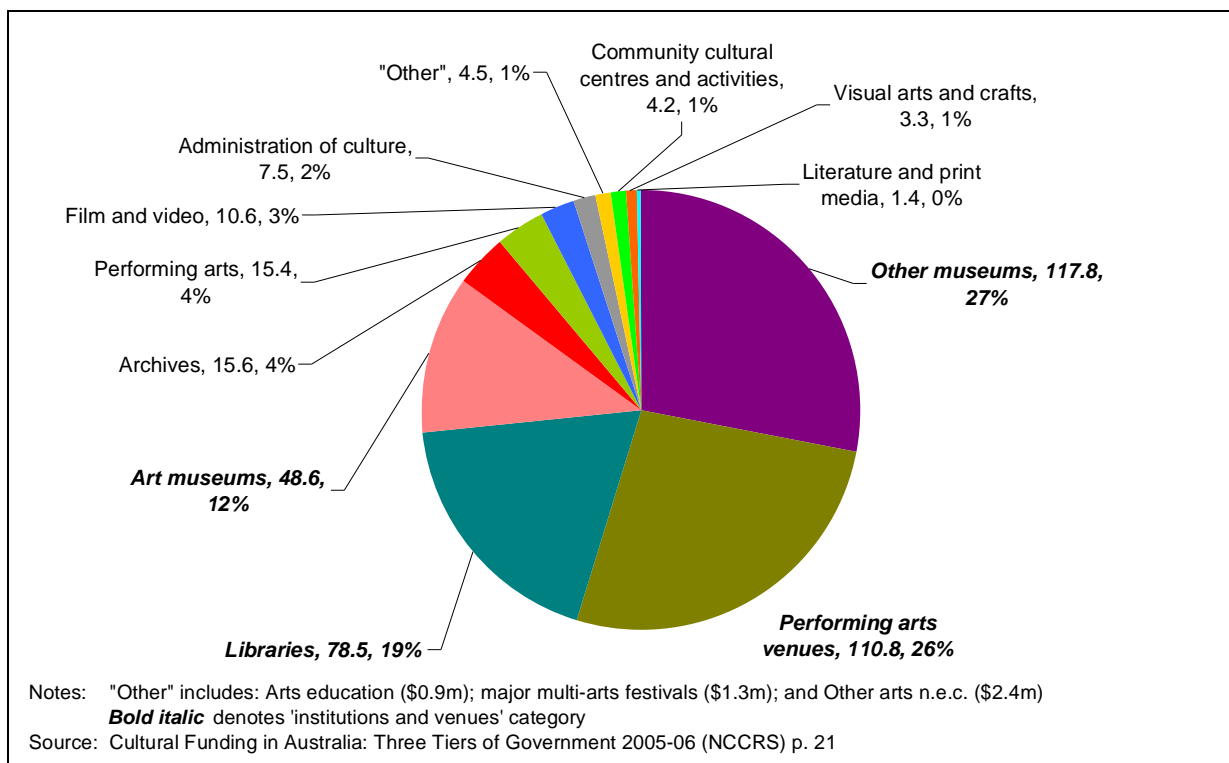
While all state governments devote a roughly similar share of their total expenditure to the creative industry, there are important differences in where states direct that expenditure. Expenditure on ‘institutions and venues’ is a substantial proportion of all state governments’ expenditure on the creative industry, averaging between 73 and 83 per cent. However, NSW has traditionally spent more on ‘institutions and venues’ than other states. In NSW in 2005/06, 83 per cent of total creative industry government expenditure was on ‘institutions and venues’ (Table 4 and Figure 15). In particular, NSW spends a significantly greater proportion of its total expenditure on performing arts venues (for example the Sydney Opera House).

Table 4 – State government creative industry expenditure on institutions and venues

Component	NSW			Victoria			Queensland		
	2001-02	2005-06	Average 2001-02 to 2005-06	2001-02	2005-06	Average 2001-02 to 2005-06	2001-02	2005-06	Average 2001-02 to 2005-06
Performing arts venues	26% (\$100m)	26% (\$111m)	23% (\$95m)	4% (\$15m)	5% (\$18m)	6% (\$17m)	8% (\$11m)	4% (\$12m)	6% (\$10m)
Art museums	13% (\$50m)	12% (\$49m)	12% (\$48m)	25% (\$89m)	13% (\$44m)	18% (\$55m)	11% (\$16m)	33% (\$92m)	20% (\$41m)
Other museums ¹⁹	28% (\$109m)	28% (\$118m)	30% (\$121m)	19% (\$65m)	26% (\$85m)	23% (\$70m)	19% (\$27m)	7% (\$19m)	15% (\$24m)
Libraries	19% (\$73m)	19% (\$79m)	19% (\$76m)	25% (\$86m)	27% (\$89m)	26% (\$81m)	29% (\$41m)	36% (\$102m)	33% (\$61m)
Percentage of total creative industry expenditure	86% (\$331m)	85% (\$356m)	83% (\$341m)	73% (\$254m)	72% (\$236m)	73% (\$224m)	67% (\$94m)	80% (\$225m)	74% (\$137m)

Source: Cultural Funding in Australia: Three Tiers of Government 2005-06 (NCCRS)

Figure 15 - NSW Government Expenditure on the Creative Industry 2005-06 (\$m)



NSW’s higher expenditure on institutions and venues is, in part, due to it being the oldest state, and thus home to more collections, artefacts, historic houses, and the like than other states. However, in the context that all state governments present a roughly similar proportion of total government expenditure on the creative industry,

¹⁹ Other museums are defined as the acquisition, collection management, conservation, interpretation, communication, and exhibition of heritage objects and artefacts.

this means that NSW has proportionally less to spend than other states in other areas to support and encourage artists, businesses, and the broader development of the industry.

The average state expenditure on the creative industry for purposes other than institutions and venues ranges between 16 per cent for NSW to around 28 per cent for Victoria (as a proportion of total expenditure on the creative industry). In dollar terms, using the average for 2001-02 to 2005-06 this translates to \$69m in NSW and \$87m in Victoria. Across all states, archives, the performing arts (excluding venues), and film and video receive the majority of this residual funding.

Table 5 - State government creative industry expenditure excluding institutions and venues, as a percentage of total expenditure on the creative industry

Component	NSW			Victoria			Queensland		
	2001-02	2005-06	Average 2001-02 to 2005-06	2001-02	2005-06	Average 2001-02 to 2005-06	2001-02	2005-06	Average 2001-02 to 2005-06
Archives	3.8% (\$14.8m)	3.7% (\$15.6m)	3.7% (\$17.9m)	2.9% (\$12.9m)	3% (\$9.4m)	3.8% (\$9.2m)	3.8% (\$5.3m)	2.9% (\$8.1m)	3.6% (\$6.4m)
Performing arts	3.9% (\$14.9m)	3.7% (\$15.4m)	4.1% (\$16.7m)	5.3% (\$18.5m)	6% (\$19.7m)	4.8% (\$15m)	10.7% (\$15.1m)	5.5% (\$15.3m)	8.4% (\$14.4m)
Film and video ²⁰	2.1% (\$8m)	2.5% (\$10.6m)	2.5% (\$10.3m)	13% (\$45.1m)	11.6% (\$38.1m)	12.6% (\$38.9m)	7.7% (\$10.9m)	3.9% (\$11m)	5.7% (\$9.8m)
Administration of culture	1.6% (\$6.1m)	1.8% (\$7.5m)	2.3% (\$9.3m)	1.5% (\$5.1m)	2.3% (\$7.6m)	2.2% (\$6.6m)	2.7% (\$3.8m)	2.1% (\$5.9m)	2.9% (\$5.1m)
Other	1.4% (\$5.5m)	1.1% (\$4.5m)	1.9% (\$7.9m)	2.6% (\$9m)	2.7% (\$8.7m)	3.3% (\$9.9m)	1.7% (\$2.4m)	3.1% (\$8.7m)	1.6% (\$3.3m)
Community cultural centres and activities	1.1% (\$4.1m)	1% (\$4.2m)	0.9% (\$3.5m)	0.8% (\$2.8m)	1.3% (\$4.4m)	1.1% (\$3.3m)	4.9% (\$6.9m)	0.8% (\$2.2m)	1.9% (\$3.1m)
Visual arts and crafts	0.1% (\$0.3m)	0.8% (\$3.3m)	0.5% (\$2.2m)	0% (\$0m)	1% (\$3.3m)	0.2% (\$3.3m)	1.1% (\$1.6m)	1.4% (\$3.8m)	1.6% (\$2.8m)
Literature and print media	0.2% (\$0.9m)	0.3% (\$1.4m)	0.3% (\$1.2m)	0.1% (\$0.4m)	0.2% (\$0.6m)	0.2% (\$0.6m)	0.4% (\$0.5m)	0.2% (\$0.5m)	0.3% (\$0.6m)
Percentage of total creative industry expenditure	14% (\$54.6m)	15% (\$62.5m)	16% (\$69m)	26% (\$93.8m)	28% (\$91.8m)	28% (\$86.8m)	33% (\$46.5m)	20% (\$55.5m)	26% (\$45.5m)

Source: Cultural Funding in Australia: Three Tiers of Government 2005-06 (NCCRS)

The Cultural Grants Program of Arts NSW is included within the above figures. Table 6 provides the categories to which this fund is directed, indicating that visual arts and craft and theatre receive the largest share of funding.

²⁰ Film and video covers funding for the production or post-production of films, videos or other media containing moving images. It includes funding from 'off budget agencies', such as the Film and Television Office and Film Victoria, and other appropriations from government. The ABS notes that for some 'off budget' agencies (but does not name which agencies specifically) only the funding from annual appropriations is included. In 2005-06, appropriations made up 90 per cent of the NSW Film and Television Office's \$10.2m budget and 82 per cent of Film Victoria's \$16.6m budget.

Table 6 - NSW Government: Arts NSW Cultural Grants Program 2007

Component	\$m*	Percentage of Total
Visual Arts and Craft	4.2	22%
Theatre	2.9	15%
Capital Infrastructure	1.7	9%
Dance	1.0	5%
Music	1.6	8%
Museums	1.6	8%
Performing Arts Touring	1.0	5%
Literature and History	0.7	4%
Western Sydney Arts Strategy	1.8	9%
Community Cultural Development	2.7	14%
Total	19.5	100%

Source: Arts NSW 2007 Cultural Grants Approved by the Minister for the Arts

* The data notes that it is funding 'in excess of' the amount recorded.

3.6. Household expenditure on creative industry products

The only comprehensive data set on household consumption in the creative industry is the 2002-03 ABS Household Expenditure Survey (HES).²¹ With continued technological development leading to changes in consumption habits, the 2002-03 results may be dated. However, an update to this publication is not available.

Table 7 provides an overview of household expenditure in the creative industry. (Appendix A provides the more specific components in each category and also outlines the assumptions made to derive the estimate.) The data suggests that just under 3 per cent of total household expenditure in both NSW and Australia is on creative industry products.²² Expenditure on publishing is by far the largest category (with expenditure on books making up half of this category), followed by film and then television (which is subscription TV fees).

²¹ The next edition of the HES is not due to be conducted until 2009-10 (the 1998-99 survey is not comparable with the 2003-04 survey as it does not include a number of categories included in the later survey). In recent years, the Household Incomes and Labour Dynamics Survey has asked respondents for their expenditure in a number of areas but have not included any categories pertinent to the creative industry.

²² Some international estimates suggest a much larger proportion of household expenditure is devoted to the creative industry, yet such estimates also define the industry much more broadly than this report. For example, a 2006 NESTA report noted that in 2000-01 18 per cent of UK household expenditure was on leisure goods and services, which is a much broader definition of the creative industry than used in this report.

Table 7 - Household Expenditure on Creative industry Products

Category	\$ per Household per Week		Proportion of Total Creative industry Expenditure in Category	
	NSW	Australia	NSW	Australia
Design	1.5	1.6	5.5%	6.0%
Visual Arts	1.4	1.4	5.1%	5.2%
Music	2.3	2.3	8.3%	9.0%
Performing Arts	1.4	0.9	5.1%	3.4%
Publishing	8.2	8.4	30.3%	32.6%
Film	5.1	5.2	18.8%	20.0%
Television	3.2	2.7	11.7%	10.4%
Software and Interactive Content	1.4	1.2	5.3%	4.5%
Other	2.7	2.3	9.9%	8.8%
Total Creative industry Expenditure	27.0	25.9		
Total Household Expenditure	947.5	892.8		
Creative industry Expenditure as a Proportion of Total Household Expenditure	2.8%	2.9%		

Source: ABS Cat. No. 6535.0.55.001 Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04, Table 5

Section 4 and the remainder of this Report go into specific detail on each of the 11 creative sectors.

4. Advertising

4.1. Overview

Advertising is ubiquitous in a modern economy and new technologies have significantly increased the number of channels available to advertisers. Advertising is also the critical revenue source for much of the creative industry and the ability of parts of the industry to embed advertising in their service offering will have a significant bearing on their future prospects.

The most significant development in advertising in recent years has been the extraordinary growth in the online market, which saw real annual growth of 50 per cent from 2002 to 2006.²³ Expenditure in the more traditional advertising platforms, such as newspapers and television, continues to increase in real terms, although their share of the overall market has fallen. While traditional media's share looks set to fall further, it is expected to retain its dominant position in the market in the coming years.²⁴

There is a relatively small number of large dominant advertising companies (the seven largest companies account for 48 per cent of revenue²⁵) and consolidation among mid-sized and large companies has been a feature of recent years. This has been driven by: declining margins (from increased competition) leading companies to grow by acquisition; and customers' desire for a one-stop show for all advertising and marketing services, from ideas creation, to content creation, to placement in media. At the same time, there has also been considerable growth in the number of small firms, with the increase in the number of advertising channels creating niche opportunities.

NSW dominates the advertising sector in Australia, accounting for 50 per cent of total revenue.²⁶ Sydney's continued role as a national and regional headquarters for large companies will determine whether NSW maintains such a large share of total revenue. More generally, heightened competition and lower margins look set to remain. In response, advertising companies will need to redevelop their business model to ensure a monetary value is attached to their creative ideas and strategic thinking.

²³ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p. 10

²⁴ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p. 10

²⁵ IBISWorld (2008) Advertising Services in Australia: L7851, p. 22. The seven companies and their market share are: Clemenger Group Limited (14.4 per cent), Communications Group Holdings Pty Limited (8.8 per cent), Singleton Ogilvy and Mather (Holdings) Pty Limited (7.2 per cent), STW Communications Group Limited (5.58 per cent), DDB Worldwide Pty Limited (5.3 per cent), Mitchell Communication Group Limited (4.8 per cent), and Adcorp Australia Limited (2.1 per cent).

²⁶ IBISWorld (2008) Advertising Services in Australia: L7851, p. 10.

4.2. Economic fundamentals

4.2.1. Global size

PWC estimates that global advertising expenditure was around \$611 billion in 2006, with the size of the Australian industry \$11 billion or around 1.7 per cent of the global total (Table 8). Over the past five years growth in the Australian advertising market was significantly larger than the global advertising market, with 4.3 per cent annual growth against 1.4 per cent. In terms of the components, growth in subscription television and the internet have been substantially larger in Australia.

The relative size of each component in Australia is broadly similar to the global sector with the exceptions of television (with free-to-air and especially subscription television smaller in Australia) and newspapers (which have around a 45 per cent larger share in Australia).

Table 8 – Advertising: Real Australian and Global Expenditure – Historical (\$Am)

Segment	2002 share of total		2006 Value		2006 share of total		Compound Annual Growth Rate 2002 to 2006	
	Australia	Global	Australia	Global	Australia	Global	Australia	Global
Filmed entertainment	1%	0%	86	2,284	1%	0%	7.4%	8.4%
Free-to-air TV	34%	37%	3,207	222,527	30%	36%	2.6%	1.8%
Subscription TV	1%	6%	212	48,780	2%	8%	29.8%	8.2%
Radio	9%	8%	925	43,020	9%	7%	4.3%	-0.8%
Out-of-home	3%	5%	379	30,949	4%	5%	6.8%	2.2%
Newspapers	40%	28%	3,793	150,940	36%	25%	2.8%	-0.9%
Magazines	10%	13%	1,050	70,499	10%	12%	4.5%	0.1%
Internet	2%	2%	1,001	41,972	9%	7%	52.3%	32.0%
Total	1%	0%	10,653	610,971	100%	100%	4.3%	1.4%

Source: PWC (2007) Australian Entertainment and Media Outlook 2007 – 2011, p. 10

Note: Real Australian expenditure is calculated using the CPI and real global expenditure is calculated using the IMF's world inflation series

4.2.2. Revenue

Revenue for firms that provide advertising services (as distinct from total expenditure on advertising presented above) has trended higher over the past decade.²⁷ Over the past decade, the industry has moved through three distinct cycles – strong growth through to 1999-2000, a substantial contraction through to 2002-03; and then a

²⁷ The data in this section is from the IBIS Report, Advertising Services in Australia: L7851. The coverage of the report is 'establishments mainly engaged in providing advertising services (except sale of advertising space in their own publications or broadcasts)'. The industry relates to agencies that assist clients in creating and placing advertising on TV, pay-TV, newspapers, magazines, outdoors/billboards, and increasingly in areas such as the internet. Many larger agencies also offer "below the line" services which include direct mail, PR, and other sales promotion activities. On this measure, Oceania, which would be dominated by Australia, accounts for 0.4 per cent of global revenues (IBISWorld Global Advertising: L6731-GL, p. 11).

reasonably strong recovery, although revenue has not yet returned to its peak in 1999-2000 (Figure 16). The global industry experienced a similar growth pattern, although with a smaller pick-up in the late 1990s and a more pronounced pick-up in recent years, so that global revenue in 2007 was 5 per cent higher than the peak in 1999.²⁸

NSW accounts for 50 per cent of the sector (Table 9), substantially higher than its share of the national economy.

Figure 16 - Advertising: Real Australian revenue (\$'000)

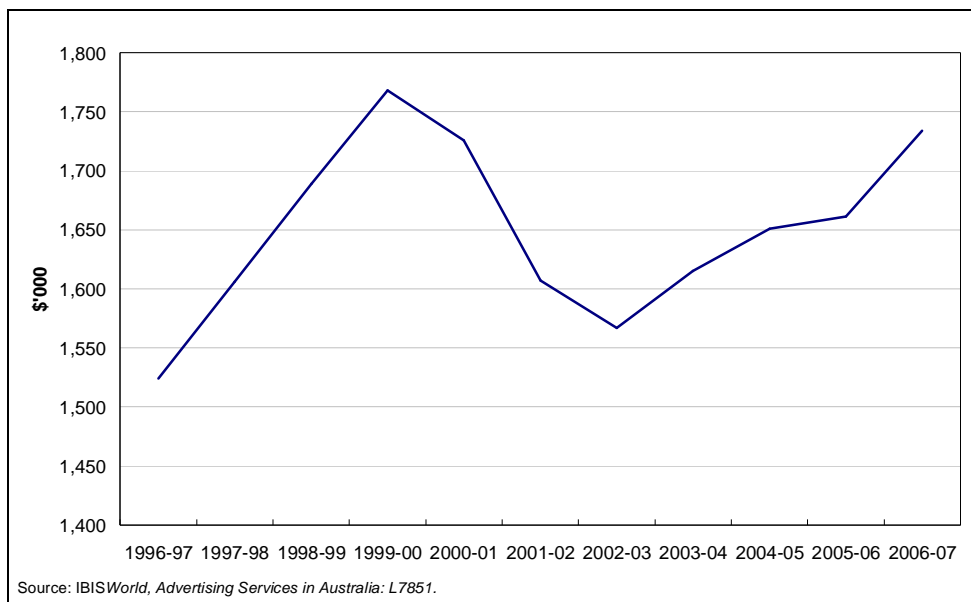


Table 9 – Advertising: Revenue (2006-07)

Variable	Value
NSW (\$m)	874
Australia (\$m)	1,734
NSW % Aust	50%
Compound Annual Growth Rate 1996-97 to 2006-07	1.3%

Source: IBIS Advertising Services in Australia

A particular area of strength in the advertising market has been online advertising, which increased seven-fold from 2002 to 2007 (Table 10). Online search and directories is the dominant component of online advertising, representing 40 per cent of the market in 2007, although growth across all segments has been rapid (with the strong growth in classified advertisements, for example, reflecting a shift away from classified advertising in newspapers).

There has been a steady increase in advertising exports over the past 5 years, with average annual real growth of 6.2 per cent. However, exports remain only a small share of total revenue (around 3 per cent) and are only around one-quarter of imports.²⁹

²⁸ IBISWorld Global Advertising: L6731-GL, p. 45.

²⁹ IBISWorld (2008) Advertising Services in Australia: L7851, p. 4.

Table 10 – Advertising: Real online advertising expenditure in Australia*

Type of advertising	2002	2003	2004	2005	2006	2007	Compound Annual Growth Rate 2002 to 2007
General Display	71	91	140	206	312	367	39%
Classifieds	69	97	144	219	308	357	39%
Search and Directories	52	77	139	234	411	622	65%
Total	192	265	424	659	1,031	1,346	48%

Source: PWC IAB Online Advertising Expenditure Report, 14 Feb 2008

* Real advertising expenditure calculated using consumer price information provided by the ABS

4.2.3. Number and size of businesses

There are a substantial number of advertising businesses in Australia and a disproportionately high share in NSW (Table 11). The number of businesses in the sector has also grown significantly in recent years. Interestingly, NSW's share of Australian revenue, 50 per cent, is significantly higher than its share of businesses, 39 per cent. This is most likely due to a higher proportion of national advertising accounts being held by Sydney-based businesses.

The industry is dominated by non-employing and small businesses (Figure 17).³⁰

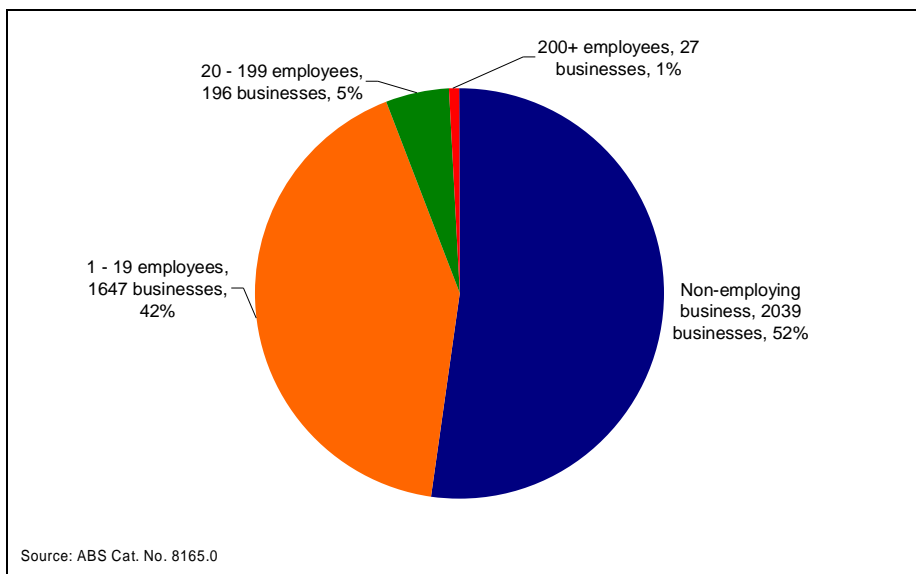
Table 11 - Advertising: Number of business (30 June 2007)

	NSW	Australia
Number of business (June 2007)	4,083	10,314
NSW % Australia	39%	
% change June '03 to June '07	9.1%	9.4%

Source: ABS Cat 8165 - Business Numbers by Employees

³⁰ However, on one measure, the industry is more concentrated in Australia than elsewhere. IBISWorld reports that firms in Australia had the largest average market share in the world (Global Advertising: L6731-GL, p. 11).

Figure 17 - Advertising: NSW businesses by size (June 2006)



4.2.4. Employment and incomes³¹

There was solid employment growth in advertising over the decade to 2006, although this growth was stronger in the latter part of the 1990s (Table 12). NSW has a disproportionately large share of total Australian employment, with growth in employment in NSW the same as Australia overall. From 1996 to 2001 incomes in NSW grew at the same rate as Australia overall.

Table 12 - Advertising: Employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	25,047	60,426	4.8%	4.8%	3.1%	3.1%	42%	42%	42%
Mean income (real)	\$65,040	\$58,820	1.6%	1.5%	1.5%	1.5%	110%	112%	112%

Source: CCI based on ABS Census data

4.3. Government involvement

Advertising in the commercial media is a Federal Government responsibility, under the jurisdiction of the Australian Communication and Media Authority. For commercial television, content standards stipulate that Australian-produced advertisements must account for at least 80 per cent of advertising time between 6am and midnight.³² The NSW Government’s role in the advertising sector is limited to its role as an advertiser. In 2007, the NSW Government was Australia’s seventh largest advertiser, spending \$95m or 15 per cent of total advertising revenue (the Commonwealth Government spent \$220m). This also has a direct impact on the revenue of newspapers in the publishing sector.

³¹ The data presented in this section is for advertising and marketing. It has not been possible to source data solely for advertising.
³² See http://www.acma.gov.au/WEB/STANDARD/pc=PC_91808 for more details.

5. Architecture

5.1. Overview

Architectural services include businesses providing planning and design services for residential, institutional, commercial and industrial buildings and structures. Typically, a client engages an architect across three phases: design – producing detailed drawings, selecting materials, etc. and costing; contract documentation – producing technical drawings and specifications to obtain a building permit, invite tenders, and for use in construction; and contract administration – administering the building contract, including advice on suitable contracts and tender process to select a builder to supervise the building works. The architect then liaises with the builder to assess quality of work at key stages and ensure that contract and specifications are complied with. The built work is then certified by a local council according to regulation. Increasingly, clients are involved as equal partners in decisions on their living and working environments.

Architects rely heavily on a range of other sectors in the creative industry, from graphic designers to furniture and interior designers. Technologies such as computer-aided design and drafting (CAD) and 3D modelling using virtual reality technology have increased efficiency, but investment costs are relatively high. Sustainability of buildings is becoming an increasingly important component of design, with the building industry a major user of energy and materials that produce by-product greenhouse gases.³³

The NSW Architects Registration Board protects NSW consumers of architectural services by administering the legislation regulating architects for the ‘public benefit’. Registration certifies that an architect is a qualified, experienced professional bound by the professional and ethical conduct requirements of the *Architects Act (NSW) 2003*. In recent years there has been a trend to larger multi-disciplined businesses that can better compete against multi-disciplined professional services such as construction firms, and greater linkages between NSW, national, and global markets.

Views raised in workshops and interviews indicate that the sector has become increasingly competitive in recent years. There is a strong perception in the sector that government contracts focus too heavily on price and downplay the importance of good design, and that government procurement is too risk averse impeding innovation. There is also a view in the sector that government contracts place too much liability on architects which detracts from innovation, as does the difficulty of architects in retaining intellectual property and moral rights attribution of their work.

NSW’s share of the sector is slightly higher than its share of the national economic and population.

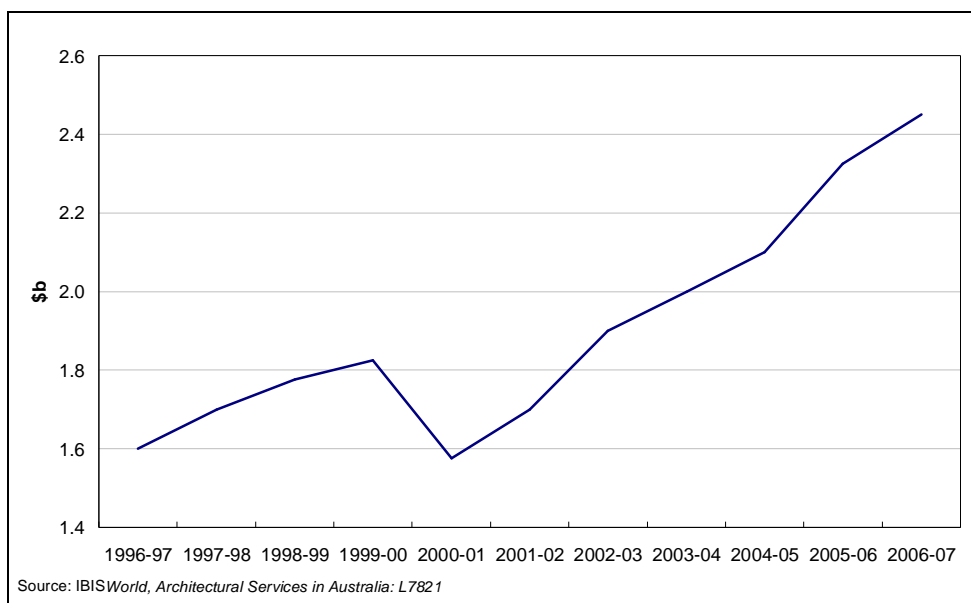
³³ An Australian Cost Curve for Greenhouse Gas Reduction. McKinsey and Company 2008.

5.2. Economic fundamentals

5.2.1. Revenue³⁴

Revenue growth in the architectural sector is closely tied to the economic cycle³⁵ and more specifically demand for various types of building and construction. Consistent with the strong economic performance of the last decade, and periods of considerable strength in the building sector, revenue growth in architectural services has grown strongly, with real average annual growth of 4.4 per cent, and a stronger 6.6 per cent from 2002-03 to 2006-07 (Figure 18 and Table 13). NSW accounts for 36 per cent of national revenue from architectural services, slightly higher than its share of the national economy.³⁶

Figure 18 - Architecture: Real revenue in Australian (\$b)



³⁴ The data in this section is based on the IBIS Report *Architectural Services in Australia: L7821*. The report's coverage 'is establishments primarily engaged in the provision of architectural services. This includes establishments providing planning and designing services on residential, institutional, commercial, and industrial buildings and structures, through the application of knowledge of design, construction procedures, zoning regulations, building codes, and alternative building materials. In addition to the preparation of drawings and specifications, establishments in this industry also administer building contracts, and inspect completed projects, and may also undertake to design building interiors and landscape architectural activities.

³⁵ Based on an above-average correlation coefficient between real industry revenue and Australian real GDP of 0.61

³⁶ During the course of the project it has not been possible to find data on the global size of the sector.

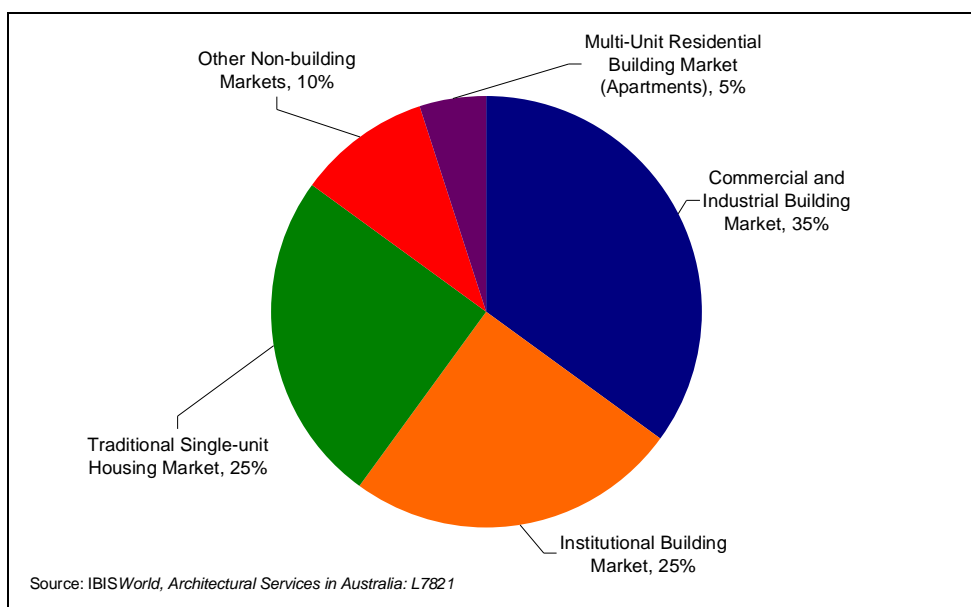
Table 13 – Architecture: Revenue (2006-07)

Variable	Value
NSW (\$m)	882
Australia (\$m)	2,450
NSW % Aust	36%
Compound Annual Growth Rate 1996-97 to 2006-07	4.4%

Source: IBIS Advertising Services in Australia

The majority of revenue in architectural services is in the non-residential building market, which accounts for around 60 per cent (Figure 19).³⁷ This is made up of an industrial component (offices, hotels, retail complexes) and an institutional component (hospitals, aged-care facilities, and educational buildings). The traditional residential housing market accounts for only 25 per cent, although the small scale multi-unit residential market has experienced rapid growth recently.

Figure 19 - Architecture: Market segments and shares



Exports have grown strongly in recent years, with real annual growth of 7.5 per cent from 2002-03 to 2006-07, although exports remain a very small share of total revenue (2.1 per cent).³⁸ Imports have grown incredibly strongly in recent years (18.9 per cent real growth per annum), although exports remain around twice as large.

5.2.2. Number of businesses

The Australian architectural services market comprises a variety of businesses. In addition to the traditional Australian-based business offering architectural services, multi-disciplinary professional service companies with an ‘in-house’ architectural design capacity are providing increasing competition, especially for large projects.

³⁷ IBISWorld *Architectural Services in Australia L7821*, p. 6.

³⁸ IBISWorld *Architectural Services in Australia L7821*, p. 4.

The architectural services industry is populated mainly by a large number of small businesses either non-employing, or with less than 20 employees (Figure 20). These small businesses tend to operate in narrow regional markets, specialising in a particular range of work. Of the 13,100 businesses in Australia (Table 14), only 2 per cent have more than 20 employees and 0.1 per cent more than 200 employees.

NSW’s share of architectural services businesses in Australia, 35 per cent, is slightly higher than its share of the national economy and population.

Figure 20 – Architecture: NSW business size (30 June 2006)

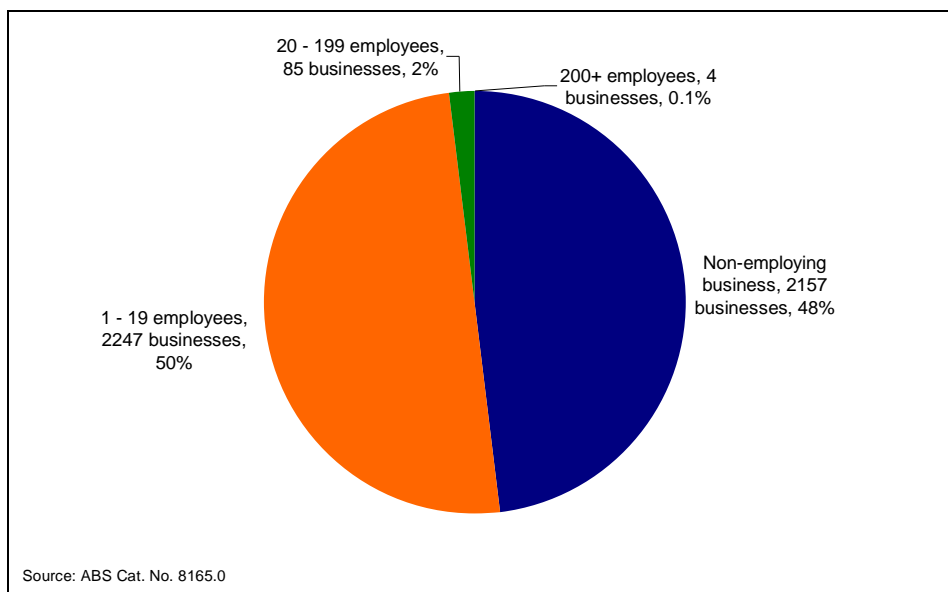


Table 14 – Architecture: Number of businesses (30 June 2007)

	NSW	Australia
Number of businesses (June 2007)	4,488	13,110
NSW % Australia	35%	
Compound Annual Growth Rate June '03 to June '07	0.3%	0.6%

Source: ABS Cat 8165 - Business Numbers by Employees

5.2.3. Employment and incomes

Consistent with strong revenue growth, architectural employment in NSW and Australia has grown strongly over the past decade, at 3.1 per cent per year. Employment growth in Australia has been higher than in NSW, especially in more recent years. In 2006, mean income in NSW was slightly higher than the Australian average.

Table 15 - Architecture: employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	16,858	51,348	3.1%	3.8%	2.5%	4.2%	35%	35%	33%
Mean income (real)	\$57,730	\$55,560	1.7%	1.7%	1.4%	1.7%	104%	105%	104%

Source: CCI based on ABS Census data

Currently there are 3,190 practicing architects registered with the NSW Architects Registration Board, compared to an estimated 10,000 registered practicing architects nationally. There are 1,100 architectural businesses listed with the NSW Architects Registration Board.³⁹

5.3. Government involvement

Architectural services in NSW face a moderate degree of regulation. The NSW Architects Registration Board protects NSW consumers of architectural services by administering the legislation regulating architects for the ‘public benefit’. Registration certifies that an architect is a qualified, experienced professional bound by the professional and ethical conduct requirements of the *Architects Act (NSW) 2003*. Similar boards exist in other states. The Board also promotes architecture through scholarships, grants, and prizes.

There has been a drive towards complete self regulation of architectural services, however this has not yet materialised. For example, in 2000 the Productivity Commission recommended that state registration of architects should cease as it is of little community or consumer benefit.⁴⁰

The NSW Government plays a lead role in architectural design through government procurement for public buildings and through public-private partnerships. The NSW Government Architect performs an advocacy and advisory role to government and its agencies. Local environmental planning regulations, particularly the development approval process, also have an important impact on architectural businesses.

The holding of major events in New South Wales provides opportunities for the sector to showcase its ability. For instance, the success of Australian architects in developing iconic buildings for the Sydney Olympic Park Precinct has been an important catalyst in enhancing the reputation of these firms in international markets. As an example, PTW Architects were able to capitalise upon their Sydney success and joint venture with Chinese architects and construction companies for the building of the aquatic centre and athletes’ village for the 2008 Beijing Olympics. More broadly, the Sydney Olympics in 2000 helped generate a new breed of Australian companies with expertise in the planning and delivering of major international sporting events and facilities, with the NSW Government promoting these capabilities through organisations like the Sydney-Beijing Olympic Secretariat and a joint venture with the Victorian Government, the Australian International Sporting Events Secretariat (AISES).

³⁹ Figure supplied by the Architects Accreditation Council of Australia.

⁴⁰ Productivity Commission (2000) *Review of Legislation Regulating the Architectural Profession*.

6. Design

6.1. Overview

The Design Institute of Australia defines a designer as ‘a business professional who develops solutions to commercial needs that require the balancing of technical, commercial, human, and aesthetic requirements’.⁴¹ Accordingly, a designer is both a technician and an artist who plans items for later manufacture or construction. With this in mind, the design sector incorporates the following sub-sectors:

- Industrial Design (including furniture, textile, fashion, jewellery, and exhibition and display design)
- Interior Design (including commercial and residential interior, exhibition and display, and TV, film, and set design); and
- Graphic Design (including web, animation, and printed textile design).⁴²

These three classifications aside, a large number of the ‘sub-sectors’, such as fashion design, have become distinct specialisations in their own right.

The impact of the digital revolution has seen the scope of design (particularly graphic design) expand to include web, multimedia, digital animation, and digital game design. This expansion is reflected in a doubling of the workforce and revenue for the graphic design sub-sector over the last decade.

In developing plans and products for other industries, the design sector stimulates growth by aesthetically refining products, appliances and interfaces. There is evidence that designed solutions to products have much higher probabilities of being useful and successful, and companies employing design professionals in the development of their products, environments, and businesses financially outperform companies that do not.⁴³ Despite this, a lack of appreciation of the value of design by business and consumers is widely perceived by the sector as one of the biggest barriers to growth and innovation.

⁴¹ Design Institute of Australia. Available at www.dia.org.au.

⁴² Design Institute of Australia. Available at www.dia.org.au.

⁴³ Robertson, D. ‘From crusade to profession: sixty years of Australian design’ 8 June 2007 (available at www.dia.org.au).

6.2. Economic fundamentals

6.2.1. Revenue

The breadth of the design sector, and a lack of data for each of the components, makes it difficult to estimate the size of the sector – Figure 21 and Table 16⁴⁴ represent the best estimate. Over the period the sector has expanded by 55 per cent, with particularly rapid growth in recent years.⁴⁵ NSW’s share of the sector is broadly in line with its share of the national economy and population.⁴⁶

Figure 21 - Design: Real Australian Revenue (\$b)

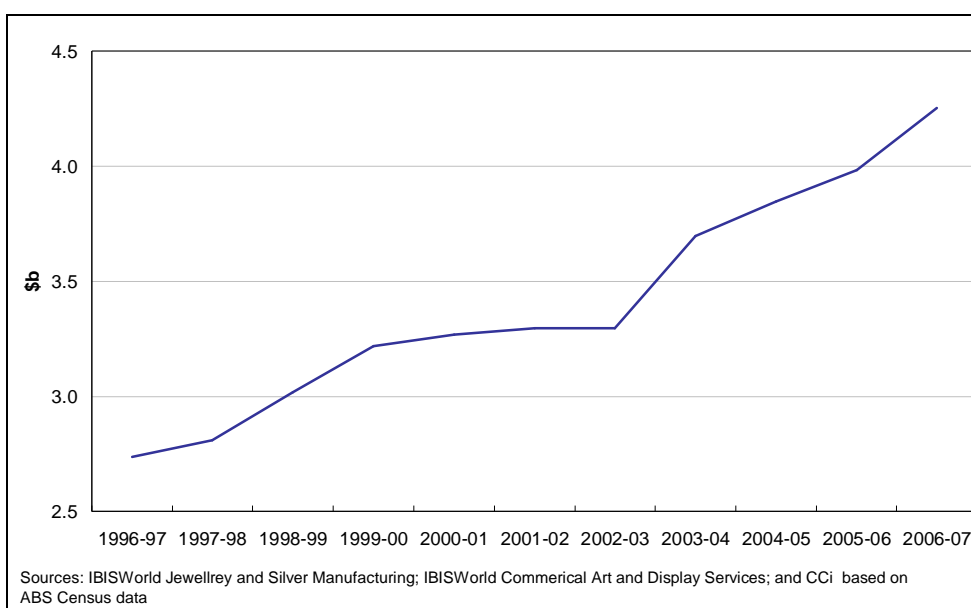


Table 16 – Design: Revenue (2006-07)⁴⁷

Variable	Value
NSW (\$m)	1,578
Australia (\$m)	4,252
NSW % Aust	37%*
Compound Annual Growth Rate 1996-07 to 2006-07	4.5%

Sources: IBISWorld Jewellery and Silver Manufacturing; IBISWorld Commercial Art and Display Services; and CCI based on ABS Census data * NSW’s share is based on the figure for IBIS Report Commercial art and display services. IBIS does not report such a figure for Jewellery

⁴⁴ In this sector, the relevant IBIS Reports only cover the graphic design and jewellery sub-sectors. As such, to construct an estimate of the overall revenue of the sector it is necessary to estimate the revenue for the other sub-sectors. To do this, 2006 earnings in each sub-sector was used as a proxy to estimate the revenue of a sub-sector relative to graphic arts. As this ratio may have changed over time, the value of revenue presented in the chart needs to be interpreted with caution.

⁴⁵ The slowdown earlier in the decade was largely a result of significant decline in jewellery that IBIS suggests reflected the substantial increases in precious metal prices (p. 29). There was a more general slowdown in the non-jewellery components of the sector in 2001-02.

⁴⁶ During the course of the project it has not been possible to find data on the global size of the sector.

⁴⁷ Reliable or comprehensive export and import data in this sector is not available.

6.2.2. Number and size of businesses

The ABS does not provide information specifically on the number of design businesses, reporting a combined category of both design and visual arts. The best proxy to estimate the number of design businesses is to consider the proportion of the number of employees in design in NSW (34,280) relative to the number of employees in visual arts (14,826). As there were a total of 9,459 design and visual art businesses at 30 June 2007, and appreciating the limitations of this measure, it is estimated that there are 6,621 design businesses in NSW (Table 17). The total number of businesses has declined slightly since 2003.

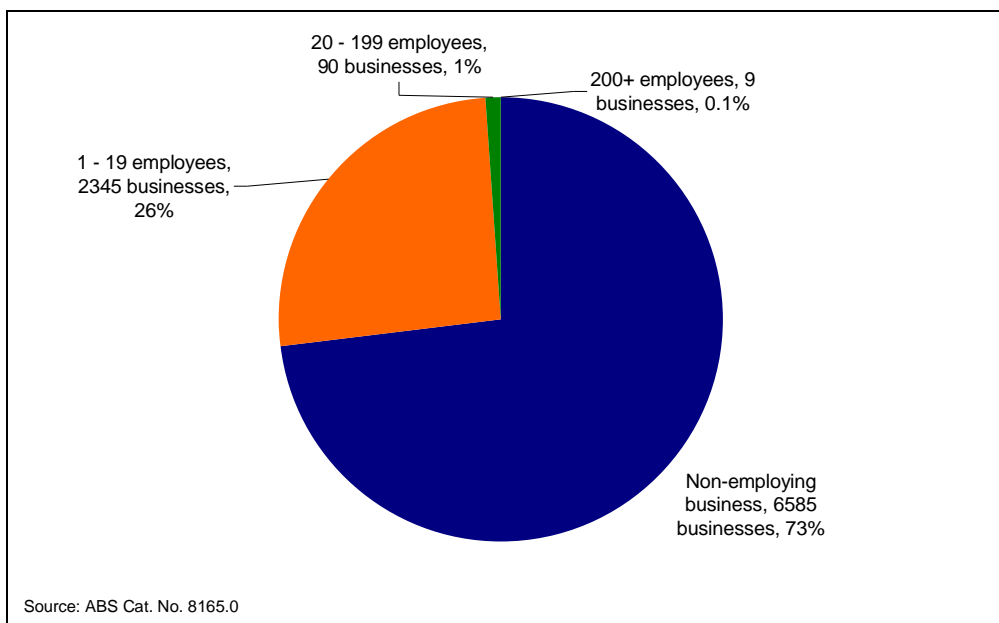
Table 17 - Design: Number of businesses (30 June 2007)*

	NSW	Australia
Number of businesses	6,621	17,724
Proportion of businesses in NSW	38%	
Annualised growth, June 2003 – June 2007	-0.9%	-0.4%

* The data presented in this table is an indicative estimate.

In the absence of specific data for design, Figure 22 presents data on the size of both design and visual arts businesses. An overwhelming majority of businesses, 73 per cent, are non-employing, with only 1 per cent of businesses employing more than 19 people.

Figure 22 - Design and Visual Arts: NSW business size (30 June 2006)



6.2.3. Employment and incomes

NSW accounts for 37 per cent of employment in Australia, with employees earning slightly above the national average for this sector (Table 18). Since 1996, NSW's overall share of employment has declined marginally from 39 per cent to 37 per cent. Of particular note is the number of graphic designers, which has doubled from 10,314 in 1996 to 20,540 in 2006, consistent with the strong revenue contribution from this sub-sector (Table 19).

Table 18 – Design: Employment and income

	2006 Value		Compound Annual Growth Rate (%)				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	34,280	93,240	5.6	6.1	4.3	5.1	39	38	37
Mean income (real)	\$46,062	\$43,425	1.4	1.4	0.7	0.9	106	107	106

Source: CCI based on ABS Census data

Table 19 -Design: Employment and income breakdown by occupation

Occupation	Employment		Mean income	
	Total (2006)	Compound Annual Growth Rate nominal (%) (1996 to 2006)	Value (2006) \$	Compound Annual Growth Rate nominal (%) (1996 to 2006)
Graphic Designer	20,540	7.1%	45,854	3.5%
Jeweller	2,600	0.7%	33,322	3.3%
Industrial Design	1,350	3.8%	53,361	4.3%
Interior Design	4,080	5.5%	49,603	4.0%
Fashion Designer	2,622	2.6%	44,380	4.6%
Designers and Illustrators	2,974	6.4%	52,972	5.0%
Apprentice Jeweller	114	-6.7%	19,366	3.9%
Total / average	34,280	5.6%	45,220	4.0%

Source: CCI based on ABS Census data

1.1 Government involvement

The Federal Government provides direct financial support to visual arts and design through grants from the Australian Council. In 2006-07, grants totalled more than \$16.8 million, and included grants to artists, residencies and touring, support for galleries and organisations, and strategic initiatives to build capacity across the sector.⁴⁸

⁴⁸ Australia Council (2007) Annual Report 2006-07, p. 28. The amount is not separately split into grants for the visual arts sector and grants for the design sector.

The NSW Government's support for design includes the following measures:

- Powerhouse Museum - \$28,194,000 (recurrent funding)
- Object, Australian Centre for Craft and Design - \$650,000 (to raise awareness and appreciation for craft design and creativity through exhibiting education programs, publications, and retail activity)
- Object, Australian Centre for Craft and Design - \$35,000 (NSW emerging indigenous curator's program)
- Ceramics Triennial NSW 2009 - \$40,000 (online education resource for virtual exhibitions and catalogues)
- Arts Mid North Coast - \$35,000; and
- Design NSW Travelling Scholarship - \$18,000.

Furthermore, the NSW Government's events agency, Events NSW, supports events such as Australian Fashion Week and the Sydney Design festival.

7. Visual Arts

7.1. Overview

The visual arts encompass painting, sculpture, photography, glass, ceramics, and virtual visual arts. The sector (like the rest of the creative industry) is complemented by established public cultural institutions. These institutions are subsidised by governments and have been funded for their traditional role as custodians of valuable collections of significant value to the whole of Australia – this is particularly true for NSW where the core of Australia’s cultural heritage is located in Sydney, in institutions such as the State Library, Art Gallery of NSW, and Powerhouse Museum.

In addition to their traditional role, public cultural institutions provide a vital link for the entire creative industry (as well as inventors and scientists),⁴⁹ both as an ‘input’ to the broader creative process, and an ‘output’ for displaying the products of the creative industry – particularly in the visual arts sector.

Digitisation has had a positive impact on the sector, opening up new markets such as the 16-25 year old age group and increasing online display and sales. Moreover, the increasing number of galleries and museums digitising their collections facilitates greater public access and awareness. However, a key challenge in this space is the cost of digitisation, including infrastructure and training, and in some parts of the sector there is a lack of understanding of how to make the most out of the advantages of digitisation. A further challenge to innovation and growth is the high costs associated with taking an Australian art collection ‘on tour’ – particularly in the area of freight and insurance.

NSW is home to 38 per cent of visual arts businesses. In the year 2000, there were 230 commercial art galleries in NSW.⁵⁰

⁴⁹ Scientists have used museum resources in the development of products from adhesives to vaccines, see Holder, J. *Publicly Funded Culture and the Creative industry*. Demos. June 2007.

⁵⁰ ABS Commercial Art Galleries 1999-2000 (Cat. No. 8651.0)

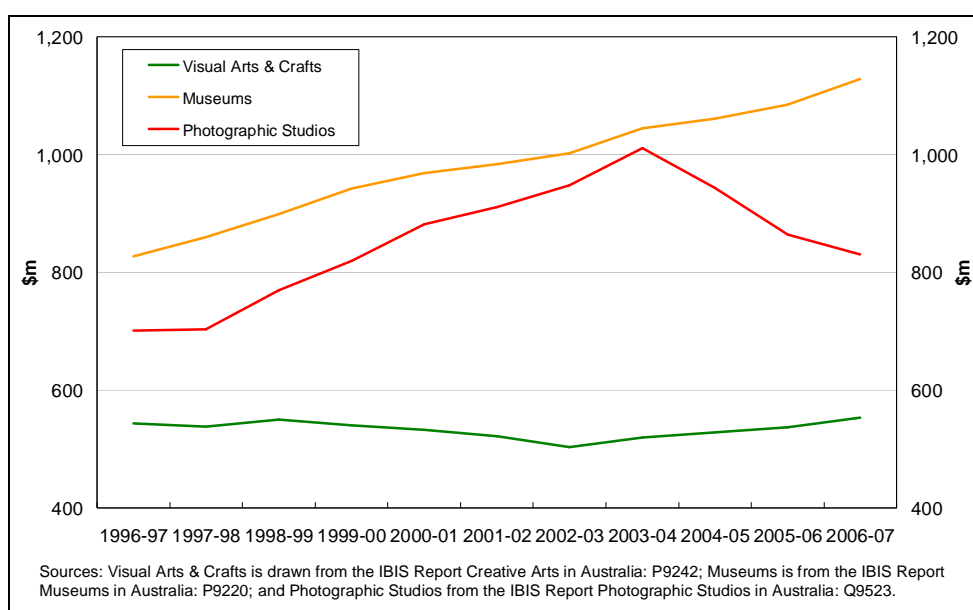
7.2. Economic fundamentals

7.2.1. Revenue

Revenue from visual arts and crafts has increased marginally over the decade, while revenue from photographic studios has declined sharply since peaking in 2003-04 (Figure 23).⁵¹ Revenue for museums has increased solidly over the period, with government funding the key source.⁵²

For museums, NSW accounts for 31 per cent of all revenue and 38 per cent excluding the ACT, while for photographic studios, NSW accounts for 39.6 per cent of all revenue.

Figure 23 - Visual Arts: Real revenue in Australia (\$m)



7.2.2. Number and size of businesses

The ABS does not provide stand-alone information specifically on the number of visual arts businesses, reporting a combined category of both visual arts and design. The best proxy to estimate the number of visual arts businesses is the number of employees in visual arts in NSW (14,826) against the number of employees in design (28,850). Appreciating the limitations of this measure, it is estimated that there are 11,140 visual arts businesses in NSW (Table 20).

⁵¹ The Visual Arts and Crafts component is drawn from the IBISWorld Report Creative Arts in Australia: P9242. The definition of the sector in this report is broader than of interest here, with visual arts and crafts comprising 61 per cent of the sector. In constructing Figure 23 it has been implicitly assumed that this share is constant over time.

⁵² In 2003-04 government funding accounted for 68 per cent of total revenue for Australian museums (ABS (2005) Cat. No. 8560.0 Museums).

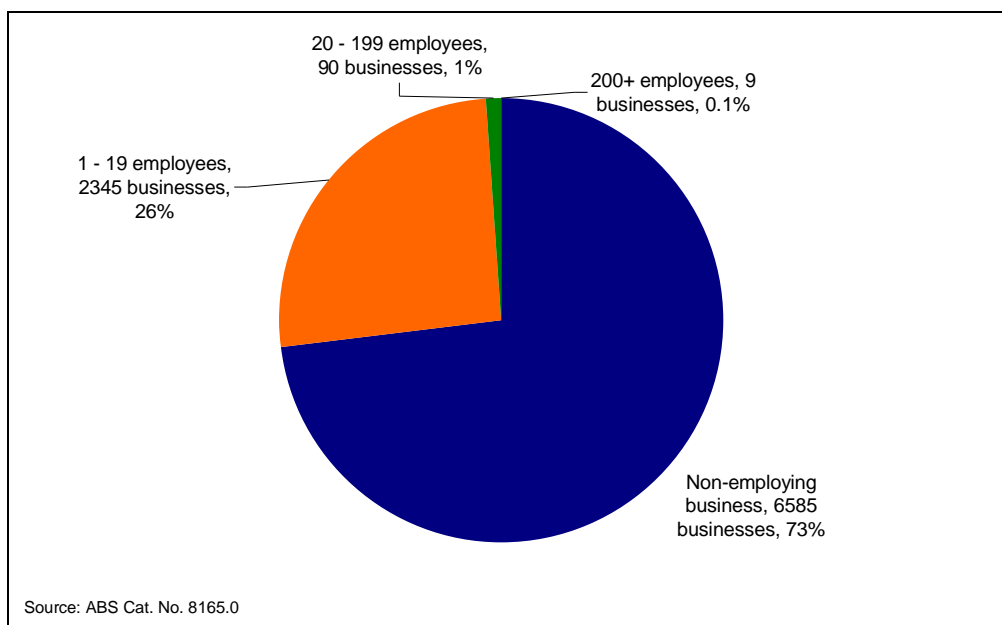
Table 20 - Design and Visual Arts: Number of businesses (30 June 2007)

	NSW	Australia
Number of businesses	11,140	25,320
Proportion of businesses in NSW	38%	n/a
Annualised growth, June 2003 – June 2007	-0.9%	-0.4%

*The data presented in this table is an indicative estimate
 Source: ABS Cat 8165 - Business Numbers by Employees

In the absence of specific data for design, Figure 24 presents data on the size of both visual arts and design businesses. An overwhelming majority of businesses, 73 per cent, are non-employing, with only 1 per cent of companies employing more than 19 people.

Figure 24 - Visual Arts and Design: NSW business size (30 June 2006)



1.1.1 Employment and incomes

Employment in the visual arts sector has been slowly contracting in NSW, with the stronger rate of decline experienced in recent years (Figure 22). NSW's share of Australian employment fell marginally over the period – from 34 per cent in 1996 to 32 per cent in 2006. Mean income in NSW was approximately 10 per cent higher than Australia overall in 2006 (Table 21). Employment fell over the 10 years to 2006 in 7 of the 11 different occupations classifications able to be identified (Table 22).

Table 21 - Visual arts: Employment and income

	2006 Value		Compound Annual Growth Rate (%)				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	14,826	46,144	-0.5	0.2	-1.5	-0.7	34	34	32
Mean income (real)	\$38,298	\$34,171	1.7	1.4	0.9	1.1	109	113	112

Source: CCI based on ABS Census data Government involvement

Table 22 - Visual arts: NSW breakdown of occupation

Occupation	Employment		Mean income	
	Total (2006)	Compound Annual Growth Rate (%) (1996 to 2006)	Total (2006) \$	Compound Annual Growth Rate (%) (1996 to 2006, unadjusted)
Photographer	5,134	1.4%	39,460	3.8%
Artist	2,446	-2.2%	43,449	4.0%
Visual Arts and Crafts Professional	2,456	-1.1%	29,090	4.3%
Painter	1,508	-0.4%	31,644	4.8%
Illustrator	1,082	-0.9%	55,366	5.6%
Potter or Ceramic Artist	412	-10.0%	18,319	2.2%
Museum or Gallery Curator	590	4.8%	52,406	2.1%
Photographer's Assistant	490	4.3%	35,159	6.1%
Conservator	230	-2.0%	46,632	4.5%
Sculptor	330	3.0%	25,911	3.2%
Museum or Art Gallery Technician	148	-0.9%	33,083	4.9%

Source: CCI based on ABS Census data

7.3. Government involvement

The Federal Government provides direct financial support to visual arts and through grants from the Australian Council. In 2006-07 grants totalled more than \$16.8 million, and included grants to artists, residencies and touring grants, support for galleries and organisations, and strategic initiatives to build capacity across the sector.⁵³

NSW Government expenditure on supporting visual artists in 2004/05 was approximately \$3.3 m.⁵⁴

Support for the public collecting institutions is discussed in Section 3.5 of this paper.

⁵³ Australia Council (2007) Annual Report 2006-07, p. 28. The amount is not separately split into grants for the visual arts sector and grants for the design sector.

⁵⁴ ABS (2007) Cultural Funding by Government, 2004-05, Cat. No. 4183.0.

8. Music

8.1. Overview

The music sector consists of composers, musicians, music publishers, and the production and sale of sound recordings.⁵⁵ With advances in technology and increased use of the internet, separation across these sectors is diminishing. Digital music is also driving considerable change in the sector. While physical product (e.g. CDs, DVDs) still dominate the recorded music industry (accounting for over 90 per cent of total music sales⁵⁷), the growth of digital music options and music piracy are eroding the demand for physical music. Digital music reached 4.4 per cent of the recorded music market in Australia in 2006, with a three fold increase in sales over 2006.⁵⁶ Single track downloads are the most popular digital music format.

Mobile telephone distribution is emerging as a critical digital format. Upgrades to next-generation wireless networks and the introduction of handsets designed to play music are contributing to the shift away from physical product sales and overall revenue.

Music piracy remains a major problem affecting physical distribution as well as limiting the potential for internet distribution. The availability of free and illegal file-sharing internet sites has resulted in several alternative business models emerging in digital music. Other sources of revenue are being identified, with the major innovation being the distribution of music catalogues through advertising-supported websites. Free and legal music is provided, while record companies get a portion of the advertising revenue.

Of the top 100 selling albums in Australia in 2007, Australian repertoire represented 34 per cent of sales by volume, with 36 Australian albums in the top 100, compared to 33 in 2006 and 30 in 2005. In addition, 10 Australian hits made the 50 top-selling digital tracks chart for 2007.⁵⁷

⁵⁵ Live music and music performances are covered in the Performing arts chapter.

⁵⁶ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.126.

⁵⁷ www.aria.com.au/pages/statistics.htm

8.2. Economic fundamentals

8.2.1. Global size

Advancements in technology have led to a significant decline in global expenditure on recorded music. It is estimated that the industry contracted 4 per cent per annum between 2002 and 2006 (Table 23).

Table 23 – Music: Real Australian and Global Revenue (\$A m)

	Historical	
	2006 Value	Compound Annual Growth Rate 2002 to 2006
Australia	1,124	0.5%
Global	47,930	-4.0%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011, p. 126

Note: Real Australian revenue is calculated using the CPI and real global revenue is calculated using the IMF's world inflation series

Global digital music sales were estimated at approximately US\$2.9 billion in 2007 – an increase of around 40 per cent on 2006. Digital sales now account for an estimated 15 per cent of the global music market, up from 11 per cent in 2006, and zero in 2003.⁵⁸

With the trend in music consumption shifting from physical to digital product, PWC projects that by 2011 physical distribution will account for less than 44 per cent of total global music spend. In April 2008, Apple announced it had become the number one music retailer in the world by value, passing Wal-Mart and all other seller of physical CDs⁵⁹.

8.2.2. Domestic market

The most comprehensive data for music sales in Australia is ARIA's wholesale sales data which shows sales of all artists (Australian and international) by Australian record companies (Table 24). The table illustrates that total revenue has declined by 18 per cent over the past two years, with a decline in sales of physical product (24 per cent), against a rise in sales of digital product (375 per cent).

⁵⁸ International Federation of the Phonographic Industry Digital Music Report 2008.

⁵⁹ iTunes Store Top Music Retailer in the US <http://www.apple.com/pr/library/2008/04/03itunes.html> (Accessed 27/06/08).

Table 24 - Music: Real Australian Wholesale Sales (\$A000s)*

Product	2005 [^]	2006	2007
PHYSICAL			
CD Singles	21,637	12,357	6,712
Vinyl Albums	368	264	199
Cassette Albums	448	186	54
CD Albums	472,783	434,423	362,061
Music Video/DVD	57,086	50,647	53,030
Other [#]	764	353	192
TOTAL	553,086	498,230	422,248
DIGITAL			
Digital Track	2,627	11,902	18,695
Digital Album	999	4,272	6,778
Mobile Master Ringtones	3,964	10,584	9,976
Digital Other ^{##}	815	1,923	4,515
TOTAL	8,406	28,681	39,964
OVERAL TOTAL	561,492	526,911	462,212

Source: www.aria.com.au/pages/statistics.htm

* These figures are based on submissions from reporting ARIA members, estimated to represent approximately 95% of the local wholesale market.

[^] From 2005 onwards, value figures have been calculated after the application of any volume or other rebates.[#] "Other" includes sales of Vinyl Singles, DVD Singles, DVD Albums, Mini Discs and SACD^{##} "Digital Other" includes sales of Digital Music Video, Mobile Ringback Tunes, Streams and Subscriptions

The trends in the wholesale market are also apparent in the retail market. Retail sales of physical music accounted for 80 per cent of the recorded music market in 2006 - down from 90.6 per cent in 2005. PWC expects the market share of physical formats to fall steadily over the next five years, to reach 40.5 per cent by 2011.⁶⁰

8.2.3. Domestic revenue

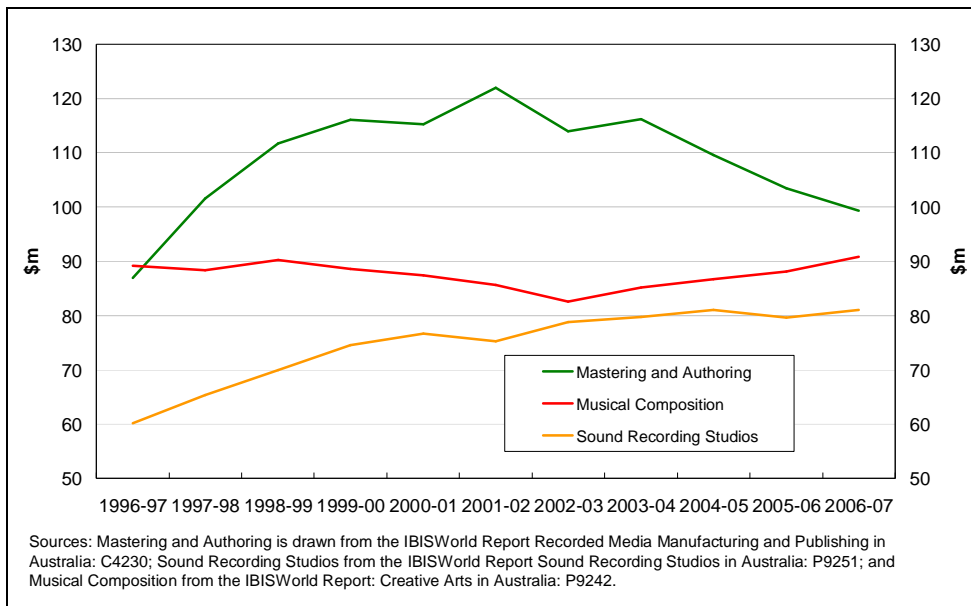
Figure 25 presents real revenue in Australia for written (musical) composition, recording, and mastering and authoring over the past 10 years.⁶¹ At 3 per cent, there has been considerable growth in sound recording studios, contrasting with a decline in mastering and authoring since 2001-02, and a gradual recovery in musical composition since 2002-03 (although revenue in 2006-07 was only slightly higher than in 1996-97).

NSW's share of revenue for sound recording studios was 401.1 per cent in 2006-07.

⁶⁰ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 - 2011, p.130.

⁶¹ The data in Figure 25 for Mastering and Authoring and Musical Composition needs to be interpreted with caution. **Mastering and Authoring** has been assumed to be 10 per cent of the IBIS Report Recorded Media Manufacturing and Publishing in Australia: C4230. This is a preliminary assumption based on the coverage of the Report, which is defined as 'units mainly engaged in manufacturing or publishing pre-recorded audio, video or data media, including phonograph records, cassette tapes, video tapes, compact discs (CDs), digital versatile discs (DVDs), legal digital downloads, and computer tapes and discs. Most businesses in this industry are engaged in CD and/or DVD manufacturing, replication, duplication, mastering and authoring. The CDs or DVDs may contain company information, presentations, promotional material, technical or training manuals, music (on CDs), music videos (on DVDs), video games, movies, information storage (e.g. for government legislation, health records or digital photos), or educational material'. **Musical Composition** is drawn from the IBIS Report Creative Arts in Australia P9242. The Report notes that musical composition is 9.8 per cent of the wider sector. Figure 25 implicitly assumes that these shares are constant over time.

Figure 25 - Music: Real revenue in Australia



8.2.4. Number and size of businesses

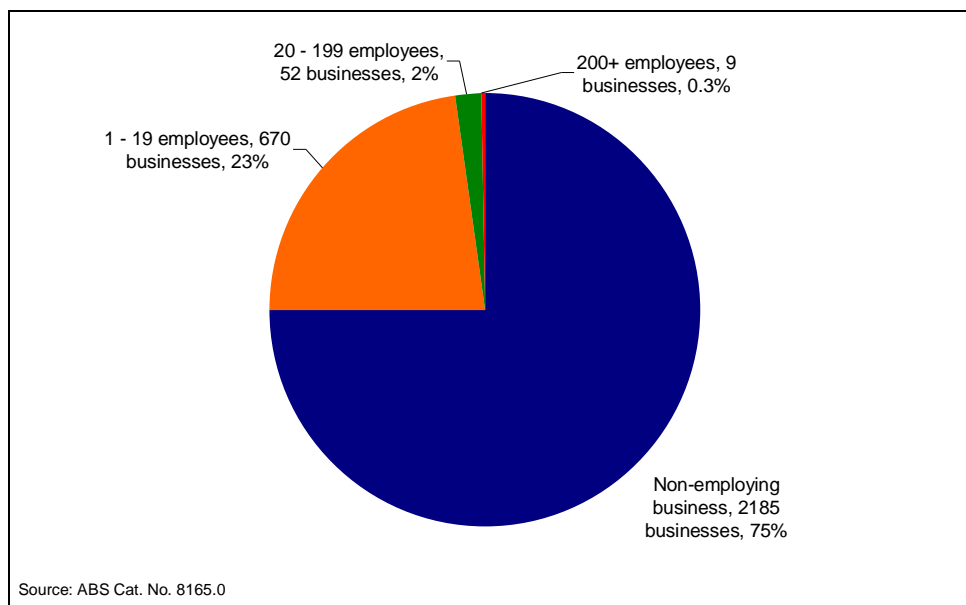
The number of businesses in the sector has increased significantly in recent years - likely as a response to technological developments enabling the easier recording and publishing of music (Table 25). NSW is home to 42 per cent of all music-related businesses in Australia, with the majority of those businesses, 75 per cent, being non-employing (Figure 26).

Table 25 - Music: Number of businesses (30 June 2007)

	NSW	Australia
Number of business (June 2007)	3,039	7,206
NSW % Australia	42%	
% change June '03 to June '07	9.1%	9.4%

Source: ABS Cat 8165 - Business Numbers by Employees

Figure 26 - Music: NSW business size (30 June 2006)



8.2.5. Employment and incomes

In 2006 there were over 8,000 people employed in the music industry in NSW, making up 42 per cent of total Australian employment (Table 26). Employment in both NSW and Australia increased over the last 10 years though has started to fall more recently. The mean income in NSW has remained approximately 10 per cent higher than Australia overall from 1996 to 2006.

Table 26 - Music: employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	8,229	22,429	1.7%	2.0%	-0.8%	-1.2%	43%	41%	42% ⁶²
Mean income (real)	\$38,000	\$34,900	1.6%	1.5%	1.4%	1.6%	109%	111%	110%

Source: CCI data from ABS Census data

8.3. Government involvement

8.3.1. Radio content requirements

The Federal Government provides support for the music industry through the radio content requirements that flow from the *Broadcasting Services Act*. The Codes of Practice and Guidelines set out by Commercial Radio Australia provide the minimum amount of time commercial radio stations must devote to the playing of Australian music. Depending on the type of radio service (e.g. mainstream rock, classic rock, hits and memories, etc.), stations are required to play at least a minimum amount of Australian content and also at least a certain proportion of new Australian

⁶² Note this figure was calculated using a different classification system to the 2006 figures provided at the far left of this table. This was done to ensure consistent comparison with 1996 and 2001 data.

performances (defined as musical items that have been on sale for not more than 10 months).⁶³

8.3.2. Australia Council

The Federal Government provides direct financial assistance to the music sector through grants provided by the Australia Council. In 2006-07 the Australia Council provided grants of more than \$90.7 million to music (out of a total \$156 million in grants), which included grants to individual artists, financial and operational support to arts organisations, and strategic initiatives to build capacity across the art form.⁶⁴

This is not an exhaustive list of government involvement; however, further investigation is outside the scope of the report.

⁶³ Further information is available at Commercial Radio Australia (2004) *Codes of Practice and Guidelines*.

⁶⁴ Australia Council (2007) Annual Report 2006-07, p. 34.

9. Performing Arts

9.1. Overview

The performing arts cover all forms of stage art including theatre, dance, opera, and circus performed live for audiences. Organisations are diverse, ranging from individual for-profit performers, to state-based and touring major performing arts companies, to community-based performing groups. The sector has strong relationships with other creative industry sectors, including publishing (due to the importance of scripts), visual arts (due to the importance of set design) and film and television (due to the link with performers).

Government support is critical to sustaining much of the performing arts, particularly symphony and choral performance. Local and state governments play a key role in provision of venues for the performing arts. Besides government, other key income sources for the sector are box-office revenues, philanthropy, and touring and performance royalties.

Much of the sector has struggled in recent years with subdued revenue growth, falls in attendances, and falls in the overall number of productions. A more positive future will require securing new funding sources and developing new audiences (especially outside of the baby boomer demographic). A lack of funding prevents smaller performing arts companies progressing to the next stage of development and more generally impedes experimentation, encouraging the repeated presentation of proven international hits (such as Phantom of the Opera), rather than more home-grown creative productions. The innovative mix of technologies, such as digital TV and products, interactive performance, and enhanced marketing, provides an opportunity to develop strong audience participation amongst younger age groups.

The need to continually take advantage of the opportunities of technology is also fundamental to the sector's future. Technological developments have enhanced staging and allowed for computerised set design. Technology has also facilitated wider communication with audiences through simulcasts via the internet, TV and radio, and further enabled the production of digitised content.

NSW dominates the performing arts sector in Australia, with 50 per cent of revenue for music and theatre production. Sydney is also home to 11 of Australia's 29 major performing arts companies, capturing 45 per cent of total attendances and has the largest share of box office takings and fees.

9.2. Economic fundamentals

9.2.1. Revenue

The performing arts sector has experienced a difficult period over the past decade (Figure 27 and Table 27). Revenue for music and theatre productions fell sharply through to 2002-03 and has recovered only slightly since, while revenue for performing arts venues increased only marginally over the period.⁶⁵

Figure 27 - Performing arts: Real Australian revenue (\$'000)

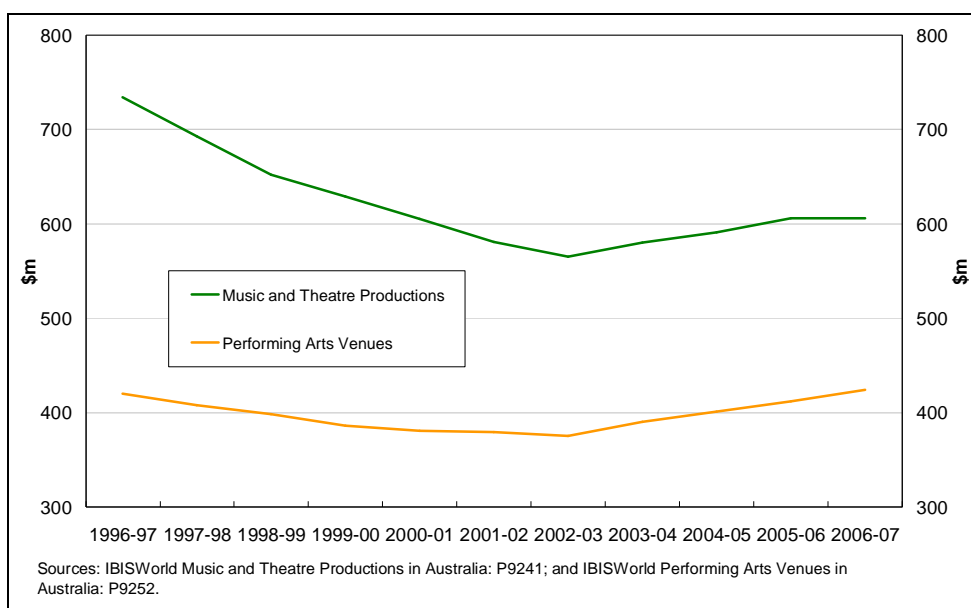


Table 27 – Performing arts: Revenue (2006-07)

Variable	Music and Theatre Productions	Performing Arts Venues
NSW (\$m)	302	153
Australia (\$m)	606	424
NSW % Aust	50%	36%
Compound Annual Growth Rate 1996-07 to 2006-07	-1.9%	0.1%

Sources: IBISWorld Music and Theatre Productions in Australia: P9241; and Performing Arts Venues P9252.

⁶⁵ During the course of this project it has not been possible to find data on the global size of the sector.

9.2.1.1. Major Performing Arts companies – attendance and income

Total attendances of Major Performing Arts (MPA) companies declined slightly in recent years, as have attendances in Sydney. Sydney has the bulk of attendances, around 45 per cent, and also the highest participation rate,⁶⁶ at 31 per cent, with Melbourne the next highest (24 per cent).⁶⁷ Similar to attendances, participation rates have declined slightly over the period.

Table 28 – Performing arts: Paid main stage capital city attendances (including orchestras)

City	2001	2002	2003	2004	2005	2006	% change over period
Adelaide	155	120	129	146	140	131	-15%
Brisbane	171	176	168	176	192	189	11%
Canberra	46	46	56	39	32	58	26%
Hobart	35	19	23	27	22	29	-17%
Melbourne	654	616	664	618	649	630	-4%
Perth	130	108	121	131	128	134	3%
Sydney	977	911	1048	984	654	937	-4%
Total	2,168	1,996	2,209	2,121	1,817	2,108	-3%

Source: Australia Council (2007) Securing the Future 2001-2006, Exhibit 5

In addition to greater attendance than other cities, Sydney is also home to the largest number of MPA companies, 11 of the total 29. The number of touring MPA companies visiting Sydney has declined in recent years, from 6 in 2001 to 2 in 2006, a trend repeated elsewhere in Australia.

Consistent with having the largest share of attendances, NSW also has the largest share of total box office takings and fees (

Table 29). (The NSW/Victoria category refers to the Australian Ballet and Opera Australia which are funded by both the NSW and Victorian governments and have seasons and houses in each city.) Recent growth in NSW has been similar to Australia overall, keeping NSW's share of total takings roughly constant. However, the growth in takings of the Australian Ballet and Opera Australia (the NSW/Victoria category) have been relatively sluggish, leading to a loss in market share to South Australia and Western Australia, both of which have seen very strong growth.

⁶⁶ The participation rate is calculated as attendances divided by the capital city population over 20 years of age.

⁶⁷ These figures will include attendances by tourists (both interstate and international) and will thus overstate the true rate. IBIS suggests that around 10 per cent of the overall market is international (Performing Arts Venues in Australia P9252, p. 7).

Table 29 – Performing arts: Real aggregate box office and fees (\$A'000)*

City	2001	2002	2003	2004	2005	2006	Compound Annual Growth Rate	Share of 2006 Total
NSW**	45,533	43,816	49,481	50,889	48,653	51,868	2.6%	34%
NSW/Victoria	50,271	47,466	51,451	47,623	52,149	51,976	0.7%	34%
Victoria	20,522	21,811	22,384	23,801	27,235	23,960	3.1%	16%
Qld	6,537	6,355	6,632	7,309	8,429	8,808	6.1%	6%
SA***	3,952	5,193	5,329	4,491	10,610	5,941	8.5%	4%
WA	4,606	4,987	5,893	6,470	7,865	8,138	12.1%	5%
Tasmania	1,379	1,013	1,107	1,306	1,532	1,498	1.7%	1%
Total	132,800	130,642	142,278	141,889	156,474	152,189	2.8%	100%

Source: Australia Council (2007) Securing the Future 2001-2006, Exhibit 15

Notes: * Deflated using the CPI; **Australian Brandenburg Orchestra included from 2003; *** 2004 SOSA reduced activity prior to 2004 Ring Cycle (reported in 2005)

9.2.1.2. Productions

The vibrancy of the sector and its components is illustrated by the number of new and existing productions by art form (Table 30).⁶⁸ The overall picture is not particularly healthy, with declines in the number of new and existing productions for the five years to 2006. The overall decline reflects opera and especially dance, with strong growth in theatre productions.

⁶⁸ The Report defines new productions as 'newly conceived stage presentations of theatre, dance or opera that have not been seen before, whether or not the work itself is new. Music is not included as concert performances are not regarded as stage productions'.

Table 30 – Performing arts: New and existing productions by art form

	Art form	2001	2002	2003	2004	2005	2006	% change over period
Theatre	New	46.5	54.5	63.3	66.7	61.7	59.3	28%
	Existing	8.5	27.5	15.7	15.3	14.3	26.7	214%
	Total	55	82	79	82	76	86	56%
Opera	New	18	21	15	25	15	17	-6%
	Existing	15	11	27	21	20	13	-13%
	Total	33	32	42	46	35	30	-9%
Dance	New	89	22	47	39	46	39	-56%
	Existing	59	64	39	50	23	32	-46%
	Total	117	86	86	88	69	71	-39%
Total	New	122.5	97.5	125.3	129.7	122.7	115.3	-6%
	Existing	82.5	102.5	81.7	86.3	57.3	71.7	-13%
	Total	205	200	207	216	180	187	-9%

Source: Australia Council (2007) Securing the Future 2001-2006, Exhibit 3

9.2.2. Number and size of businesses

Moving from MPA companies to all performing arts businesses, NSW once again dominates the sector, with 44 per cent of all businesses (Table 31). There has been a considerable fall in the number of businesses in recent years, although the fall in NSW has been smaller than Australia-wide. The industry is dominated by small businesses (94%), with a relatively small proportion of medium and large enterprises (

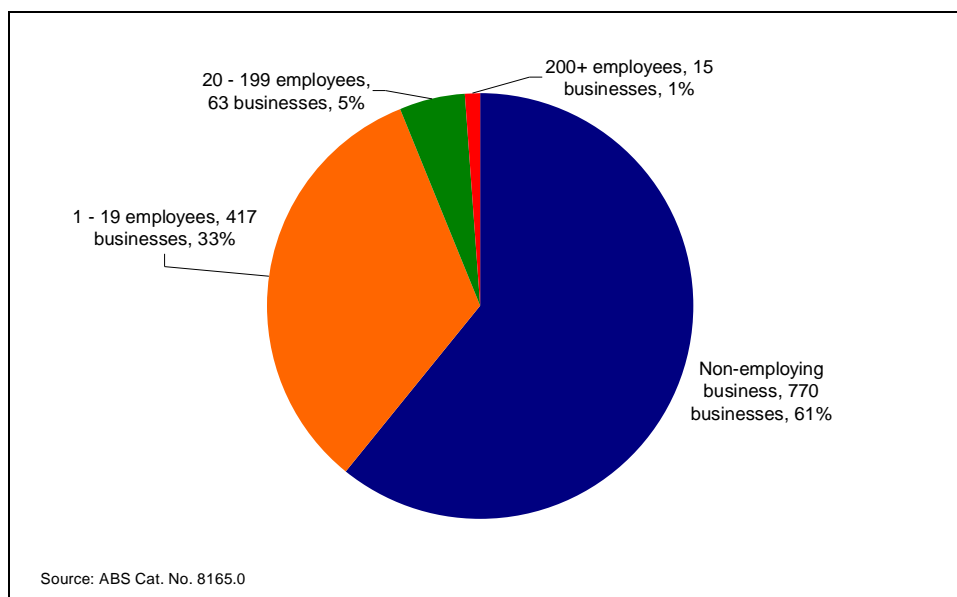
Figure 28).

Table 31 – Performing arts: Number of business (30 June 2007)

	NSW	Australia
Number of business (June 2007)	1,302	2,901
NSW % Australia	44%	n/a
% change from June '03 to June '07	-7.9%	-13.4%

Source: ABS Cat 8165 - Business Numbers by Employees

Figure 28 - Performing arts: NSW business size (June 2006)



9.2.3. Employment and incomes

Consistent with the fall in the number of businesses, employment in the performing arts has contracted over the past decade, with total employment falling by around 1 per cent in NSW per year (Table 32). Within NSW, employment is largely based in Sydney (85 per cent) and particularly concentrated in inner Sydney and to a lesser extent the Eastern Suburbs.

In 2006, mean incomes in NSW were somewhat higher than Australia overall, although real income growth has been minimal.

Table 32 - Performing arts: employment and income

	2006 Value		Real Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	5,090	14,111	-0.8%	-1.0%	-1.7%	-1.2%	35%	37%	36%
Mean income (real)	\$41,390	\$37,460	1.3%	1.2%	1.0%	0.7%	108%	108%	110%

Source: CCI data based on ABS Census data

9.3. Government involvement

Government support is critical for much of the performing arts sector. Government funding provides half of all income for symphony and choral performances, and a large share of income for opera, dance, and drama (Table 33). Around 40 per cent of Government support for the sector goes to symphony and choral performance and around 20 per cent to drama production.

Table 33 - Performing arts: Income (2002-03)

	Box office takings (\$m)	Govt Funding (\$m)	Fund-raising (\$m)	Other (\$m)	Total (\$m)	Percentage of total income
Musical theatre production	125	2	1	16	143	23%
Popular music performance	67	1	5	38	111	18%
Symphony and choral performance	31	53	13	8	105	17%
Drama production	41	27	9	14	91	15%
Opera production	np	29	8	np	76	12%
Dance production	20	18	7	8	52	8%
Other	np	6	2	np	43	7%
Total	332	134	46	111	622	100%
Proportion of total income per component						
Musical theatre production	87%	1%	1%	11%		
Popular music performance	60%	1%	5%	35%		
Symphony and choral performance	30%	50%	13%	8%		
Drama production	45%	29%	10%	16%		
Opera production	n/a	38%	11%	n/a		
Dance production	38%	34%	13%	14%		
Other	n/a	14%	4%	n/a		

Source: ABS Performing Arts, Cat. No. 8697.0, Table 2.2

Note: np indicates not available for publication, but included in totals

Government also provides significant support through the provision of venues, with state and local government-owned arts venues making up 80 per cent of all performing arts venues in Australia.⁶⁹

The Federal Government provides direct financial assistance to elements of the performing arts sector through grants provided by the Australia Council. In 2006-07 the Australia Council provided grants of more than \$11.8 million to dance and \$15.2 million to theatre (out of total grants of \$156 million), which included grants to individual artists, financial and operational support to arts organisations, and strategic initiatives to build capacity across the art form.⁷⁰

⁶⁹ IBISWorld (2008) *Performing Arts Venues in Australia*, p. 6.

⁷⁰ Australia Council (2007) Annual Report 2006-07, pp. 34-5.

10. Publishing

Publishing is a very broad sector, covering newspapers, books, and periodicals with a number of reasonably distinct products within each of these categories. This section begins with an economic overview of the publishing sector, and then provides more specific discussion on each of the sub-sectors.

10.1. Economic fundamentals

10.1.1. Global size

Publishing is a substantial industry on both an Australian and global level (Table 34). At the global level, the sector has declined in recent years. The Australian sector has fared somewhat better, with the newspaper and magazine sub-sectors growing in recent years and a more subdued fall in books than globally. Australia has a relatively small share in each of the sub-sectors, with the biggest share in newspapers, at just over 2 per cent of the global market.

Table 34 - Publishing: Real Industry Revenue in Australia and Globally (\$A m)

	2006 \$m		Aust % Global	Compound Annual Growth Rate 2002 to 2006	
	Australia	Global		Australia	Global
Newspapers	5,149	236,978	2.2%	1.5%	-1.4%
Magazines	2,139	133,810	1.6%	2.9%	-0.6%
Books	1,744	161,274	1.1%	-0.4%	-1.1%

Source: PWC Media and Entertainment Outlook 2007-2011, pp. 104,107 and 116

Note: Real Australian revenue is calculated using the CPI and real global revenue is calculated using the IMF's world inflation series

10.1.2. Employment and incomes

There is no comprehensive data on employment and incomes in each of the sub-sectors. NSW's share of the employment in the overall sector is larger than its share of the national economy and population (Table 35). Over the last decade employment has grown slowly at 0.6 per cent per year in NSW (which is largely due to technical advances that have enabled significant streamlining in the preparation of printed materials, especially newspapers). Meanwhile, real incomes have increased modestly, with incomes in NSW approximately 10 per cent higher than Australia overall.

Table 35 - Publishing: Employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	27,964	75,542	0.6%	0.7%	0.5%	0.7%	37%	37%	37%
Mean income (real)	\$50,400	\$45,330	2.0%	1.7%	1.5%	1.5%	107%	110%	110%

Source: CCI data based on ABS Census data

10.2. Newspapers

10.2.1. Overview

Newspapers are a mature, established sub-sector, with highly concentrated ownership of the national and metropolitan dailies – News Ltd controls 70 per cent of circulation and Fairfax Media 23 per cent.⁷¹ The national and metropolitan dailies also dominate the newspaper market, accounting for 61 per cent of all expenditure.⁷²

There has been no change in the number of morning daily titles available in Sydney for decades, and little change in regional NSW. Circulation for the majority of metropolitan dailies fell earlier in the decade, though most have stabilised more recently.⁷³ A recent innovation in titles has been News Ltd's introduction of *mX*, a free afternoon newspaper provided to commuters.⁷⁴

Of the more traditional media forms, newspapers have been most heavily affected by the development of new platforms and the shift to online advertising. While newspapers remain the largest share of advertising expenditure, with these trends set to continue, newspapers' relative size of the advertising market is likely to remain under pressure.

Technology has had a number of substantial impacts on newspapers over the past decade or so. Developments have allowed newspapers to significantly streamline their back-end production techniques, bringing significant cost savings. A more attractive final product is also able to be developed. The final product is also bifurcated, with the development of online versions alongside the physical product. This has necessitated the adaptation of printed content to fit the new platform, and the development of new content specifically for the platform.

Alongside the shift to online viewing of information, advertising has shifted online. This is especially true of the classified advertising 'rivers of gold'. An important consequence is that display advertising has become a much more important source of revenue (now accounting for 58.6 per cent of total revenue⁷⁵). Among other things, this has spurred the introduction of newspaper inserted magazines, such as The (Sydney) Magazine in the *Sydney Morning Herald*. Newspapers have also introduced classified websites to compete with the specialised online advertisers.⁷⁶

⁷¹ IBISWorld (2008) Newspaper Printing or Publishing in Australia: C2421, p. 7. The remaining player is West Australian Newspaper Holdings.

⁷² IBISWorld (2008) Newspaper Printing or Publishing in Australia, p. 6.

⁷³ Australian Press Council (2007) State of the News Print Media in Australia, http://www.presscouncil.org.au/snpma/index_snpma2007.html

⁷⁴ As at December 2006 *mX* had a circulation of more than 288,000 across Melbourne, Sydney and Brisbane (PricewaterhouseCoopers (2007) Entertainment and Media Outlook, 2007 – 2011, p. 112).

⁷⁵ PricewaterhouseCoopers (2007) Entertainment and Media Outlook, 2007 – 2011, p. 107.

⁷⁶ PricewaterhouseCoopers sees the established competition as very strong, noting that Seek holds more than 55 per cent of the online job advertising market, which is twice the size of Fairfax's mycareer.com.au (PricewaterhouseCoopers p. 113).

A key challenge for newspapers is to develop business models that enable sufficient revenue to be achieved for the printed and electronic products to ensure continued profitability.⁷⁷

10.2.2. Economic fundamentals

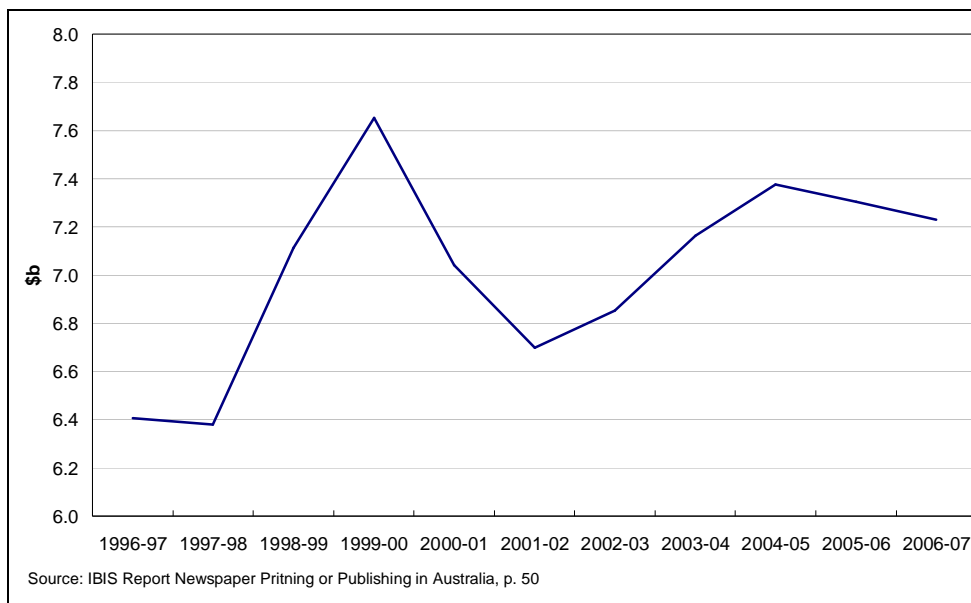
10.2.2.1. Revenue

Revenue growth in the newspaper sub-sector is substantially affected by the economic cycle due to the importance of advertising. Over the past decade structural factors have also been critical given the rise in online advertising. PWC estimates that newspaper’s share of the advertising market fell from 40 per cent in 2002 to 36 per cent in 2006, although real revenue growth remained positive (1.5 per cent real annual growth).

The longer run of time series data available from IBIS indicates that real revenue has trended higher over the past decade, although there was a sizeable fall in revenue earlier this decade after the substantial run-up in the late 1990s (Figure 29).⁷⁸ More recently, total revenue has fallen in the last couple of years.

NSW has a disproportionate share of the industry, accounting for 44 per cent of industry revenue in 2006-07 (Table 36).

Figure 29 - Newspapers: Real revenue in Australia (\$b)



⁷⁷ PWC suggests that newspapers have started generating positive returns on their initial online investments (Entertainment and Media Outlook, 2007 – 2011, p. 113).

⁷⁸ The coverage of the IBIS Report is broader than the PricewaterhouseCoopers Report, adding community and other weekly newspapers and also advertising generated through online editions. The IBIS Report covers:

- Metropolitan and National daily newspapers (44.6%)
- Other (20.2%)
- Suburban newspapers (free) (11.3%)
- Metropolitan Sunday newspapers (10.9%)
- Regional daily newspapers (7.0%)
- Regional non-daily newspapers (6.0%).

Table 36 – Newspapers: Revenue (2006-07)

Variable	Value
NSW (\$m)	3,181
Australia (\$m)	7,230
NSW % Aust	44%
Compound Annual Growth Rate 1996-07 to 2006-07	1.2%

Source: IBIS Newspaper Printing or Publishing in Australia

The newspaper sub-sector is dominated by a relatively small number of city-based daily newspapers and, to a lesser extent, national dailies, which account for 86 per cent of total circulation. In terms of advertising expenditure, the Commercial Economic Advisory Service of Australia noted the following breakdown in 2005:

- Metropolitan/national dailies – 61 per cent;
- Suburban newspapers – 18 per cent;
- Regional dailies – 12 per cent; and
- Regional non-dailies – 9 per cent.⁷⁹

Export growth has been rapid in recent years, with real annual growth of 7.8 per cent for the four years to 2006-07, although exports remain a very small share of total revenue (around 3 per cent) and account for only one-quarter of imports.⁸⁰

10.2.2.2. Number and size of businesses

There are 681 newspaper businesses in Australia, with around 40 per cent of all business situated in NSW (Table 37). While there are a large proportion of non-employing and small businesses (Figure 30), the industry is dominated by a relatively small number of major newspaper publishing companies, evidenced by:

- In the national and metropolitan market, News Ltd controls around 70 per cent of total circulation and Fairfax Media Ltd around 23 per cent (with the only other player of note, Western Australian Newspapers Holdings Ltd); and
- For regional daily newspapers, three businesses – APN, News Ltd. and Fairfax Media – account for over 87 per cent of circulation.

For the four years to June 2007, the number of newspaper businesses declined significantly in both NSW and Australia.

Table 37 - Newspapers: Number of business (30 June 2007)

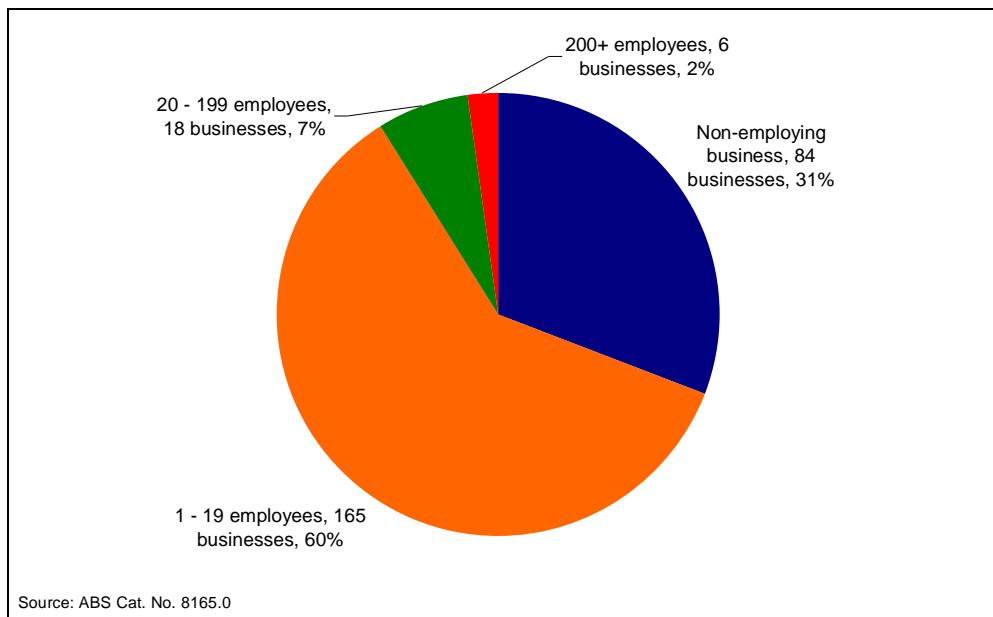
	NSW	Australia
Number of business (June 2007)	276	681
NSW % Australia	40%	
Growth from June '03 to June '07	-15%	-13%

Source: ABS Cat 8165 - Business Numbers by Employees

⁷⁹ IBISWorld (2008) Newspaper Printing or Publishing in Australia, p. 6.

⁸⁰ IBISWorld (2008) Newspaper Printing or Publishing in Australia, p. 4.

Figure 30 - Newspapers: NSW size of businesses



10.2.3. Government involvement

The Federal Government plays an important role in media regulation, with the cross-media ownership rules, which were relaxed in 2006, still providing some constraints on newspaper ownership.⁸¹ The NSW Government has no direct involvement in newspapers, besides its substantial role as an advertiser.

10.3. Periodicals

10.3.1. Overview

Australia has one of the highest per capita readerships of magazines in the world.⁸² Reflecting this, the periodicals sub-sector is marked by a great diversity of titles and also significant competition in particular segments of the sub-sector, with often a large number of titles catering to a particular target market. At the same time, however, the industry is extremely concentrated, with IBIS estimating that the top four publishers (PBL Media, Seven Media, News Australia, and Fairfax Media) control 78 per cent of the market.⁸³

Unlike newspapers, periodicals' share of the advertising market has declined only very slightly in recent years, with PWC reporting a fall from 10.3 per cent in 2002 to 9.9 per cent in 2006.⁸⁴

Like newspapers, periodicals have been affected by the shift to online consumption of information. The diversity of information available online, and the near-instantaneous publication of information that the internet allows, has created a significant challenge

⁸¹ For further information see the Australian Communication and Media Authority website – http://www.acma.gov.au/WEB/STANDARD/pc=PC_101008

⁸² PricewaterhouseCoopers (2007) Media and Entertainment Outlook 2007-2011, p. 116.

⁸³ IBISWorld (2008) Other Periodical Publishing in Australia: C2422, p. 8. PBL Media is the dominant player, with 45 per cent of the market.

⁸⁴ PricewaterhouseCoopers (2007) Media and Entertainment Outlook 2007-2011, p. 10.

for periodicals. In Australia, the most dramatic manifestation of this is perhaps seen with the closure of *The Bulletin*.⁸⁵ The shift online has led publishers to increasingly build online capabilities in conjunction with their physical titles to allow for reader interaction and input.

The physical titles that will survive and thrive in the future will need to appeal to specific niche audiences and are also likely to be based on subjects where timing considerations play a smaller role (e.g. health and lifestyle).

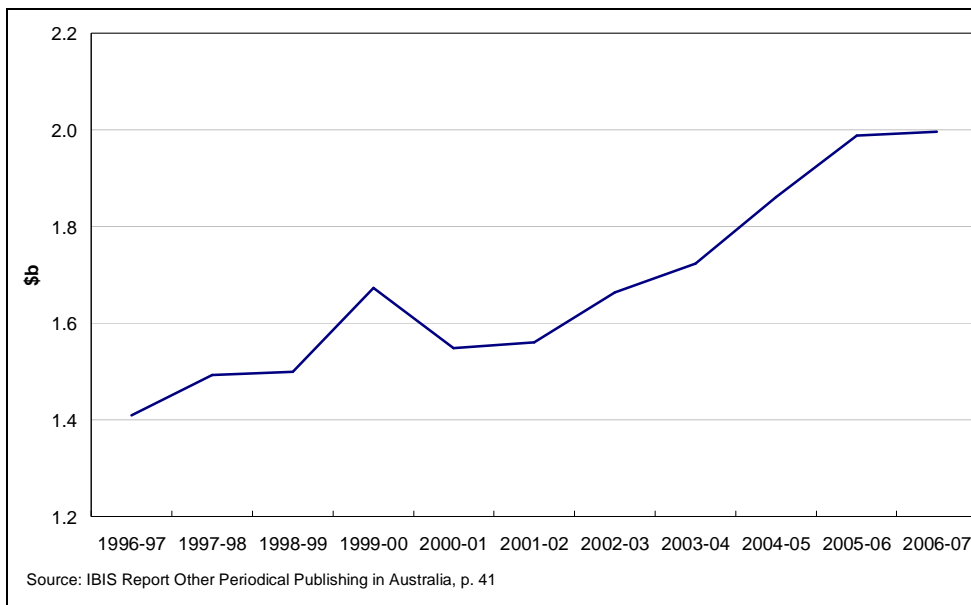
NSW accounts for over 80 per cent of revenue, reflecting Sydney’s location as head office for all major periodical publishers.

10.3.2. Economic fundamentals

10.3.2.1. Revenue

Revenue for periodicals has grown quite consistently over the past decade, reaching almost \$2bn in Australian in 2006-07 (Figure 31 and Table 38). Growth was particularly rapid from 2001-02 to 2005-06, with average annual real growth of 6.2 per cent. More recently, revenue only increased slightly in 2006-07.

Figure 31 - Periodicals: Real Australian revenue (\$b)



⁸⁵ A further development of note has been declines in the children’s and teens’ markets, likely due to increased competition from the internet, mobile phones and electronic games (PricewaterhouseCoopers (2007) Media and Entertainment Outlook 2007-2011, p. 120).

Table 38 – Periodicals: Revenue 2006-07

Variable	Value
NSW (\$m)	1,648
Australia (\$m)	1,938
NSW % Aust	83%
Compound Annual Growth Rate 1996-07 to 2006-07	3.5%

Exports, which account for just under 3 per cent of revenue, have contracted, falling in real terms by 14 per cent from 2002-03 to 2006-07.⁸⁶ Imports, which are around five times larger than exports, have also declined significantly, falling by 30 per cent over the same period.

10.3.2.2. Number and size of businesses

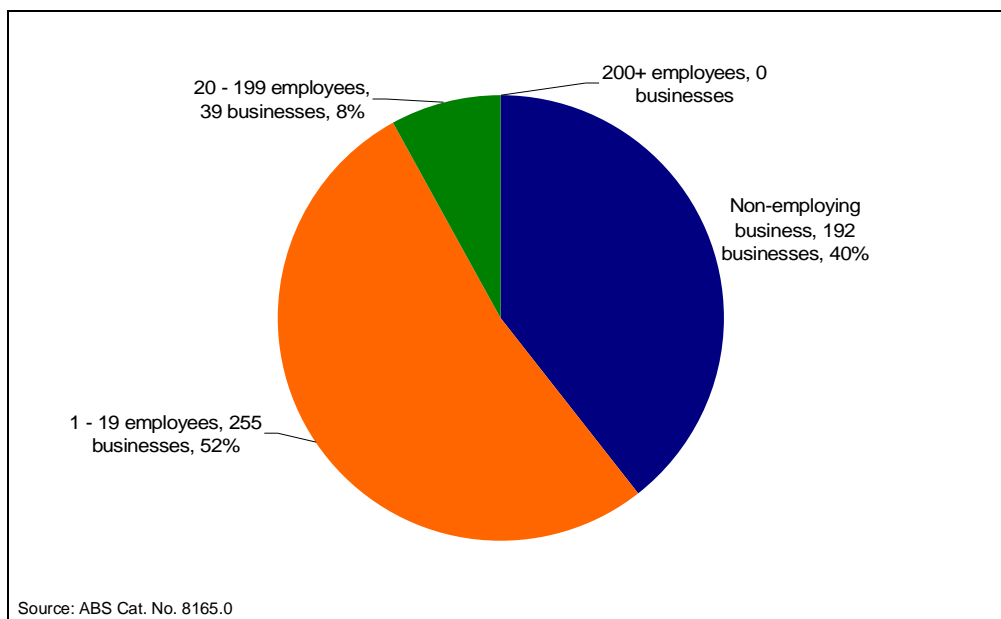
In recent years there has been substantial growth in the number of businesses in the periodicals sector, with somewhat stronger growth in Australia than NSW overall (Table 39). However, NSW still has a disproportionately large share of all businesses. The industry is dominated by non-employing and small businesses (Figure 32).

Table 39 - Periodicals: Number of business (30 June 2007)

	NSW	Australia
Number of business (June 2007)	125	555
NSW % Australia	44%	
Growth from June '03 to June '07	16%	21%

Source: ABS Cat 8165 - Business Numbers by Employees

Figure 32 - Periodicals: NSW size of businesses (June 2006)



⁸⁶ BISWorld (2008) Other Periodical Publishing in Australia, p.4.

10.3.3. Government involvement

The Federal Government provides direct support to a select number of periodicals, such as *The Australian Literary Review*, and is also involved in the sub-sector as an advertiser. The NSW Government's involvement in periodicals is limited to its role as an advertiser.

10.4. Books

10.4.1. Overview

The Australian book publishing sub-sector features a large number of businesses of various sizes, publishing a substantial number of books across the textbook, children's, fiction and non-fiction markets. Relative to some of the other creative industry sectors, especially television and film, a substantial part of consumption in the industry is of Australian produced work, with Australian titles making up close to two-thirds of all sales and 55 per cent of non-textbook sales.⁸⁷

Similar to other sectors in the creative industry, technological change has started to have an important affect on book publishing and has the potential to bring substantial change in the coming years. On the positive side, technological developments have provided a number of avenues for growth:

- The internet can be used to help create markets for authors before their work is released; and
- Digital technology provides a more cost-effective method of printing books (through print on-demand technology) and also makes it easier to produce tailored products.

On the negative side, technological developments have resulted in:

- An increase in self-publishing, both online and in print, with authors bypassing existing publishers;
- More sophisticated competition for books through the substantial amount of information available online, and the increasing sophistication of other forms of entertainment, such as electronic games; and
- Less revenue for Australian publishers due to lower textbook sales and e-book rights resting with global parents.

These factors suggest a difficult future for the industry. A viable future will require the publishing sector to present itself as a key chain between authorship and readership, whatever the form in which the work is read.

There are limited barriers for both writers and publishers entering the industry, with the key barrier being the need to earn a viable income. Few authors make a living from full-time writing, and for authors of children and young adult fiction, school visits are a critical source of income. For publishers, the latest ABS data indicates that profit margins are limited in the sub-sector (5.6 per cent) and even smaller for the larger publishers (4.4 per cent).⁸⁸

NSW has a slightly larger share of the sub-sector than its share of the national economy and population, reflecting Sydney being home to the majority of large publishers.

⁸⁷ ABS (2004) Book Publishers 2002-03, Cat. No. 1363.0.

⁸⁸ ABS (2004) Book Publishers 2002-03, Cat. No. 1363.0.

10.4.2. Economic fundamentals

10.4.2.1. Domestic sales, exports, and imports

The most informative overview of book publishing is provided by a 2004 ABS publication.⁸⁹ Table 40 presents the recent trends in the sector. Over the period, the number of books sold declined by around 9 per cent, although in real terms the value of the books sold increased by around 30 per cent (indicating that book prices increased by much more than the CPI). This increase in value has been driven by sales of Australian titles, and especially exports, which have doubled over the period (with the proportion of Australian titles exported increasing from 17 per cent to 24 per cent). Australian titles have become slightly more popular relative to imported titles, comprising close to two-thirds of all sales in 2002-03.

There is some evidence that sales have increased more recently. Confidential data from the Australia Publishers' Association (based on a survey of publishers) indicates that from 2003 to 2006 sales of trade publishers increased strongly, with a modest increase for tertiary publishers and a marginal increase for school publishers.

Table 40 - Books: Key historical aggregates

	1994(a)	1995-96	1997-98	1999-2000	2000-01	2001-02	2002-03
	\$m						
Number of books sold	124.8	130.6	111.5	129.4	104.3	129.8	114.4
	\$m (constant 2002-03 dollars)						
Sales of all books	1,054	1,120	1,209	1,422	1,331	1,393	1,368
Sales of Australian titles	611	662	728	847	790	877	877
Sales of imported titles	443	459	481	576	542	517	490
Export sales of books(b)	102	95	128	169	172	194	209
	Percentage of sales of all books						
Sales of Australian titles	58%	59%	60%	60%	59%	63%	64%
Sales of imported titles	42%	41%	40%	40%	41%	37%	36%
Export sales of books(c)	10%	8%	11%	12%	13%	14%	15%

Source: Table 17, ABS Cat. No. 1363.0; RBA Bulletin, Statistical Table G02

Note: (a) Data were collected on a calendar year basis in 1994. (b) This is a component of Sales of Australian titles, meaning that sales of all books is the sum of sales of Australian titles and sales of imported title. (c) Includes re-export sales and excludes sales of rights.

More detailed data on the sale of printed books indicates that educational and non-fiction books comprise around 80 per cent of the market, with just under two-thirds of such books Australian titles (Table 41). Around half of all children's book are Australian titles and around 40 per cent of all fiction books.

⁸⁹ The Report does not refer to IBIS data in this section as the relevant publication, Book and Other Publishing in Australia, includes telephone directories, which make up 49 per cent of the market.

Table 41 – Books: Sales of printed books (2002-03)

	Australian value	Imported value	Total	Australian value	Imported value
	\$m			Percentage of component	
Education	313	186	499	63%	37%
Non-fiction	310	177	487	64%	36%
Fiction	73	117	190	39%	61%
Children's	54	60	114	47%	53%
Total	751	540	1,290	58%	42%
	Percentage of total value				
Education	42%	34%	39%		
Non-fiction	41%	33%	38%		
Fiction	10%	22%	15%		
Children's	7%	11%	9%		

Source: ABS Cat. No. 1363, Table 14

10.4.2.2. Number and size of businesses

The number of publishing companies has contracted on a national and NSW basis in recent years, with a more pronounced fall in NSW (Table 42). Figure 33 indicates that the overwhelming majority of businesses are non-employing and small,⁹⁰ with only three business employing more than 200 people. The industry is reasonably concentrated, with the 20 largest book publishers (with respect to income) generating 74 per cent of the total income for the industry.⁹¹

Table 42 - Books: Number of business (30 June 2007)

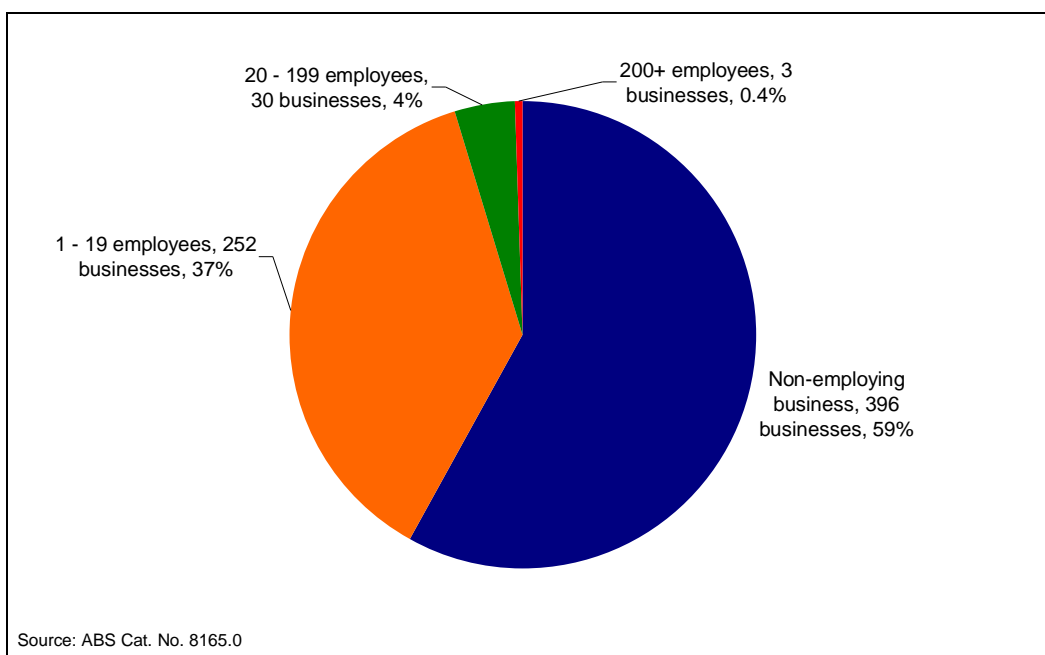
	NSW	Australia
Number of business (June 2007)	696	1,782
NSW % Australia	39%	
Growth from June '03 to June '07	-6.1%	-2.3%

Source: ABS Cat 8165 - Business Numbers by Employees

⁹⁰ A recent study identified 122 small and independent publishers in Australia, with 45 located in Victoria and 36 in New South Wales (Freeth, K. (2007) *A lovely kind of madness: Small and independent publishing in Australia*). The report did not provide a firm definition of the publishers studied, but noted that the publishers typically have an annual turnover of \$500,000 or less, have print runs of less than 2,000 and publish fewer than 10 books per year.

⁹¹ ABS (2004) Book Publishers 2002-03, Cat. No. 1363.0.

Figure 33 - Books: NSW size of businesses (June 2006)



10.4.3. Government involvement

Australia Council

The Federal Government provides direct financial assistance to the publishing industry through grants provided by the Australia Council. In 2006-07 the Australia Council provided grants of more than \$7.8 million to literature (out of total grants of \$156 million), which included grants to writers and publishers, residencies and touring grants, support for writers’ centres, literary journals and literary festivals, and strategic initiatives to build capacity across the sector.⁹²

Arts NSW

In 2007 Arts NSW provided grants of \$0.7m to the Literature and History program, with the largest component being writers’ centres.

Governments also play an important role in the sector through setting the school curriculum. Having a book on the curriculum provides an important source of income for authors and also provides other opportunities to achieve income (e.g. through school visits).

⁹² Australia Council (2007) Annual Report 2006-07, p. 28.

11. Feature film

11.1. Overview of the industry

The viewing of feature films remains a popular pastime in Australia, with over 82 million cinema attendances in 2006.⁹³

The Australian feature film industry receives substantial support from the federal and state governments. For the five years to 2006-07, just less than a quarter of funding for Australian and co-production feature films (films with shared Australian and foreign production, finance and creative input) was from government sources.⁹⁴ From 1 July 2007 a new package of federal government assistance measures came into effect, including a producer offset which provides a rebate of 40 per cent of eligible Australian production to producers of qualifying feature films (and 20 per cent for qualifying television productions). This package is widely expected to have a substantial impact on the sector.

In addition to encouraging the production of Australian content film, governments also provide incentives to the production of 'footloose' films, i.e. a film without a pre-determined filming/post-production location. Location decisions are typically determined by the total cost of producing in the location (including the financial incentives offered by the jurisdiction), the ease of working in the proposed location (including permits), the availability of a skilled workforce, and the comfort of international stars with the location. There is significant competition amongst Australian states (particularly NSW, Victoria, and Queensland) and also internationally for footloose productions.

Australian feature films capture between 3 and 5 per cent of both the Australian movie theatre and DVD market. Australian feature films' share of the box office peaked at 10 per cent in 1994 (with several standout films like *Muriel's Wedding* and *Priscilla Queen of the Desert*), and fell to 4 per cent in 2007. Real consumer expenditure on Australian films has been trending downwards for the last 20 years (and fell by 5 per cent over the past decade).⁹⁵

NSW remains the largest state for feature film production, although NSW's share of Australian film production has fallen considerably over the last decade. Averaging over four years to smooth out yearly fluctuations, NSW's share of total production fell from 73 per cent for the period 1998-2001 to 46 per cent for the period to 2004-2007, with the shares of Queensland and Victoria both increasing.⁹⁶

⁹³ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007-2011, p.44.

⁹⁴ AFC: <http://www.afc.gov.au/gtp/mpfeaturesinvestors.html>

⁹⁵ AFC: <http://www.afc.gov.au/gtp/wcboshare.html>

⁹⁶ Public AFC data passed on to the project team (unpublished).

11.2. Economic fundamentals*

11.2.1. Global size

PWC estimates that total revenue for the global filmed entertainment industry⁹⁷ was around \$A110 billion in 2006, with the size of the industry in Australia \$2.4 billion or 2.2 per cent of the global industry (Table 43). Globally, filmed entertainment is the third largest entertainment sector in the creative industry (by revenue), behind television and newspapers. Since 2002, filmed entertainment has been growing more rapidly in Australia than globally.

Table 43 – Film: Real Australian and Global Filmed Entertainment Revenue

	2006 \$A m	Compound Annual Growth Rate 2002 to 2006
Australia	2,362	2.1%
Global	110,211	0.1%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011, p.38

Note: Real Australian revenue is calculated using the CPI and real global revenue is calculated using the IMF's world inflation series

11.2.2. NSW expenditure and trade

The Australian feature film industry has expanded at a moderate rate in recent years, with expenditure on producing Australian films increasing by around 2 per cent per annum in real terms from 1998-99 to 2006-07, with total expenditure of \$333m in 2006-07.⁹⁸

The NSW industry contracted over the same period with real expenditure falling by around 2 per cent per annum. However, over the period, NSW still dominated feature film production in Australia, with an average of 61 per cent of all production.⁹⁹ Given the volatility of the annual data, Figure 34 presents the two-year rolling average of production, indicating that while NSW remains the largest state, its share has trended down.

* It should be noted that while available ABS data is recorded and published within the individual sectors of 'film', 'television', 'electronic games', etc. (as it is in this Report), the audio visual digital content, or 'screen sector' is converging and accordingly traditional definitions are becoming blurred, thus the collection of data in current 'silos' may not continue to be the most accurate or efficient means of representing the sectors.

⁹⁷ Filmed entertainment consists of 'consumer spending at the cinema box office and cinema advertising, plus consumer spending on renting and purchasing home videos in VHS or DVD formats...figures exclude music videos....'
Source: PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007-2011, p37.

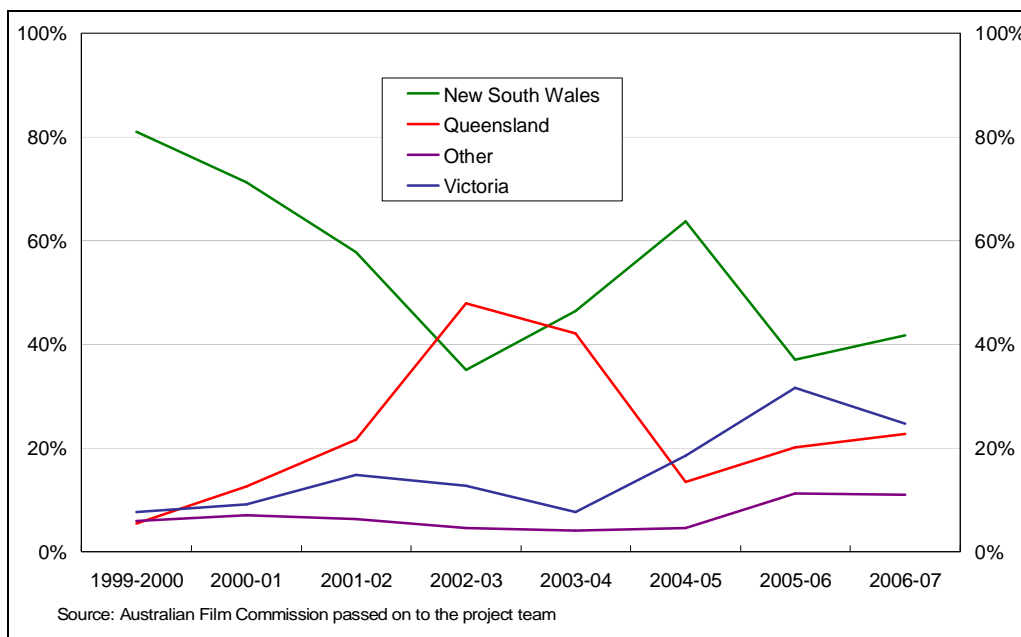
⁹⁸ The break-up between different types of films was as follows:

- Australian films – \$212m (64%, 24 titles)
- Co-productions – \$19m (6%, 3 titles)
- Foreign films - \$102m (31%, 6 titles) (Source: AFC).

Source: AFC, <http://www.afc.gov.au/gtp/mpfeaturesummary.html>

⁹⁹ <http://www.afc.gov.au/gtp/mpfeaturesspendxstate.html>

Figure 34 – Feature film: Production expenditure by state on Australian, co-production and foreign feature films (two-year moving average)



Note on moving average: the 2006/07 figure is the average of 2005/06 and 2006/07, with previous years similarly calculated.

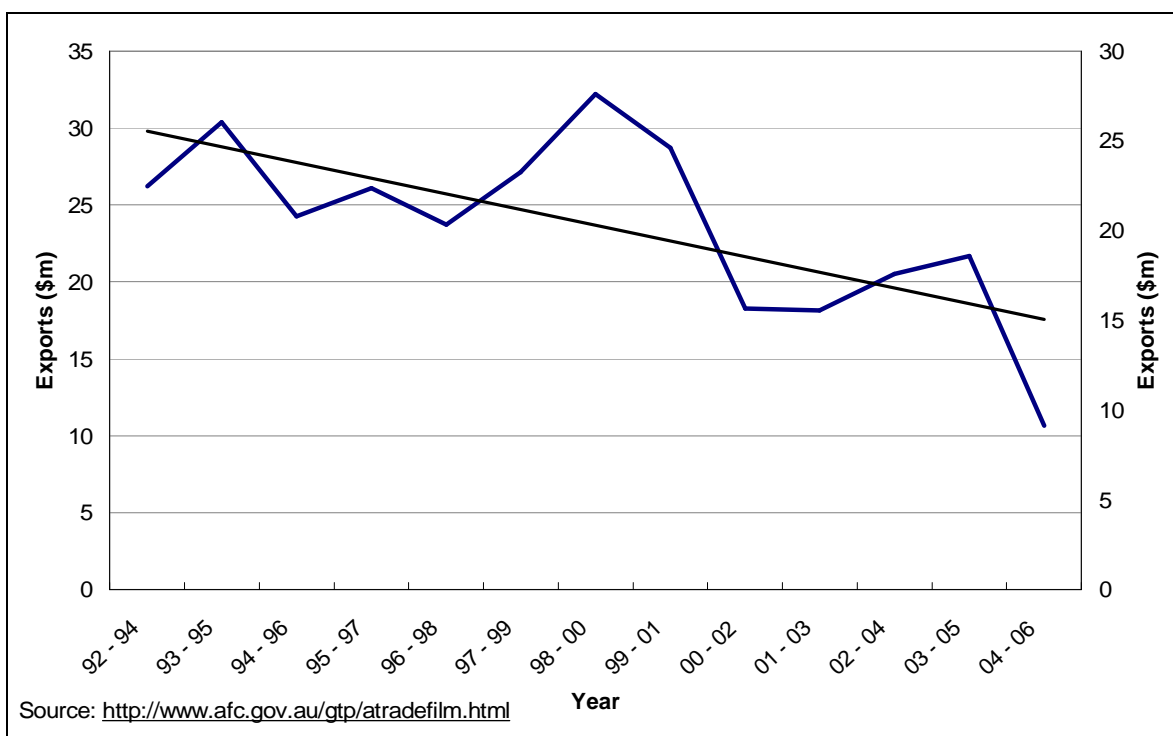
Despite the majority of film production companies being based in NSW, much of the actual shooting takes place in other states. This can be seen by comparing the production budgets of businesses based on the state in which the business is located, with expenditure based on where shooting takes place. From 2002/03 to 2006/07, 72 per cent of the total film and television production budget was attributable to NSW-based companies,¹⁰⁰ but in this period only 47 per cent of the expenditure was in NSW.¹⁰¹

Exports from feature film royalties are minimal relative to total expenditure (3 per cent), and real exports declined 40 per cent from 1992-1994 to 2004-2006 (Figure 35).

¹⁰⁰ <http://www.afc.gov.au/nps/npslocproco.html>

¹⁰¹ <http://www.afc.gov.au/nps/npslocspend.html>. Based on the AFC data available it is not possible to distinguish feature film from total film and television production for the purposes of this comparison. The combined film and television production figures thus provide an indicative account of feature film alone.

Figure 35 - Export royalty earnings from Australian films (three year rolling average)



11.2.3. Number and size of businesses

The businesses involved in film production range from producers of Australian feature films for theatre, video, and television release and also businesses producing videos predominantly for private use (e.g. wedding videographers). Using this definition there are 2,607 businesses in the sector (Table 44).¹⁰² In recent years, the number of NSW businesses has declined slightly, while the number of Australian businesses has increased slightly. Relative to the other sectors in the creative industry, there are a large proportion of small businesses in the sector, although the majority of businesses are non-employing (Figure 36).

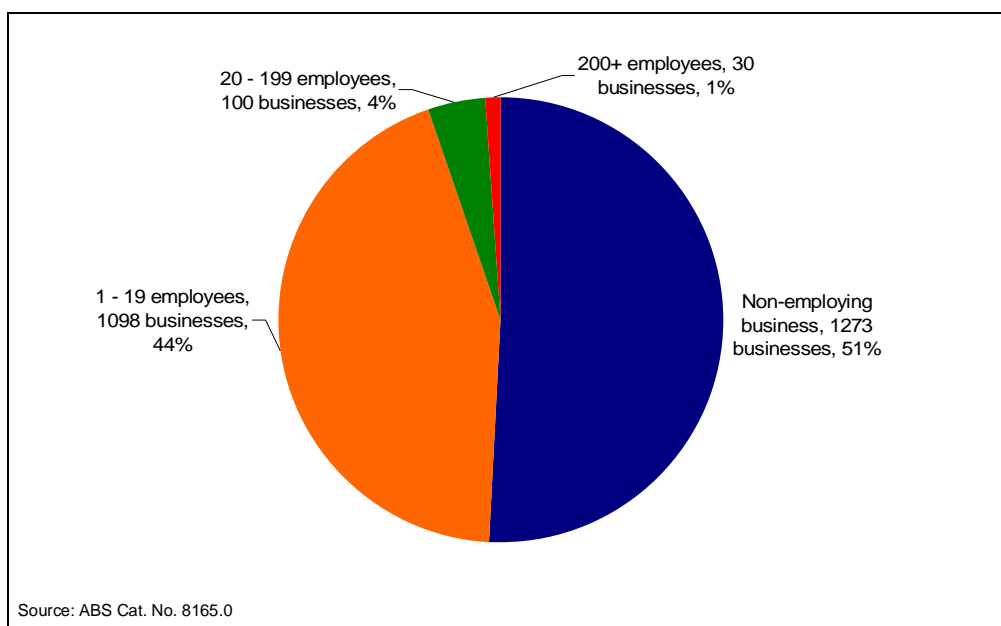
Table 44 - Film production: Number of businesses (30 June 2007)

	NSW	Australia
Number of business (June 2007)	2,607	5,259
NSW % Australia	50%	
Change from June '03 to June '07	-0.4%	0.4%

Source: ABS Cat 8165 - Business Numbers by Employees

¹⁰² Within the confines of this project it has not been possible to determine the proportion of film and video production businesses involved in the production of film for commercial release

Figure 36 - Film and video production: NSW business size (30 June 2006)



11.2.4. Employment and incomes

Of all the sectors in the creative industry, film in NSW has the second highest proportion of total Australian employment market, 47 per cent (Table 45). Employment in the sector has increased slightly over the last decade. Stronger growth in Australia than NSW in recent years is consistent with the expansion of the sector in Victoria and Queensland. Mean incomes have grown slowly in the most recent period.

Table 45 - Film: employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	5,426	11,838	0.6%	0.2%	0.6%	1.5%	45%	49%	47%
Mean income (real)	\$57,570	\$52,129	1.4%	1.1%	1.2%	1.3%	107%	110%	110%

Source: CCI based on ABS Census data

11.2.4.1. Geographic spread

Within NSW, employment numbers are largely based in Sydney (93 per cent) and are particularly concentrated in Inner Sydney, the Eastern Suburbs and Lower Northern Sydney.¹⁰³ Albeit off a small base, from 1996 to 2006 there was significant employment growth in the Richmond-Tweed and especially Central West statistical divisions (growth of 3.5 and 12.2 per cent per annum respectively). Employment in Sydney over the same period fell slightly each year (by 0.3 per cent per annum).

¹⁰³ CCI, based on ABS Census data.

11.3. Government involvement

11.3.1. Federal Government

In 2006-07, the Federal Government provided \$170.5m to federal film agencies.¹⁰⁴ The majority of funding went to the Australian Film Commission (31 per cent) and the Film Finance Commission (41 per cent), with the remaining going to the Australian Film Television and Radio School, Film Australia, SBSi and the Australian Children's Television Foundation.

The Federal Government announced a new package of assistance measures in April 2007. The key elements include:

- A **Producer Offset** which provides a rebate of 40 per cent of eligible Australian production to producers of qualifying feature films and 20 per cent for qualifying television productions (which includes series, telemovies, mini-series and documentaries). Feature films require a guaranteed cinema release for eligibility.¹⁰⁵ The offset operates as a reimbursement on a 'pay the \$ and we refund them' basis;
- A **Location Offset** which provides a cash subsidy worth up to 15 per cent of the total budget of a production based on qualifying expenditure in or on Australian goods or services; and
- A **Post-production, Digital Production and Visual Special Effects (PDV) Offset** which provides an alternative, but mutually exclusive, benefit to the Location Offset, and provides a 15 per cent offset for PDV projects that spend at least \$5 million in qualifying PDV expenditure in Australia. The offset is available for any qualifying expenditure on a feature film, telemovie, or television mini-series.

These offsets provide different, but larger, benefits to the film industry than the assistance schemes they replaced. The Producer Offset replaced the 10A and 10B schemes which provided tax concessions to investors who acquired an interest in Australian productions, but restricted it to investments in what were designated culturally relevant and high quality productions. The Location Offset replaced the Refundable Film Tax Offset (RFTO) which provided a financial incentive for producers to locate in Australia.

¹⁰⁴ AFC, see <http://www.afc.gov.au/gtp/govtfunddatafedapp.html>.

¹⁰⁵ The final determination of whether the offset is received is based on Qualifying Australian Production Expenditure (QAPE). The minimum QAPE for feature films is \$1 million, documentaries \$250,000 per hour, television series \$1 million (and \$500,000 per hour), telemovies \$1 million (and \$800,000 per hour) and short form animation \$250,000 (and \$250,000 per quarter hour).

*Note that Production Investment is recoupable and script development is repaid if a project goes into production. Other grants are not intended to be repayable. The cumulative return on investment as stated in the FTO's 2006-07 annual report is 17.3 per cent.

11.3.2. NSW support

The NSW Government provides assistance to the film industry through the Film and Television Office (FTO) and Department of State and Regional Development (DSRD). In 2006-07, the FTO spent \$6.7m and recouped* \$0.9m.¹⁰⁶

The FTO provides assistance to filmmakers as follows:

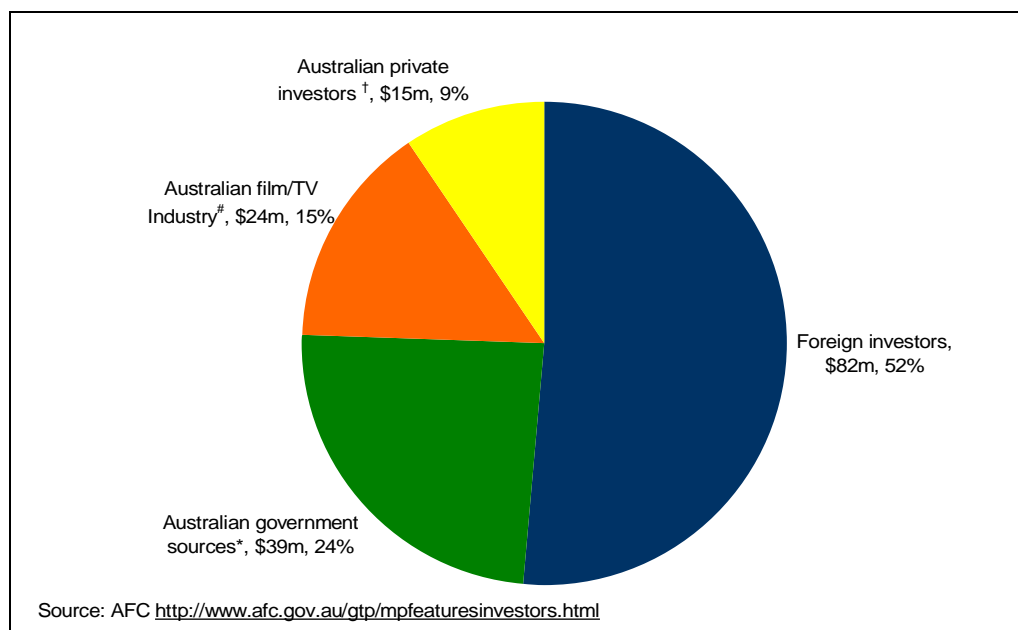
1. **Film and TV Industry Attraction Fund** – provides a rebate to approved footloose productions for production with a minimum spend of A\$5million in NSW, or minimum post-production costs of A\$3 million in NSW; and
2. **Regional Filming Fund** – provides grants for filmmakers wishing to film for a week or more in regional NSW with assistance available for up to 35 per cent of the budgeted costs of filming in regional NSW and up to \$100,000 per production.

11.4. Additional feature film information

11.4.1. Funding

Over the five years to June 2007, 52 per cent of the average \$160m yearly expenditure on Australian and co-production feature film production came from foreign investors (Figure 37). Funding from Australian government sources (federal and state) made up 24 per cent of total funding, with only 15 per cent from Australian industry sources, and 9 per cent from Australian investors.

Figure 37 - Sources of funding for Australia and co-production films (annual basis), 5 year average 2002/03 – 2006/07



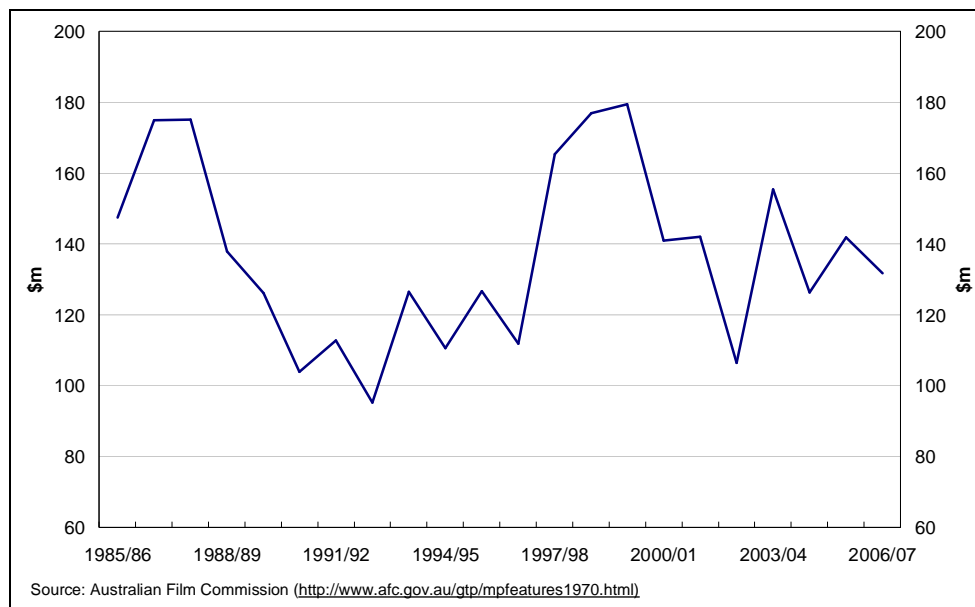
¹⁰⁶ <http://www.news.com.au/entertainment/story/0,26278,23533505-10388,00.html>

* Includes Australian state and federal agencies and funding bodies. Comprises equity investments only – distribution guarantees, loans and underwriting are not included.

11.4.2. Production

Real expenditure on producing Australian feature films has remained relatively constant over the last two decades (Figure 38).

Figure 38 - Film: Real production expenditure on Australian Feature Films, Three Year Rolling Average (\$2007m)



11.4.3. Consumption

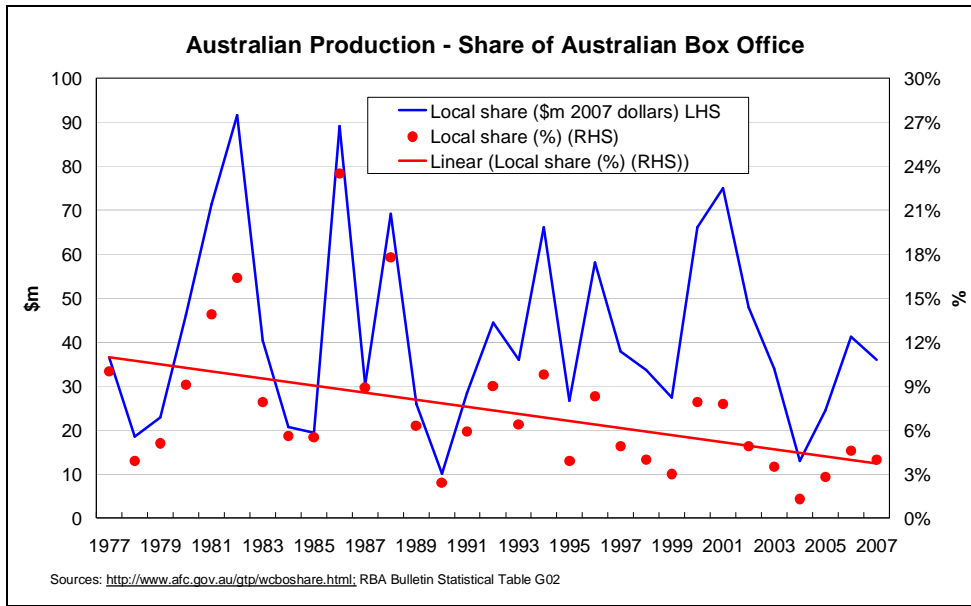
There are multiple channels through which film is consumed, each generating revenue differently – cinema (box office), television (advertising), and DVD/video (retail, rental, and sales). Technological and infrastructure advances are likely to result in a shift in consumption to downloadable and ‘on demand’ films – for both mobile and in-home platforms.

Box office takings illustrate the dominance of foreign films in the Australian market. Over the 30 years to 2007, box office receipts of Australian films have moved little (Figure 39), although there have been repeated spikes in response to the release of extremely successful Australian-made films (e.g. Crocodile Dundee in 1986). With total box office takings increasing by around 2.4 times in real terms over the period (from \$367m to \$895m), the Australian share of box office receipts has trended down. Similarly to box office takings, in 2006, 3.3 per cent of all videos and DVDs released in Australia were Australian feature films.

Includes Australian-based film and TV production companies, distribution companies, free-to-air broadcasters (commercial and public) and pay TV channels.

† Private investment sources including FLICs, 10BA, 10B.

Figure 39 - Australian Film Production



12. Television

12.1. Overview

Television is a key part of Australian culture and is a powerful means of communication, with the ability to reach mass audiences. It is the number one leisure activity for Australians, with 87 per cent of all Australians watching an average of just under three hours of television a day.¹⁰⁸

There are two main forms of television in Australia – free to air and subscription. Free to air television consists of commercial network stations (Channels 7, 9 and 10), public/government operators (ABC and SBS) and community stations. In subscription television, the dominant organisation is FOXTEL (with 59 per cent of the market¹⁰⁹) and there are also a number of smaller players, the largest being AUSTAR.

Free to air television is the dominant medium, attracting 14 million Australians every day. Every one of the top 1,000 most watched programs broadcast in 2006 was on free-to-air television.¹¹⁰ Yet subscription TV continues to increase its traction in Australian households, with expectations for continued strong growth.

The free-to-air television business model, almost entirely reliant on live-to-air advertising for revenue, is likely to come under significant strain in the coming years. A number of recent innovations have reduced the link between watching TV and consuming advertising, including digital video recorders, dedicated and interactive advertising channels and the ability to download from television networks' websites. These and other changes have increased the power of content providers relative to platform providers, such as free-to-air television stations, and have the potential to lead to major changes in free-to-air television.

The onset of digital television will also change the sector considerably. Significantly more content will be required to fill the additional channels from the multi-channelling opportunities associated with digital television. It is unclear whether the additional demand for content will increase the amount of television production in Australia, or result in the purchase of more (and likely cheaper, lower quality) productions from overseas.

In 2006-07, NSW accounted for 35 per cent of drama production expenditure in Australia.

¹⁰⁸ ABS (2007), *How Australians Use Their Time, 2006* (Cat. No. 4153.0).

¹⁰⁹ IBISWorld (2008) *Pay Television in Australia* P9124, p. 20.

¹¹⁰ PricewaterhouseCoopers (2007) *Australian Entertainment and Media Outlook 2007–2011*, p.60.

12.2. Economic fundamentals

12.2.1. Global size

The most comprehensive data on the global size of the television industry is contained in the PWC Media and Entertainment Outlook 2007-2011. For free-to-air television, the report presents data on advertising revenue. As this excludes other revenue sources for free-to-air television (e.g. on-selling television rights) and revenue received by public broadcasters (through government appropriations) it is only a partial measure of revenue for the sector.¹¹¹ For subscription television, the report breaks up revenue into advertising revenue and consumption expenditure. Once again, this is only a partial measure of revenue for the sector. With these shortcomings in mind, the global data is presented in Table 46 and the Australian data in Table 47.

Global television revenue has increased quite strongly in recent years, on the back of strong growth in revenue for subscription television, which now has an equal share of total revenue as free-to-air television. The directions of the general trends are similar in Australia, but subscription television has a much smaller proportion of the overall market. However, subscription television's share of the overall market increased from 30 per cent in 2002 to 37 per cent in 2006.¹¹²

Table 46 - Television: Global real revenue

	2002		2006		Compound Annual Growth Rate 2002-2006
	Value	Share	Value	Share	
Free-to-air	207,176	55%	222,527	50%	1.8%
Subscription	169,298	45%	219,361	50%	6.7%
Advertising	35,647	21%	48,780	22%	8.2%
Fees paid by consumers	133,651	79%	170,581	78%	6.3%
Total	376,474	n/a	441,888	n/a	4.1%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011, pp. 63, 73 and 77

Note: Deflated using the IMF's world inflation series

¹¹¹ IBISWorld indicates that the commercial free-to-air component of this industry derives 92 per cent of total revenue from advertising. The public broadcasters, ABC and SBS, receive up to 85 per cent of their total revenue from government appropriations.

¹¹² At the end of 2006 the penetration rate of subscription television in Australia households was 26.1 per cent, which is extremely modest compared to the average penetration in the Asia-Pacific region (37.9 per cent), the UK (44.6 per cent) and the US (87.4 per cent) (PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.72).

Table 47 - Television: Australian real revenue

	2002		2006		Compound Annual Growth Rate 2002-2006
	Value	Share	Value	Share	
Free-to-air	2,889	70%	3,207	63%	2.6%
Subscription	1,260	30%	1,846	37%	10.0%
Advertising	75	6%	212	11%	29.8%
Consumption expenditure	1,185	94%	1,634	89%	8.4%
Total	4,149	n/a	5,053	n/a	5.1%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011, pp. 63, 73 and 77

Note: Deflated using the CPI

12.2.2. Domestic size

The comprehensive data available for the revenue of television stations (discussed in the previous section) is not present for the revenue of content developers, which is the key creative component of the sector. From the IBIS Report Film and Video Production in Australia: P9111 it is estimated that the size of the sector in 2006-07 was around \$1 billion. Due to the variety of components of the sector, which can be quite volatile in response to the state of the film industry, it is not possible to provide a historical revenue series.

It is possible to track the performance of the production of television over time (Figure 40 and Figure 41). The industry contracted substantially over the period shown, with declines of around 40 per cent in the three big states and by 37 per cent overall in Australia. NSW's share of total production expenditure was slightly lower at the end of the period than the start, and was substantially below the peaks seen in some years.

Figure 40- Real television production expenditure by state (\$m)

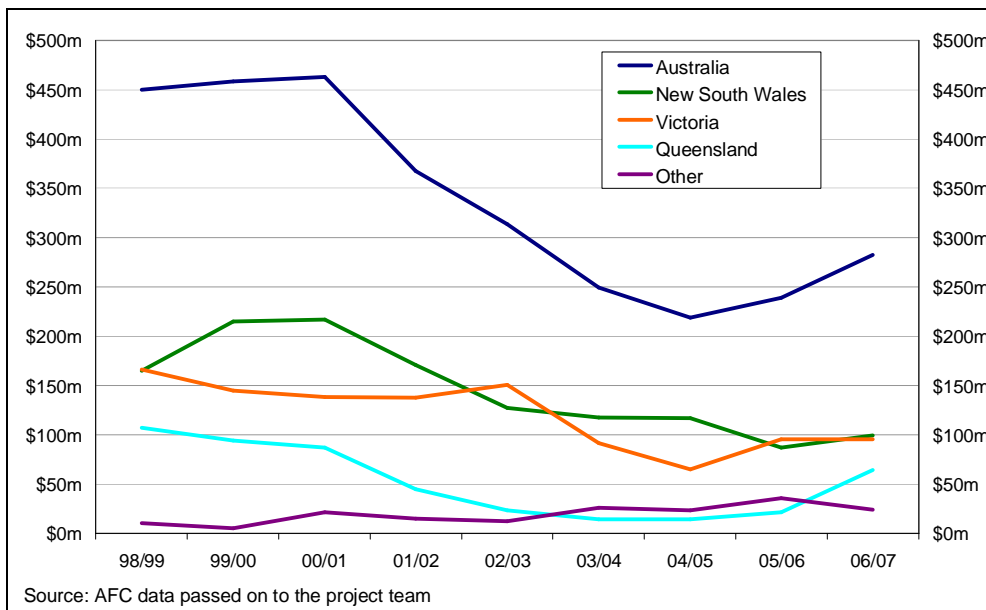
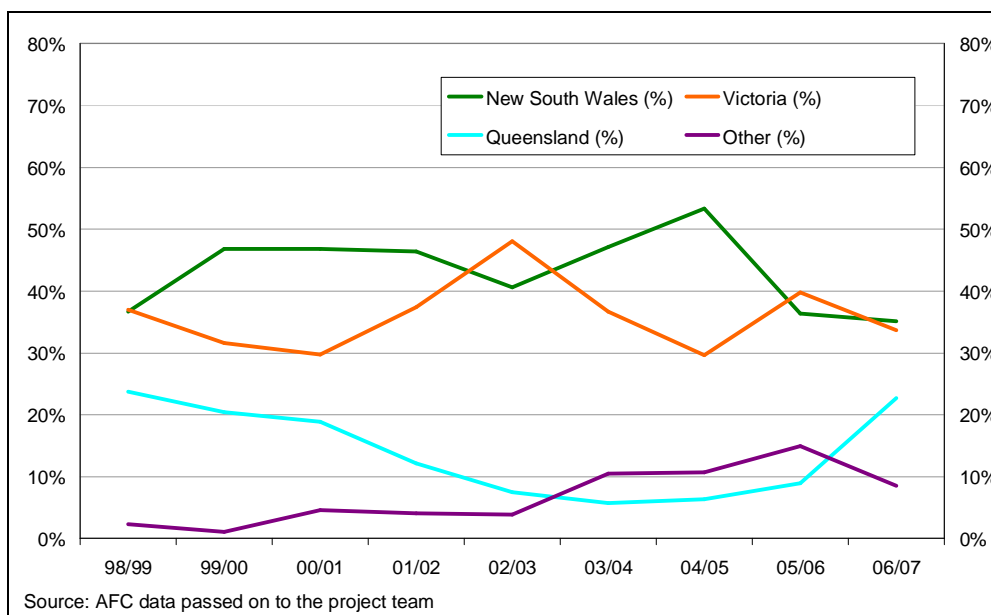


Figure 41 - State share of drama production



12.2.3. Number and size of businesses

There has been a substantial fall in the number of television businesses in NSW in recent years and a more modest fall in Australia (Table 48), although NSW still accounts for around half of the businesses in Australia. The businesses in the sector are overwhelmingly non-employing and small, with only a relatively small number of medium and large businesses (

Figure 42).

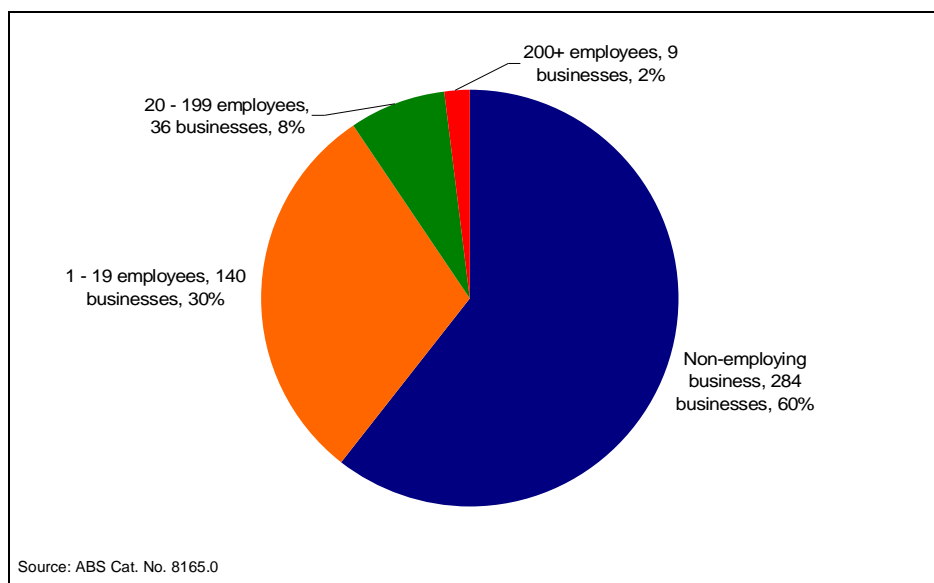
In terms of television stations, in 2004-05, there were a total of 54 commercial TV stations (15 metropolitan and 39 regional).¹¹³

Table 48- Television: Number of businesses (30 June 2007)

	NSW	Australia
Number of business (June 2007)	393	882
NSW % Australia	47%	n/a
% change from June '03 to June '07	-14.9%	-5.2%

Source: ABS Cat 8165 - Business Numbers by Employees

Figure 42 - Television: NSW size of businesses (30 June 2006)



12.2.4. Employment and incomes

Employment in the television industry increased strongly over the past decade, although growth has been more subdued in recent years (Table 49). NSW is particularly over-represented in the sector, accounting for 49 per cent of total employment, and has seen slightly higher employment growth than Australia overall. Mean incomes in NSW are approximately 10 per cent higher than the rest of Australia.

Table 49: Television - Employment and incomes

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	7,852	15,981	3.4%	3.0%	1.1%	0.9%	47%	49%	49%
Mean income (real)	\$66,190	\$61,150	1.1%	1.3%	1.2%	1.5%	110%	109%	108%

Source: CCI based on ABS Census data

¹¹³ <http://www.afc.gov.au/GTP/wftvismarket.html>

12.2.5. Cost of production

The high cost of producing Australian television shows compared to buying overseas content continues to present a challenge for television stations. The cost of producing an Australian drama series has been estimated at \$450,000 an episode, substantially higher than the cost of an hour-long episode of a US-made drama that can be acquired for as little as \$50,000. Australian-produced drama must generally rely on international copyright sales to make the overall exercise profitable.¹¹⁴

Subscription television continues to increase its pool of original Australian programming, with series' such as *Love My Way*, *Dangerous* and *Australia's Next Top Model* being shown exclusively on subscription TV. The 10 per cent local program expenditure quota compels subscription TV to invest in original programming.¹¹⁵

PWC notes that there may be a long-term payback for local drama through sales overseas of the rights but these are difficult markets to penetrate, with most countries favouring domestic content and US fare.

12.3. Government involvement

The Federal Government has a substantial role in the sector as a public broadcaster, through the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS). The Federal Government is also involved through:

- Providing a similar support mechanism for television production as it does for film production (see Section 11.3.1 – a 20 per cent production offset for qualifying television productions is available);
- Regulating the amount of Australian content that is required to be broadcast on both free-to-air and subscription television (Table 50); and
- Its role as an advertiser.

Table 50 - Australian broadcasting content standards

Business type	Genre	Requirement for Australian content
Free-to-air	Overall	An annual minimum requirement of 55 per cent Australian programming between 6am and midnight.
	Drama	The minimum Australian drama requirement is calculated via a point system based on the format of the show. For an average year between 100 and 250 hours of Australian serial, series, feature film, telemovie, miniseries or self-contained drama is required to be broadcast.
	Documentary	An annual minimum requirement of 20 hours of documentary programs per year, that is each at least 30 minutes in duration.
	Children's programs	At least 390 hours of children's and preschool children's must be broadcast each year.
Subscription television	Overall	Must spend 10 per cent of their total program expenditure on new eligible (Australian and New Zealand) drama programs

Source: http://www.acma.gov.au/WEB/STANDARD/pc=IND_CONT_DIR

¹¹⁴ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.42

¹¹⁵ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.74

The NSW Government provides assistance to the television industry via the Film and TV Industry Attraction Fund and the Regional Filming Fund (see Section 11.3.2). The Government is also involved through its role as an advertiser.

13. Radio

13.1. Overview

Radio is a mature, developed industry with a large number of diverse competitors and a mix of government, private and community broadcasters. Government-funded stations cover around 20 per cent of the market,¹¹⁶ and provide a mixture of national and local broadcasting. Private and community radio stations broadcast in particular locations, although a number of private radio stations are part of national networks.

An important development in recent years has been the introduction of podcasting (downloading audio files to be played on a computer or portable device); with the ABC claiming 2 million podcasts a month at the end of 2006.¹¹⁷ Some commercial radio stations have also developed a substantial podcast offering and have started to take advantage of the opportunities that podcasts offer to develop additional sources of revenue.

The introduction of digital radio has the potential to have a significant impact on the sector and has already led to substantial innovation. The most notable innovation has been technical, with the Australian development of a more efficient coding system to transmit digital radio broadcasts, which means more stations can be broadcast on the available spectrum. For consumers, digital radio offers extra audio channels and better sound quality, simple scrolling text to augment radio programs (such as song title and advertising details) and on more sophisticated digital radio devices also images and pictures (such as album covers and advertising pictures). These possibilities have the potential to lead to substantial changes within the industry, although there is some thought that the full impact of digital radio is unlikely to be felt soon.¹¹⁸

The introduction of digital radio early next year is on track in metropolitan centres, although the significant infrastructure costs in small markets are an important barrier to the rollout of digital radio in regional areas. A more general barrier to innovation and growth in the sector is the availability of skilled staff, which is likely to become more acute with the introduction of digital radio.

NSW's share of the radio industry is roughly comparable to its share of the national economy and population. However, it is widely recognised that Sydney, as the biggest market, is where experimentation and innovation happens first. The traditional model is that what succeeds in Sydney then flows to other markets.

¹¹⁶ IBIS (2008) Radio Services in Australia, p. 6.

¹¹⁷ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.92.

¹¹⁸ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p.91.

13.2. Economic fundamentals

13.2.1. Global size

PWC estimates that global radio revenue was around \$A61 billion in 2006, with the size of the industry in Australia \$925m, or around 1.5 per cent. This leaves radio as the smallest of the media sectors in the creative industry, with the next smallest global sector being magazines (which is more than twice as large) and the next smallest Australian sector subscription TV (which is around twice as large). As a further indication of size, radio is around 28 per cent of the size of free-to-air TV in both Australia and globally.

The global radio industry has grown at a moderate rate in recent years (Table 51), exceeding growth in newspapers and magazines (2.1 and 2.9 per cent respectively) though growing at a slower pace than free and subscription TV (5.4 and 10.4 per cent respectively). Recent growth in radio in Australia was considerably stronger than globally.

Table 51 – Radio: Real Australian and Global Advertising and Subscription Revenue (\$Am)

	Value	Compound Annual Growth Rate 2002 to 2006
Australia	925	4.3%
Global	61,007	0.1%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011, pp. 22-23, 86

Note: Real Australian revenue is calculated using the CPI and real global revenue is calculated using the IMF's world inflation series

13.2.2. Revenue

Revenue growth in the radio industry is dictated by the demand for advertising which, in turn, is strongly influenced by the economic cycle. In examining historical revenue growth, structural changes are also important, with the increase in the share of advertising going to the internet. However, radio's share of total advertising expenditure has only declined slightly in recent years, from 9.1 per cent in 2002 to 8.7 per cent in 2006. The commercial broadcasters dominate advertising revenue, accounting for 91 per cent of the total.

Real revenue growth has trended higher over the past decade, although most recently revenue has stagnated (Figure 43).¹¹⁹ NSW accounts for 35 per cent of the industry, roughly comparable to its share of the national economy (Table 52).

¹¹⁹ The revenue data from IBIS is preferred to the PricewaterhouseCoopers data in this section due to the longer time series. The coverage of the two series is very similar.

Figure 43 - Radio: Real Australian revenue (\$'000)

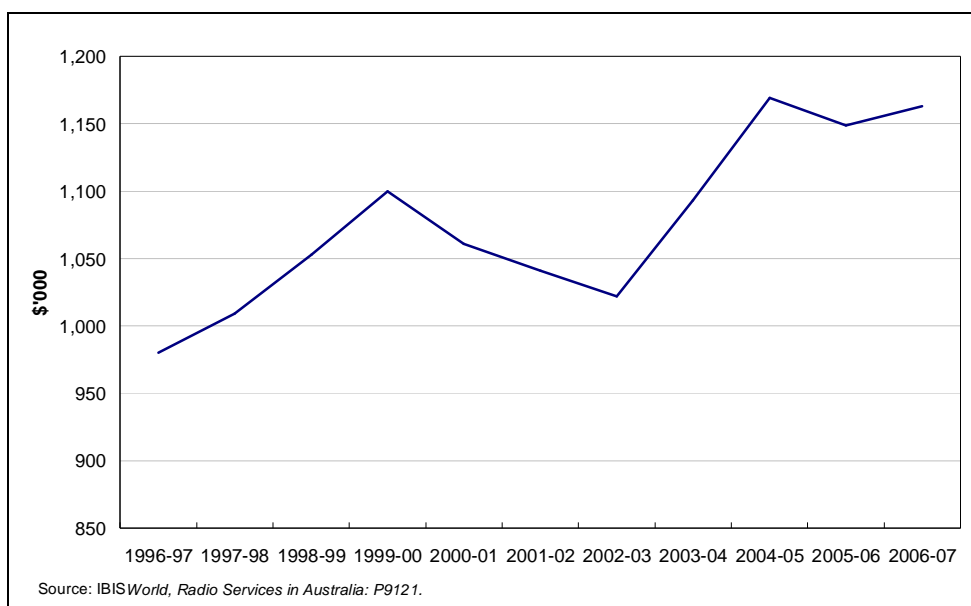


Table 52 – Radio: Revenue (2006-07)

Variable	Value
NSW (\$m)	407
Australia (\$m)	1,163
NSW % Aust	35%
Compound Annual Growth Rate 1996-07 to 2006-07	1.7%

Source: IBIS Radio Services in Australia

13.2.3. Number and size of businesses

Compared to the rest of the creative industry, there are a relatively small number of businesses in the radio sector, with 402 businesses in Australia and 168 in NSW (Table 53).¹²⁰ Around 40 per cent of all businesses are in NSW, which is somewhat larger than NSW’s share of the national economy and population. The number of businesses has been falling in recent years, although the drop-off in NSW has been limited and only a fraction of the fall-of in Australia as a whole. The sector is dominated by non-employing and small businesses (Figure 44).

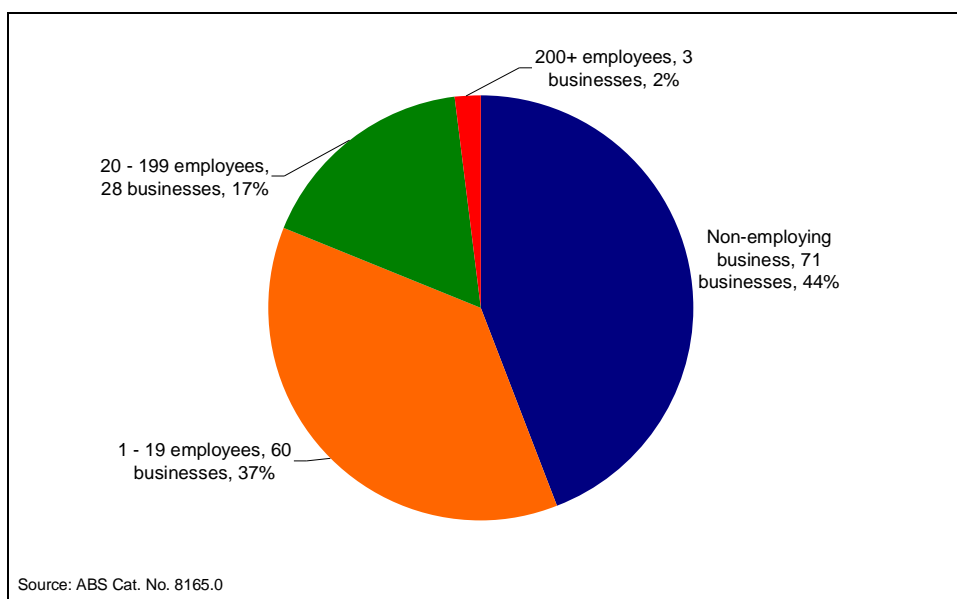
Table 53 - Radio: Number of business

	NSW	Australia
Number of business (June 2007)	168	402
NSW % Australia	40%	n/a
Compound Annual Growth Rate June '03 to June '07	-0.4%	-2.3%

Source: ABS Cat 8165 - Business Numbers by Employees

¹²⁰ Furthermore, a number of businesses are subsidiaries of a larger parent company, which is especially among regional radio stations.

Figure 44 - Radio: NSW size of businesses (June 2006)



13.2.4. Employment and incomes

In 2006 there were just over 2,000 people employed in the radio industry in NSW, with employment in NSW around one-third of total Australian employment (Table 54). Employment has fallen considerably in the years 2001 to 2006. A sharper fall in NSW has seen NSW’s share of total employment fall slightly over the five years to 2006. Mean incomes are around 10 per cent higher in NSW than Australian overall. Real income growth has been marginal in recent years.

Table 54 - Radio: Employment and income

	2006 Value		Compound Annual Growth Rate				NSW % of Australia		
	NSW	Australia	1996 to 2006		2001 to 2006		1996	2001	2006
			NSW	Australia	NSW	Australia			
Employment	2,024	5,877	-0.8%	-0.1%	-3.7%	-2.4%	38%	38%	35%
Mean income (real)	\$53,830	\$50,100	1.2%	1.1%	0.4%	0.5%	108%	109%	108%

Source: CCI based on ABS Census data

13.3. Government involvement

The Federal Government plays a substantial role in the radio sector through:

- Licensing of commercial and community radio stations through the Australian Communications and Media Authority;
- Content guidelines on the amount of ‘live and local content’ and local news for regional radio stations; and
- Provision of public broadcasting (around 20 per cent of the market).

The NSW Government’s involvement in the radio sector is limited to its role as an advertiser.

14. Electronic games

14.1. Overview

In recent years, electronic games have become increasingly sophisticated and their appeal has expanded significantly, resulting in considerable growth in the sector. Electronic games are replacing traditional entertainment sources such as television, film, and music across all ages.¹²¹ To date this is particularly the case with younger people, but older people are increasingly being attracted to puzzle, strategy, board, and card games.¹²²

Technological advances - making games more engaging with improved graphics and simulation and worldwide connectivity with other players - have encouraged creative developments, leading to the growing convergence of music, film and electronic games. This convergence can be seen in games such as *Guitar Hero* and *Sing Star* (combining music and games) and *Enter the Matrix* (combining film and games), and contributes to the increased sophistication, appeal and reach of games. In addition, technological advances are enabling new revenue and distribution opportunities through online software distribution and in-game advertising.

Australia's share of the global game development market is roughly comparable to its share in other sectors in the global creative industry (around 2 per cent). However, NSW has captured less than 10 per cent of the Australian market, in stark contrast to other sectors in the creative industry. Through successful early state government intervention and support, Victoria and Queensland were able to capture and maintain almost three quarters of the Australian gaming software development sector (see Section 14.3 regarding initiatives in these states).¹²³

The key challenges to growth in Australia are: (1) obtaining sufficient domestic and foreign funding to develop games locally, particularly to develop (and retain) proprietary intellectual property in original works; and (2) the attraction and retention of skilled staff (talent is being lured overseas to larger established companies). In addition to the difficulty of obtaining funding for proprietary intellectual property, workshop participants indicated Australian originators are in a weak bargaining position with multinational game developers and distributors.

¹²¹ In 2007 young people spent 44 per cent more time playing computer games than in 1997 (ACMA Media and Communications in Australian Families 2007 p. 32) and Interactive Entertainment Association of Australia, *Interactive Australia 2007*.

¹²² *Interactive Australia 2007*, p. 5.

¹²³ PWC Australian Entertainment and Media Outlook 2007 - 2011, p 154.

14.2. Economic fundamentals

14.2.1. Global size – gaming software sales

PWC estimates that in 2006 the global gaming software industry was around \$29 billion, with the size of the industry in Australia \$544 million or 1.9% of the global industry (Table 55).¹²⁴ By revenue, gaming software is the smallest entertainment sector in the creative industry. Since 2002 gaming software sales have been growing at roughly the same rate in Australia as globally, at 6 per cent. Growth in the sector has been significantly higher than all other sectors in the creative industry, except the sub-sector of subscription television.

Table 55 – Electronic games: Real Australian and global games software sales

	2006 \$Am	Compound Annual Growth Rate 2002 to 2006
Australia	544	6.1%
Global	29,069	6.0%

Source: PWC Australian Entertainment and Media Outlook 2007 – 2011

Note: Real Australian sales are calculated using the CPI and real global sales is calculated using the IMF's world inflation series

14.2.2. Revenue and number of businesses

NSW has significantly less revenue and fewer gaming businesses than Victoria and Queensland (Figure 45 and Figure 46).¹²⁵ By number of businesses, NSW is half the size of Victoria and 20 per cent smaller than Queensland. Compared to the Australian average, NSW businesses generate 52 per cent less revenue per business. This is supported by a 2006 Insight Economics study which indicated that of the 12 largest companies, only one had NSW as their main business location (with five in Queensland, five in Victorian and one in the ACT).¹²⁶ The Report also noted that the industry was quite heavily concentrated, with the largest eight companies accounting for over 80 per cent of the industry.

¹²⁴ PricewaterhouseCoopers (2007) Australian Entertainment and Media Outlook 2007 – 2011, p. 156.

¹²⁵ Note the ABS figures referred to come from Catalogue 8515.0. As the figures are relatively small, significant variation from the stated figure is possible. Based on industry consultation in NSW, the ABS figures quoted are expected to be under-estimated, however the comparison with other states remain valid.

¹²⁶ Insight Economics (2006) Australian Electronic Game Industry Profile. (www.gdaa.com.au/docs/GDAA_Industry_Profile_Report_221106.pdf).

Figure 45 - Games: Revenue by state (2006-07, \$m)

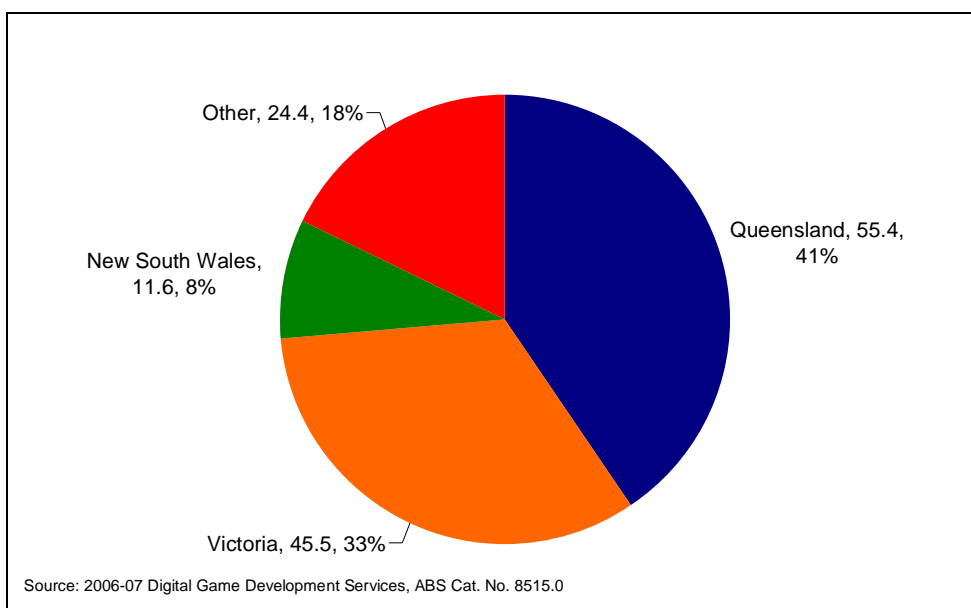
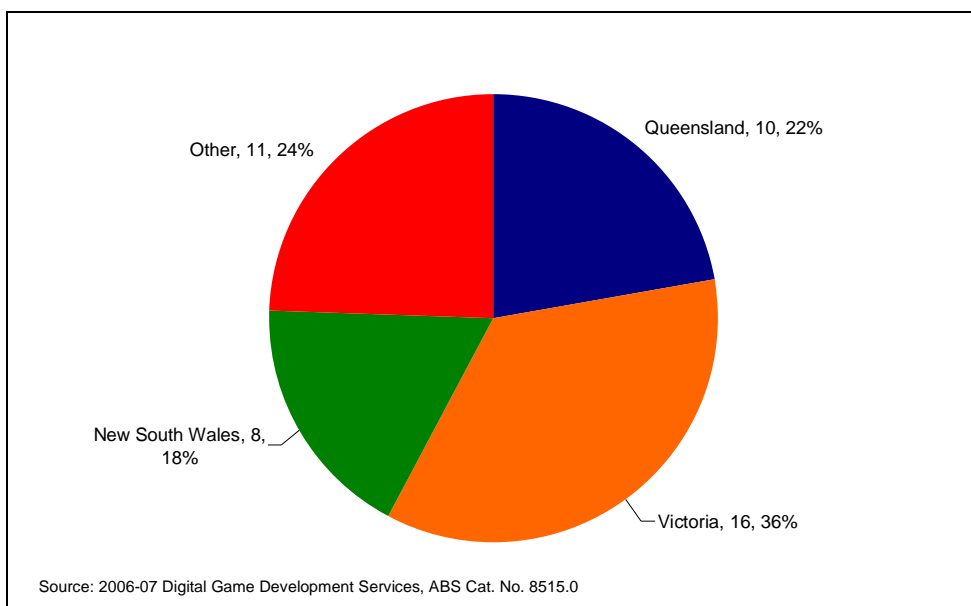


Figure 46 - Games: Businesses by state (2006-07)



Compared with major development companies in Europe and the US, Australian businesses are very small.¹²⁷ This is significant with respect to revenue generation, as the top few game titles globally generate the majority of the sector’s revenue (with revenues coming overwhelmingly in the first three months of release).¹²⁸

The industry is export focused, with export revenues estimated to account for over 90 per cent of total revenue.¹²⁹ A study for the Interactive Entertainment Association of

¹²⁷ House Standing Committee on Communications, Information Technology and the Arts, *Inquiry into the future opportunities for Australia’s film, animation, special effects and electronic games industries*, pp. 63 – 67.

¹²⁸ PricewaterhouseCoopers (2007) *Australian Entertainment and Media Outlook 2007 – 2011*, p.152. It is noteworthy that *Grand Theft Auto IV: Liberty City Stories* sold \$US500 million in its first week in April/May 2008 – over 2.5 times greater than biggest ever film box office taking of \$US196 million in its first week (*Pirates of the Caribbean: Dead Man’s Chest*)

¹²⁹ Insight Economics, *Australian Electronic Game Industry Profile*, p. 3.

Australia estimates that Australian firms earn \$100m in export sales of games each year.¹³⁰

14.2.3. Employment and mean income

Of all the sectors in the creative industry, electronic game software development in NSW has the lowest proportion of the total Australian employment market at 7 per cent. NSW has a significantly higher mean income in the sector than other states.

Table 56 - Electronic Games: Employees and income (2006-07)

	Employees		Mean income	
	#	%	\$m	Variance from Australian average (%)
New South Wales	103*	7%	6	17%
Victoria	472	33%	21.2	-10%
Queensland	695	49%	35.1	2%
Other	161	11%	8.8	10%
Australia	1431	100%	71.1	0%

Source: 2006-07 Digital Game Development Services, ABS Cat. No. 8515.0

14.3. Government involvement

NSW provides no specific government assistance to games developers, in contrast to Victoria and Queensland. Initiatives in these states to encourage game development have included:¹³¹

- Implementing a world-first Sony PlayStation 2, Xbox, and Xbox 360 development kit programs (Vic.);
- Funding a motion capture studio at Deakin University (Vic.);
- Assisting local game development companies to attend key overseas game shows such as GDC, Tokyo Game, Leipzig, and Lyon (Vic.);
- Supporting events such as Game Connect Asia Pacific (GCAP), and eGames expo (Vic.);
- Providing \$800,000 to the Interactive Games Industry Package over four years from 2003 (Qld); and
- Establishing a Bachelor of Games and Interactive Entertainment course at the Queensland University of Technology (Qld).

Federally, Austrade's Export Market Development Grants provided \$170,000 to computer games services companies in 2005/06.¹³²

¹³⁰ Brand, JS (2007) Interactive Australia 2007, Interactive Entertainment Association of Australia, p. 8.

* As with all the sectors in this Report, ABS/CCi data has been used to represent employment. It should be noted, however, that Team Bondi in NSW employs >100 people in the electronic gaming sector and, accordingly, the figure of 103 seems to be an underestimation.

¹³¹ <http://www.mmv.vic.gov.au/games> and <http://www.cabinet.qld.gov.au/MMS/StatementDisplaySingle.aspx?id=49862>

¹³² <http://www.afc.gov.au/GTP/atradeexportgrants.html>

14.4. Intellectual property

The Insight Economics study reported that over 85 per cent of companies undertake their own development of IP to some extent. Of these companies:

- 80 per cent fund these projects in part out of their own operational cash flows;
- 30 per cent get funding from external domestic investors; and
- 20 per cent enter into joint development projects.

Developing IP can extend for long periods, resulting in significant funding being required prior to revenue generation. Retention of IP is important to the sector because significantly more revenue is attainable from the royalties of a successful release than from fee-for-service arrangements.

Appendix A Detailed Household Expenditure Data

Table 57 presents the detailed Household Expenditure Data underpinning Table 7 in the body of the Report.

Table 57 – Weekly Household Expenditure on Creative industry Products

Category	\$ per Household per Week		Proportion of Expenditure on Creative industry Products	
	NSW	Australia	NSW	Australia
Advertising and Marketing n/a				
Architecture, Design and Visual Arts	2.88	2.91	10.7%	11.3%
<i>Architecture – n/a</i>				
<i>Design</i>	1.50	1.56	5.5%	6.0%
Jewellery	1.13	1.21	4.2%	4.7%
Clothing and footwear	0.37	0.35	1.4%	1.4%
<i>Visual Arts</i>	1.38	1.35	5.1%	5.2%
Paintings, carvings and sculptures	*0.73	0.70	2.7%	2.7%
Studio and other professional photography	*0.49	0.50	1.8%	1.9%
Art gallery and museum fees and charges	*0.16	0.15	0.6%	0.6%
Music and Performing Arts	3.62	3.19	13.4%	12.3%
<i>Music</i>	2.25	2.32	8.3%	9.0%
Pre-recorded compact discs and records (audio)	1.50	1.60	5.6%	6.2%
Music concert fees and charges	*0.75	0.72	2.8%	2.8%
<i>Performing Arts</i>	1.37	0.87	5.1%	3.4%
Live theatre fees and charges nfd	**0.05	*0.02	0.2%	0.1%
Live theatre fees and charges nec	1.32	0.85	4.9%	3.3%
Publishing and Composition	8.17	8.44	30.3%	32.6%
Publishing	8.17	8.44	30.3%	32.6%
Books	4.03	3.94	14.9%	15.2%
Newspapers	2.31	2.56	8.6%	9.9%
Magazines and comics	1.67	1.80	6.2%	7.0%
Books, newspapers, magazines and other printed material nec	0.16	0.14	0.6%	0.5%
Film, Television and Radio	8.21	7.87	30.4%	30.4%
<i>Film</i>	5.06	5.18	18.8%	20.0%
Pre-recorded video cassettes and video discs	2.00	2.08	7.4%	8.0%
Cinema fees and charges	1.87	1.93	6.9%	7.5%
Hire of video cassette tapes and TV/computer games	1.19	1.17	4.4%	4.5%
<i>Television</i>	3.15	2.69	11.7%	10.4%
Pay TV fees	3.15	2.69	11.7%	10.4%
<i>Radio – n/a</i>				
Electronic games	1.43	1.17	5.3%	4.5%
TV games and computer software nfd	**0.16	*0.12	0.6%	0.5%
Computer software - games	*0.08	0.07	0.3%	0.3%
Computer software (excluding games)	*0.36	0.32	1.3%	1.2%
TV games and computer software nec	0.83	0.66	3.1%	2.6%
Other	2.67	2.29	9.9%	8.8%
Cultural fees and charges nec	*0.07	0.05	0.3%	0.2%
Culture courses	1.46	1.14	5.4%	4.4%
Culture and recreation lessons (excluding sports lessons) nec	**0.23	*0.17	0.9%	0.7%
Clubs and association subscriptions (excluding sports clubs)	0.07	0.08	0.3%	0.3%
Internet charges (account)	0.83	0.84	3.1%	3.3%
Internet charges (not account)	**0.00	*0.01	0.0%	0.0%

Category	\$ per Household per Week		Proportion of Expenditure on Creative industry Products
Total Creative industry Expenditure	26.97	25.87	
Total Household Expenditure	947.51	892.83	
Creative industry Expenditure as a Proportion of Total Expenditure	2.80%	2.90%	

Source: ABS Cat. No. 6535.0.55.001 Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04, Table 5.
 Note: nec is 'not elsewhere classified' and nfd is 'not further defined'.

Note – For a number of categories it has been assumed that only a portion of the expenditure is relevant, on the basis that only a proportion of the products in the sector are the result of creativity, or are used to facilitate creativity. These are:

- Jewellery – 50 per cent of expenditure is relevant;
- Clothing and footwear – 1 per cent of expenditure is relevant;
- Computer software - games – 30 per cent of expenditure is relevant;
- Culture and recreation lessons – 11 per cent of expenditure is relevant (on the basis that 3 of 28 categories are relevant - movie club, record club, cultural societies);
- Internet charges (account) – 30 per cent of expenditure is relevant; and
- Internet charges (non account) – 30 per cent of expenditure is relevant.

Appendix B Challenges and opportunities

The challenges and opportunities section for each sector is based on information received through roundtable discussions and interviews with industry participants (see Appendix A in the Insights Paper for a complete list) and wider research. The challenges and opportunities listed are not exhaustive, but capture the important themes which emerged.

The challenges and opportunities are presented across different areas, such as size of the market, nature of the business model, infrastructure, etc. It should be noted that the opportunities identified in each area do not necessarily correspond to the specific challenge noted.

Advertising

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market	<ul style="list-style-type: none"> Inadequate general awareness, interest and understanding of the positives of the industry 	<ul style="list-style-type: none"> Maintain Sydney's status as the commercial capital of Australia Promote the economic advantage of advertising and recognise the training it provides for other industries (e.g. television and film)
Business model	<ul style="list-style-type: none"> Time and financial resources for the creative phase have fallen as strong competition has led to significant price competition and low margins 	<ul style="list-style-type: none"> Encourage concurrent creative and strategic thinking through government procurement practices and choices Encourage agencies to be paid for their ideas and strategic thinking, not just the delivery of an idea
Skills	<ul style="list-style-type: none"> Insufficient staff with required vocational skills (e.g. graduates lack sufficient expertise in basic industry tools) 	<ul style="list-style-type: none"> Provide focused training in a particular applications as part of tertiary courses (e.g. Photoshop training)
Staff retention	<ul style="list-style-type: none"> High staff turnover, especially among younger staff 	
Costs	<ul style="list-style-type: none"> High cost of production of television commercials Cost recovery for providing training (in the face of rapid staff turnover) 	<ul style="list-style-type: none"> Facilitate more filming on digital media, less on 35mm film
Infrastructure	<ul style="list-style-type: none"> Insufficient internet speed impedes collaboration (especially in television commercial production/post-production) 	<ul style="list-style-type: none"> Commit to provide fundamental infrastructure (broadband, high quality education, etc)
Regulation	<ul style="list-style-type: none"> Time intensive regulatory requirements (e.g. BAS) divert attention away from more important matters (especially for smaller businesses) 	<ul style="list-style-type: none"> Monitor and cap council/location fees to keeps costs to a minimum (with respect to TVC production)
Other	<ul style="list-style-type: none"> Conservative industry with outdated governance arrangements and attitudes 	<ul style="list-style-type: none"> Encourage more progressive, innovation-focused business cultures and practices

Architecture

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Networking		<ul style="list-style-type: none"> Encourage networking through state and national events, showcases, awards. Increased collaboration produces higher-quality design
Government - major events	<ul style="list-style-type: none"> Lack of opportunity to showcase NSW architecture nationally and internationally through major events 	<ul style="list-style-type: none"> Use major events to showcase Sydney's great architecture on a global scale. (This enhances the reputation and awareness of the <i>larger</i> architectural firms, not necessarily smaller firms doing mainly residential work) Hold an International Architecture Biennale
Government – appreciation of design	<ul style="list-style-type: none"> Conservative/risk adverse government design selection Lack of understanding of design intent within government, particularly amongst planners (although less so among younger planners) 	<ul style="list-style-type: none"> Actively commission innovative design. (In the 1990's The Netherlands commissioned numerous innovative buildings, which helped to develop an innovative design culture developed which still exists) Display greater leadership – NSW could be the Australian architectural leader if it adopted a more progressive architectural design strategy Become bolder with design – especially the NSW Government Architectural Office Use more tender/competition based design for public buildings – this encourages new, innovative design Use 'quality-based selection', and consider price separately from the design in government procurement assessments Strengthen the role of whole of life cycle costing and analysis in government procurement, and the incorporation of long-term architectural quality in public projects
Government – procurement	<ul style="list-style-type: none"> Government contracts put excessive liability on architects, stifling risk taking Inequitable terms of trade, with government insistence on owning moral rights and copyright reducing the incentive to develop high-quality design (as architects will receive less acknowledgement for their work) 	<ul style="list-style-type: none"> Transfer more contractual risk to government – risk should not be fully borne by the architect Modify terms of trade so the architect retains some of the value of good design to provide an incentive to produce a higher quality design
Government - regulation	<ul style="list-style-type: none"> Inefficient and drawn-out approvals process, with the long duration from submission to approval stifling creativity 	<ul style="list-style-type: none"> Relax the requirements and speed up the approval process (it is easier in Victoria) Change the development approval process – fast-track this application process if application submitted by a registered architect <i>and</i> it meets a set green standard Implement national accreditation for architects
Government - Sustainable design		<ul style="list-style-type: none"> Introduce a more sustainable built environment in NSW, by ensuring new buildings meet green ratings and by 'green' retro-fits to existing buildings Increase NSW collaboration with other jurisdictions to ensure national green initiatives are implemented efficiently

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market – exports	<ul style="list-style-type: none"> Varying contractual systems between countries hinders international trade. 	<ul style="list-style-type: none"> Encourage more exports to SE Asia, Middle East, emerging economies, particularly from smaller companies Establish mutual recognition agreements with overseas authorities to facilitate exports by improving Australia's credibility
Skills	<ul style="list-style-type: none"> Reduction in face-to-face hours at university reduces skill base of graduates Insufficient understanding of design amongst architecture graduates Insufficient funding for practitioners to be involved in university teaching with university funding linked to research 	<ul style="list-style-type: none"> Focus university courses on design rather than other aspects of architecture Review the design component of the school curriculum, bringing teachers and industry associations to determine the best approach, and include architecture as a component of the curriculum
Technology		<ul style="list-style-type: none"> Encourage the rapid adoption of new software to improve efficiency and facilitate collaboration between architects and other disciplines
Community awareness	<ul style="list-style-type: none"> Lack of appreciation of architectural design in the NSW community 	<ul style="list-style-type: none"> Employ a grassroots education and awareness campaign to shift attitudes and increase appreciation for design Increased public recognition events (prizes, awards, etc) to showcase great design

Design

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market	<ul style="list-style-type: none"> Cheap imports undermine the value of design 	<ul style="list-style-type: none"> Capitalise on the opportunities presented by the digital age
Regulation	<ul style="list-style-type: none"> Complying with standards is expensive 	<ul style="list-style-type: none"> Investigate how government regulation can encourage sustainable design
Education		<ul style="list-style-type: none"> Foster grassroots development of design skills and appreciation through the school curriculum
Financial	<ul style="list-style-type: none"> Prohibitively high cost of attending international fairs 	
Government support	<ul style="list-style-type: none"> Insufficient understanding of the role of design in government. Procurement processes focus on achieving minimum cost, not sustainable development or well-designed objects, etc Lack of a NSW Design Strategy 	<ul style="list-style-type: none"> Implement punitive damages as a remedy for IP infringements to deter infringers – (e.g. in US) Increase the tax refund for design services from 125% to 200% Widen the definition of R&D, to make sure it incorporates all of industrial design
Technology	<ul style="list-style-type: none"> Rapid technological change makes it difficult to keep staff up-skilled in latest technology 	
Culture	<ul style="list-style-type: none"> Insufficient appreciation of 'good' design in the community – this begins at a grassroots level (the manufacturing industry in particular needs to be convinced of the value of design) Insufficient value of design, with the creative element to a process often the least valued and yet can be the most important Insufficient understanding of the services designers can provide 	<ul style="list-style-type: none"> Showcase Sydney's design talent and achievements to the world Encourage a design-savvy culture

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Training	<ul style="list-style-type: none"> Insufficient job-specific skills, with graduates lacking practical experience Shortage of technicians – graduates want to be the next big designer, rather than do the technical work 	<ul style="list-style-type: none"> Improve business skills of design business owners/operators Establish an apprenticeship scheme Shift the tertiary curriculum to align education and demand for jobs
Price	<ul style="list-style-type: none"> Consumers prioritise price over design 	
Cross sector impacts		<ul style="list-style-type: none"> Embrace design across several different platforms and disciplines

Visual Arts

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market		<ul style="list-style-type: none"> Create new markets – particularly amongst younger generations – through multidisciplinary and new media platforms. This also enables historic collections to be used in new forms (e.g. historic photographs in a movie)
Financial	<ul style="list-style-type: none"> Cost: accessing overseas markets such as fairs and exhibitions is very expensive. Cost: freight costs for both bringing in exhibitions and touring Australian exhibitions is huge Cost: insurance premiums are huge 	<ul style="list-style-type: none"> Provide grants to encourage overseas business – e.g. export/touring/event grants Provide government indemnify thereby reducing the cost of insurance
Price	<ul style="list-style-type: none"> Admission prices to some cultural institutions is too high 	
Education	<ul style="list-style-type: none"> Insufficient appreciation of art – appreciation is not embodied at a grassroots level 	<ul style="list-style-type: none"> Mandate a certain number of hours for the provision of arts education in schools
Venues	<ul style="list-style-type: none"> Insufficient artists run spaces – some government space is available but, even when subsidised, government wants to make a commercial return 	
Technology	<ul style="list-style-type: none"> Insufficient technological skills – artists often do not know how to access technology, are not trained to use it and find it expensive 	
Culture		<ul style="list-style-type: none"> Introduce a fringe festival in NSW to support emerging artists 'Talk up' the creative industry to create a perception that the State is innovative and creative Encourage social networking for the 'arts' – websites, chat rooms etc
Training	<ul style="list-style-type: none"> Insufficient business skills 	
Other	<ul style="list-style-type: none"> Insufficient data/metrics on the sector 	
Regulation		<ul style="list-style-type: none"> Prescribe a minimum art spend on new developments (e.g. 1 per cent)
Government support	<ul style="list-style-type: none"> No comprehensive Government strategy for visual arts or arts more broadly No 'champion' Ministers Inadequate communication between institutions 	<ul style="list-style-type: none"> Provide tax deductions for businesses investing in, and displaying, art Facilitate greater dialogue between institutions, e.g. The Tate and Tate Modern in London discuss their exhibition strategies with each other and engage in joint advertising; synchronise, split or share exhibitions, display exhibitions one after the other to maximise patronage and exposure

Music

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market		<ul style="list-style-type: none"> Develop new business models as revenue from physical product declines and revenue increases from 360° deals – (for example touring, merchandising, product placement, downloads and ring tones) Bring international ‘music managers’ to NSW to showcase local talent and embed in film, television shows and electronic games (Snow Patrol example). Actively capitalise on the emerging opportunities due to digitalisation Participate in the increased number and size of festivals, particularly niche and world music festivals often involving local/international partnerships. This provides opportunities for emerging artists previously thought ‘risky’ Grow exports
Business models	<ul style="list-style-type: none"> Lack of investment in new talent due to declining revenue from traditional sources 	
Education		<ul style="list-style-type: none"> Mandate musical education in primary school Give children the opportunity to learn an instrument at subsidised prices
Technology	<ul style="list-style-type: none"> Shift from physical sales to digital sales – death of the album. It is now more appealing to exclusively produce popular singles 	
Culture	<ul style="list-style-type: none"> Devaluation of copyright and IP (especially among younger generation). Illegal downloading is a huge barrier and the industry does not know how to respond Increase in market size – there has been a massive increase in available music (as there is more recording in home studios) 	<ul style="list-style-type: none"> Foster strong collaboration between industry participants and industry associations Educate the hospitality industry on the benefits of music performance Prevent illegal downloading – potentially via ISPs (three strikes and ‘you’re out’)
Training	<ul style="list-style-type: none"> Misaligned skills base: TAFEs etc produce many sound technicians but there are limited jobs in this area. However, skills shortages exist in other areas, e.g. managers Misunderstanding of business model – there is a perception amongst ‘new’ artists that they can give away their IP rights and recoup it later, which rarely occurs 	
Government support	<ul style="list-style-type: none"> Lack of data/metrics on the value of music (it is difficult to quantify) 	<ul style="list-style-type: none"> Ensure NSW music is played in all NSW Government buildings and at all NSW official functions

Performing Arts

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market	<ul style="list-style-type: none"> Reduction in the number of lyric size theatres (the number of regional theatres and theatres for young people has reduced in particular) Reduction in the number of original works (e.g. fewer plays are being written, hence fewer Australian plays are being produced) 	<ul style="list-style-type: none"> Expand the market for performances utilising digital media (e.g. SSO live-streaming through Bigpond, performances on My Space, Opera House digital transmission of live performances to regional cinemas and some open air city venues) Promote Sydney and NSW as the international gateway for performing arts, for both imports and exports. Major Events NSW to collaborate with sector in planning activities Encourage partnerships between modern and classical performers to leverage baby boomer spending habits (e.g. Tim Freedman and the SSO) Adopt a 'curatorial approach' rather than 'custodial approach' in arts centres
Price	<ul style="list-style-type: none"> High ticket prices and ancillary costs (e.g. transport) are a disincentive to participation in some sectors 	<ul style="list-style-type: none"> Provide free transport to major performing arts events
Access to capital	<ul style="list-style-type: none"> Lack of finance prevents cooperative arrangements and joint productions Long life cycle from idea conception to finished production is inconsistent with the need for continual revenue streams Insufficient funds and wider support to try new ideas/experiment in genres, formats etc 	<ul style="list-style-type: none"> Do more to support the development of new works
Supply factors	<ul style="list-style-type: none"> Insufficient skills – volunteer-run local council venues in regional areas do not have the skills or receive the adequate support to be successful (education, running productions, etc) Inequitable distribution of profits – profit from performing arts often do not flow to artists. For example, the profits from 'So you think you can dance' profits went to Channel 10, not to the choreographers 	<ul style="list-style-type: none"> Train volunteer staff in local council venues in venue management best practice
Income levels	<ul style="list-style-type: none"> Low incomes for artists, which is tolerated by the rest of the community 	
Venues	<ul style="list-style-type: none"> 'Gaps' in the mix of theatres in central and western Sydney exist (for example there is a lack of venues for experimental/niche performing arts) 	
Cross-sector impacts	<ul style="list-style-type: none"> Less opportunity for actors to go into TV (in part due to the rise of the reality genre). 	
Other		<ul style="list-style-type: none"> Improve collaboration across venues and co-productions, including partnerships and programs with international successes (e.g. Cirque du Soleil) Secure the arts on the academic research agenda
Regulation	<ul style="list-style-type: none"> Onerous insurance, OH&S and child safety requirements Discrepancies in regulations across states 	<ul style="list-style-type: none"> Align regulations in the sector across states
Government support	<ul style="list-style-type: none"> Capital funding prioritised over operational funding. There is greater support for infrastructure than support for artists and operations Overpricing of risk makes it difficult to receive funding from traditional sources 	<ul style="list-style-type: none"> Explore potential to realign weighting of performing arts funding from capital works to operational costs

Publishing

Newspapers

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Awareness		<ul style="list-style-type: none"> Raise the profile of the industry amongst advertisers and media buyers (evident with the introduction of The Newspaper Works as a marketing body)
Nature of the product	<ul style="list-style-type: none"> Shift to online: much of the content available in newspapers (particularly comment rather than fact) is now available in a multitude of other online sources (international sources, blogs, guerrilla media sources) 	<ul style="list-style-type: none"> Incorporate user-generated content Continue to take advantage of newspapers being the source of fact Leverage credibility and trust to provide attractive add-ons to the printed product (e.g. magazine inserts to encourage sales)
Business model	<ul style="list-style-type: none"> Online advertising revenue provides less revenue than physical product Cost control increasingly important: With revenue streams diminishing, cost control newspapers will have limited control over some key costs (petrol and paper) 	<ul style="list-style-type: none"> Use magazine inserts in newspapers to increase display revenue Stratify the audience segments to ensure maximum appeal to advertisers (particularly online) Develop revenue streams that will sustain both the printed edition and also the online edition, as the classified advertising continues to shift to dedicated online channels (e.g. Seek.com)
Delivery		<ul style="list-style-type: none"> Capitalise on the advantages of both flat-wrap delivery (the ability for more giveaways) and rolled delivery (cheaper to distribute)

Periodicals

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market	<ul style="list-style-type: none"> Small market: The small Australian market makes it difficult to find and develop sufficient audience bases that will appeal to advertisers and also create logistical difficulties of reaching the audience A threshold size of market is required, to make a publication attractive to advertisers 	
Nature of the product	<ul style="list-style-type: none"> Long lead time: weekly hard copy publications are at a disadvantage relative to electronic magazines/journals 	<ul style="list-style-type: none"> Target particular / niche market segments Take advantage of the content of printed publications that do not have timing considerations (e.g. health, home hints, etc) Develop online versions to complement the physical products
Business model	<ul style="list-style-type: none"> Small players can attract the niche advertisers, but cannot offer the full suite of advertising avenues (across newspapers, magazines, web, etc) that major media companies can Online advertising revenue provides less revenue than the physical product can 	
Technology	<ul style="list-style-type: none"> Difficulty being well represented on Google: Online periodicals have to invest significant resources in understanding the word search function on Google to make sure the publication appears on the first page when people search Demanding consumer expectations: Websites for online periodicals need to continually become bigger and better to make sure they are noticed and meet people's expectations as tastes become more sophisticated 	
Infrastructure	<ul style="list-style-type: none"> Insufficient broadband speed and lack of access to cheap servers 	

Books

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Size of the market	<ul style="list-style-type: none"> Competition from other entertainment sources (will the mass of middle aged, middle class females – the current key consumers – be around in the future?) 	<ul style="list-style-type: none"> Encourage writers' festivals to cater for young readers to help develop the market of tomorrow Utilise the internet to help create markets for authors before their work is released Develop a new suite of writers' centres for more talented writers and for visiting writers Encourage greater collaboration across authors and publishers (especially in Western Sydney)
Education system	<ul style="list-style-type: none"> Potential curriculum changes – a move to a national curriculum will decrease opportunities for authors 	<ul style="list-style-type: none"> Ensure a multitude of authors appear on any national curriculum Provide resources for more author visits to schools, especially schools in western Sydney and regional areas
Price	<ul style="list-style-type: none"> High price of books in Australia compared to UK/US encourages consumers to buy online (e.g. Amazon) 	

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Business model	<ul style="list-style-type: none"> • Cross-subsidisation within publishers is threatened as: <ul style="list-style-type: none"> • higher e-book sales of global blockbusters means less revenue for local publishers as e-book rights rest with global parents • the textbook market contracts 	
Infrastructure	<ul style="list-style-type: none"> • Insufficient broadband speed – if e-books increase in popularity there might be challenges in hosting digital books in Australia due to slow connections 	<ul style="list-style-type: none"> • Take advantage of the reduced cost of publishing e-books, of implementing on-demand printing technology, and the ability to produce tailored products
Nature of the product	<ul style="list-style-type: none"> • Over-saturation of market – established publishers need to distinguish their books from the self-published books • Different format requirements for e-books readers create additional costs for publishers 	
Environment	<ul style="list-style-type: none"> • Sustainability – books have a large environmental ‘footprint’, with a large proportion of the market using paper from non-sustainable sources and high freight costs from distribution 	<ul style="list-style-type: none"> • Mandate the use of Forest Certified Standard paper
Regulation	<ul style="list-style-type: none"> • Protection of IP in the digital environment 	

Feature film

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Access to capital	<ul style="list-style-type: none"> • Cash flow difficulties associated with the 40% rebate – producers find it difficult to generate the funds up front, despite knowing they will get it back. • Little confidence in ongoing contribution from Australian investors • Insufficient financial security for writers 	<ul style="list-style-type: none"> • Create a \$100m revolving fund to assist with the cash flow challenges associated with the rebate • Support AusFilm further, or create a NSW version • Extend AusFilm to TVC
Skills shortage	<ul style="list-style-type: none"> • General skill shortage, especially in post-production 	<ul style="list-style-type: none"> • Teaching production and management skills at NIDA
Infrastructure		<ul style="list-style-type: none"> • Capitalise on the benefits of the close proximity of NIDA (Kensington), COFA (Paddington) and Fox Studios (Moore Park) (create a creative precinct) • Provide infrastructure for businesses, personal relationships and film networks to develop <ul style="list-style-type: none"> • Physical infrastructure • Telecommunications infrastructure
Industry collaboration / Community	<ul style="list-style-type: none"> • Minimal community awareness and appreciation of Australian films 	<ul style="list-style-type: none"> • Create/foster a sense of value by demonstrating political will to deliver key infrastructure, training and production finance • Encourage collaboration amongst industry players: <ul style="list-style-type: none"> • Increase asset sharing (particularly digital infrastructure / capability) • Jointly establish a strong production pipeline • Encourage labour mobility – including visa transfers • Encourage the creation of a unique, dynamic Australian business model – do not try and replicate past or foreign models (e.g. big studios like in the US)

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Government support	<ul style="list-style-type: none"> Disjointed government agencies (federal and state) are inconsistent policies Difficulties in organising exports amongst government agencies Conservative review of scripts by bureaucrats stifles innovation and creativity because producers/writers know funding will not be granted 	<ul style="list-style-type: none"> Improve collaboration between the government agencies (federal and state) involved Work hard at 'owning' a region and promoting it as the best place to film Increase liaison and collaboration between state and Commonwealth governments to facilitate international trade
Regulation	<ul style="list-style-type: none"> Onerous regulatory requirements – NSW is a difficult and frustrating place to film (e.g. to obtain location filming approval, to film landmarks) Prohibitively long life-cycle – given the administration involved, films take too long to develop from conception to production 	<ul style="list-style-type: none"> Reduce the red tape and difficulty involved in location filming, including allowing filming at landmark sites. (In the film workshop it emerged that global companies have been unable to film in some of Sydney's landmark sites. This does not occur elsewhere in the world – for example, Times Square was shut down for three hours on a Sunday during the filming of Vanilla Sky) Establish a filming location clearing house, where location approval can efficiently and authoritatively be considered

Television

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Risk of financing	<ul style="list-style-type: none"> Prohibitively high risk in trying shows, formats, genres <ul style="list-style-type: none"> Productions are commissioned only if they 'jump through the required, pre-determined hoops' A shifting and fickle audience is complicating the process (it is more difficult to predict which shows will be successful) 'If there is one thing that stifles innovation it is higher than necessary risk aversion' 	<ul style="list-style-type: none"> Encourage broadcasters and financiers to increase tolerance to risk Recognise that pilots are an effective way of reducing the risk of over-investment, (though significant investment is still required to get to the pilot stage)
Training	<ul style="list-style-type: none"> A considerable skills shortage, especially in the technical roles such as engineers and camera operators No one within the industry is willing to take under-trained graduates on and pay for their skill development There are very few cadetship-type positions available to students There is a disconnect between training delivered and industry requirements Insufficient supply of quality scripts <ul style="list-style-type: none"> Massive shortage in quality Similar situation to the skills shortage in that the initial training investment is not being made Limited capacity to take on trainees 	<ul style="list-style-type: none"> Fund/support specific industry training (e.g. camera operators, sound recorders) through vocation-focused initiatives Support/create technical training facilities Fund the training of young script writers
Innovation		<ul style="list-style-type: none"> Create new genres Proactively shift content online Commit funding, time and resources to developing new revenue channels Aim to own more IP Engage in strong audience research to determine demand

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Infrastructure	<ul style="list-style-type: none"> • Insufficient broadband <ul style="list-style-type: none"> • Limited upload speeds currently inhibit media and post-production transfers • Limited upload speeds increasingly hinder user generated content posting and distribution • Companies are beginning to solve the problem themselves by installing their own telecommunications infrastructure between production studios and offices 	<ul style="list-style-type: none"> • Provide higher speed telecommunications • Supply/commission/approve more studio space
Shifting consumer interests		<ul style="list-style-type: none"> • Produce content to fill the demand for more diverse media to satisfy shorter attention spans • Commission emerging media for government communication
Technological advances		<ul style="list-style-type: none"> • Capitalise on more numerous distribution channels: <ul style="list-style-type: none"> • With many new channels (due to digital broadcasting) more content will be required. This may increase the demand for Australian-produced content, but there is also a danger of just cheap international programs being used to fill the time
Regulation	<ul style="list-style-type: none"> • Restrictive / labour intensive location filming procedures <ul style="list-style-type: none"> • NSW is not known as an easy place to film. Melbourne is more willing to adapt the rules to assist producers • Many TV commercials are being produced in NZ as it is cheaper 	<ul style="list-style-type: none"> • Ensure filming on location is as straightforward and expedient as possible
Trade		<ul style="list-style-type: none"> • Encourage more exports
Incentives		<ul style="list-style-type: none"> • Provide payroll tax incentives • Provide further incentives to use NSW locations

Radio

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Business model	<ul style="list-style-type: none"> Evolution of platforms occurring faster than current business models 	<ul style="list-style-type: none"> Use the core radio products as a foundation for increasing digital offerings, especially in podcasting and vodcasting Offer more on-demand content and embrace user-generated content Develop business models so that revenue can be captured from each distribution platform
Digital radio	<ul style="list-style-type: none"> Slow rollout of digital radio (mandated by government). Particularly a barrier for community broadcasters. 	<ul style="list-style-type: none"> Communicate/sell the benefits of digital radio to consumers (improved fidelity, additional channels, information provided by scrolling, text and pictures) Communicate/sell the opportunities that digital radio offers to advertisers
Skills	<ul style="list-style-type: none"> Shortage of qualified operators across radio occupations – announcing, presenting, production, engineers, etc Talent leaving regional areas for larger cities and other media Lack of comprehensive skills – existing training programs do not train radio employees with the multitude of skills now required. 	<ul style="list-style-type: none"> Ensure collaboration between the industry and TAFE system to develop courses that provide the multitude of skills employees need in the converging media environment
Infrastructure	<ul style="list-style-type: none"> Outdated transmission towers will impede digital broadcast Prohibitively high cost of digital radio infrastructure for smaller regional stations 	<ul style="list-style-type: none"> Encourage local councils to support the changes required to transmission towers to broadcast digital radio Introduce free wireless broadband – this would make it more efficient for radio correspondents and news reporters to get their stories back to their stations

Electronic games

Area	Challenges to innovation and growth	Opportunities for innovation and growth
New ideas		<ul style="list-style-type: none"> Encourage or mandate the increased use of educational games in schools, supported by Government Leverage Australia's 'creative' advantage – other countries may have greater technical proficiency, but Australia has a strong base for the creative component of games
Access to capital	<ul style="list-style-type: none"> Difficulty in obtaining domestic and foreign funding: <ul style="list-style-type: none"> Domestic funding is difficult to obtain because the game development industry is insufficiently established and is regarded as a riskier alternative relative to other investments Foreign funding is difficult to obtain as Australia has not yet established itself as a stable, credible market 	<ul style="list-style-type: none"> Make the film rebate available for games – this would encourage both domestic and foreign investment

Area	Challenges to innovation and growth	Opportunities for innovation and growth
Retention of IP	<ul style="list-style-type: none"> Difficulty in developing and retaining proprietary IP. <ul style="list-style-type: none"> Without the incentive of being able to retain IP, developers are not as interested in innovating because potential financial returns are not being retained by the developer, but rather go to global publishers/distributors. 	<ul style="list-style-type: none"> Offer a rebate for the development of IP – developers would thus not be so beholden to foreign investors who only supply funding contingent on the transfer of IP
Skills shortage	<ul style="list-style-type: none"> Insufficient expertise in specific areas – the few graduates from university and TAFE are too generalist 	<ul style="list-style-type: none"> Ensure TAFE courses teach skills which industry require – which could be focused skills in specific areas (e.g. animation) Offer grants or rebates for industry training of fresh graduates
Cross-discipline collaboration		<ul style="list-style-type: none"> Collaborate more comprehensively and effectively with the film, television and music sectors
Development kits	<ul style="list-style-type: none"> Inability to obtain a development kit <ul style="list-style-type: none"> Some game developers do not have access to the kit (purchased from Sony/Nintendo/Microsoft) required to develop games for that particular console 	<ul style="list-style-type: none"> Assist in the funding/supply/negotiations for development kits
Infrastructure		<ul style="list-style-type: none"> Supply faster and more reliable telecommunications infrastructure to support: <ul style="list-style-type: none"> Game developers working in the online space Developers wanting to collaborate in production
Community and government awareness	<ul style="list-style-type: none"> Insufficient understanding and appreciation amongst the community, the business world and government about the development, expansion and potential of the games industry, including its broadening appeal and expected growth trajectory 	<ul style="list-style-type: none"> Hold/support public events and forums demonstrating the successes of the existing gaming market, and what will be available shortly Educate government about how important the industry is, and how much it can contribute to the economy Set up a centre of excellence, to support talent Provide financial support to send Australian gamers to international conferences Assist the networking of the industry through local events (the biggest asset of a market like America is their talent support network)

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