



THE SOCIO-ECONOMIC CONTRIBUTION OF MUSIC TO THE IRISH ECONOMY



The background features a white space with several abstract geometric elements. On the left side, there are several dark grey triangles of various sizes and orientations, some pointing up and some pointing down. On the right side, there is a stylized globe composed of many small, light blue and teal triangles, creating a faceted effect. The globe is positioned in the upper right corner and appears to be partially cut off by the edge of the frame. The overall aesthetic is clean, modern, and geometric.

THE SOCIO-ECONOMIC CONTRIBUTION OF MUSIC TO THE IRISH ECONOMY

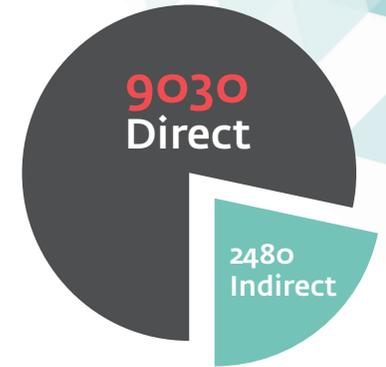


SCALING UP – THE OPPORTUNITY FOR IRELAND’S MUSIC INDUSTRY

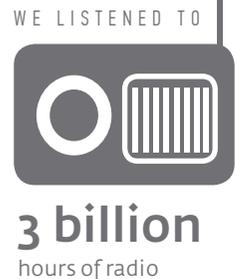
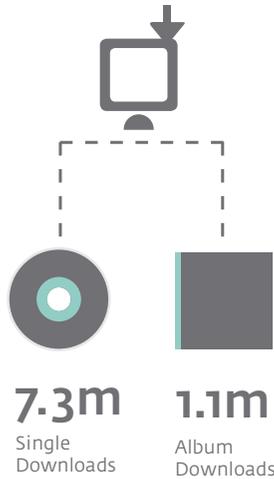
THE IRISH MUSIC INDUSTRY CONTRIBUTES:



THE SECTOR SUPPORTS



WE PURCHASED...



Digital sales growth in Ireland has been c. 14% per annum over the same period
€8m → €13m
2008 - 2012

HOWEVER,
CHALLENGES
INCLUDE
A FALL OF
RECORDED
MUSIC SALES
**FROM €72M
TO €33M**



TO CONTINUE GROWTH OF THE SECTOR AND ITS ECONOMIC & SOCIAL CONTRIBUTION IMRO RECOMMENDS:



Creating a **Music Industry Taskforce** to advise on Music Policy



Appointing an **Intellectual Property Tsar** to consider IP & copyright legislation



Establishing a **new music office** – “Music Ireland”



Investing in a **music education programme**



Ensuring **tax reliefs** are efficient & effective



Closer co-operation between **tourism, tech, gaming & music**



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FOREWORD



Red Sails in the Sunset and You Raise me Up: what do they have in common? Both these worldwide hits were co-written by Irishmen, Jimmy Kennedy and Brendan Graham, and they serve to bookend half a century of Irish music creativity. Before considering today's industry, it's worth reminding ourselves of something that we take for granted: the breadth, depth and history of a successful music industry.

Thus, Ruby Murray's many British chart hits in the 1950s find an echo today in Sinéad O'Connor, Eleanor McEvoy, Mary Black, Mary Coughlan, Imelda May, Heathers and Dolores O'Riordan. Thus Seán Ó Riada's *Mise Éire* is paralleled by *Riverdance*, historic works that re-define Irish music. The Clancy Brothers' influence on Bob Dylan in *Greenwich Village* in the early '60s is well-known. Less well-known is the chart success abroad of Frankie McBride, Joe Dolan, Larry Cunningham, The Real McCoy and Van Morrison in the '60s. The Dubliners, Thin Lizzy, The Furey Brothers, The Boomtown Rats, U2, Enya, Van Morrison, Clannad, Moving Hearts, The Chieftains, Rory Gallagher, Paul Brady, Boyzone, Westlife, The Undertones, Ronan Keating, Christy Moore and others have featured in foreign charts from the 1970s to date.

Nowadays, it's *Once on Broadway*, *Riverdance* worldwide, *Celtic Woman* in

the USA, hugely successful dance shows with choreography by Michael Flatley and music by Ronan Hardiman, and successful foreign tours by Little Green Cars, Kodaline, Ryan Sheridan, Villagers, Altan, The Script, The Coronas, Damien Rice, Snow Patrol, Delorentos, Two Door Cinema Club, and international interest in The Riptide Movement, Hozier, *Walking on Cars*, SOAK, All Time Low, Rosie Carney, Bleeding Heart Pigeons, Gavin James, Hudson Taylor, Daithí, *And So I Watch You From Afar* and ORB.

Irish music crosses all genres: the late Rory Gallagher still sells significant quantities of blues albums; Sir James Galway and John Feeley grace the world's concert stages; Louis Stewart is one of the leading guitarists in world jazz; Nathan Carter, Jimmy Buckley and others keep the country flame burning. Gerald Barry, Shaun Davey, Roger Doyle and many others have their work performed here and abroad. We have won more Eurovisions than any other country. And there is music in films, children's television and games, in all genres, that has been written by IMRO writers.

It would be quite possible to continue listing Irish music successes so the above is not definitive. Suffice it to say that Ireland's reputation abroad is entwined with music. Our tourism industry acknowledges the unique attraction of Irish music. It's an integral part of our identity.

In the twentieth century, the production and consumption of music had to adapt from the listener's actual presence in the same room as the musicians and singers, through broadcasting, recording, the long-playing record, TV and the cassette tape to the advent of digital in the early 1990s. The combination of digital music and the internet provides both a threat and an opportunity to the music industry worldwide. The threat is well-known: theft and piracy on an industrial scale that have led a generation to believe that music – along with books, software, films and games – is free. The opportunities are less well-known: the Irish Music Rights Organisation has commissioned this report by Deloitte in order to provide a positive focus on what Ireland's decision-makers, together with the industry itself, can do to assist creators and creativity.

Ireland is blessed with an abundance of creative talent – we are well represented on the world stage in every genre of music. Decision-makers must consider how best to nurture this talent. There will be dividends: as well as helping our nation's finances, music is also good for our collective soul.

The time for action is now...

Keith Donald
MA, Dip Soc Sc, DASS, CQSW
Chairman of IMRO

EXECUTIVE SUMMARY





The Irish music industry forms a cornerstone of Ireland's internationally renowned reputation for culture and creativity. Ireland's rich musical heritage is a source of great pride, and its current musical output across a range of genres continues to enhance cultural life at home and abroad.

This contribution to the cultural life of the nation is well-known, but perhaps what is less well-known is its very real and substantial contribution to Ireland's economic well-being. In 2012, the core music sector generated €291m towards GDP. It also supported a total of 9,030 jobs on a full time equivalent basis¹.

Music plays a key role in Ireland's international reputation for creativity, which is increasingly vital in an economy driven by ideas and

innovation. Indeed, the IDA currently references the Irish people's "blend of the commercial and the creative" as being a key reason to invest in Ireland. A recent report issued by the EU Commission² also recognises that innovation is more than just scientific and technological change and that the cultural and creative industries are an important driver of innovation.

This report sets out to quantify the direct economic impact of music on the Irish economy. However, the influence of the music sector extends far beyond its direct effect on GDP and jobs, and the report also looks at its indirect economic and social impact. For example, music has an indirect impact on a number of sectors of the economy, most notably tourism where the experience of live music (be it traditional or otherwise) brings Irish culture to life and greatly

enhances the tourist experience.

Music also has a range of individual, social and cultural benefits and this report includes these in the discussion. These impacts are often difficult to quantify, though they are no less important for that.

Given the right support, the Irish music industry has the potential to contribute more still, and this report also looks at policy options for the continued development of the industry in the coming years – options which can fit into the plans for Culture 2025: the forthcoming National Cultural Policy for Ireland.

The analysis undertaken suggests that if the recommended policy initiatives are implemented successfully, the sector could contribute a further 5 to 8% in Gross Value Added (GVA) terms, or 6 to 9% in FTE employment terms³.

1. Source: 2012 is the most recent year for which data is available: Deloitte Analysis, CSO

2. HKU, 2010, *The entrepreneurial dimension of the cultural and creative industries*, Hogeschool voor de Kunsten Utrecht, Utrecht

3. Gross Value Added is essentially a sectoral measure of GDP contribution. It eliminates the double counting in turnover which will inevitably occur within an industry as one organisation's revenue is another's cost.



Gemma Hayes

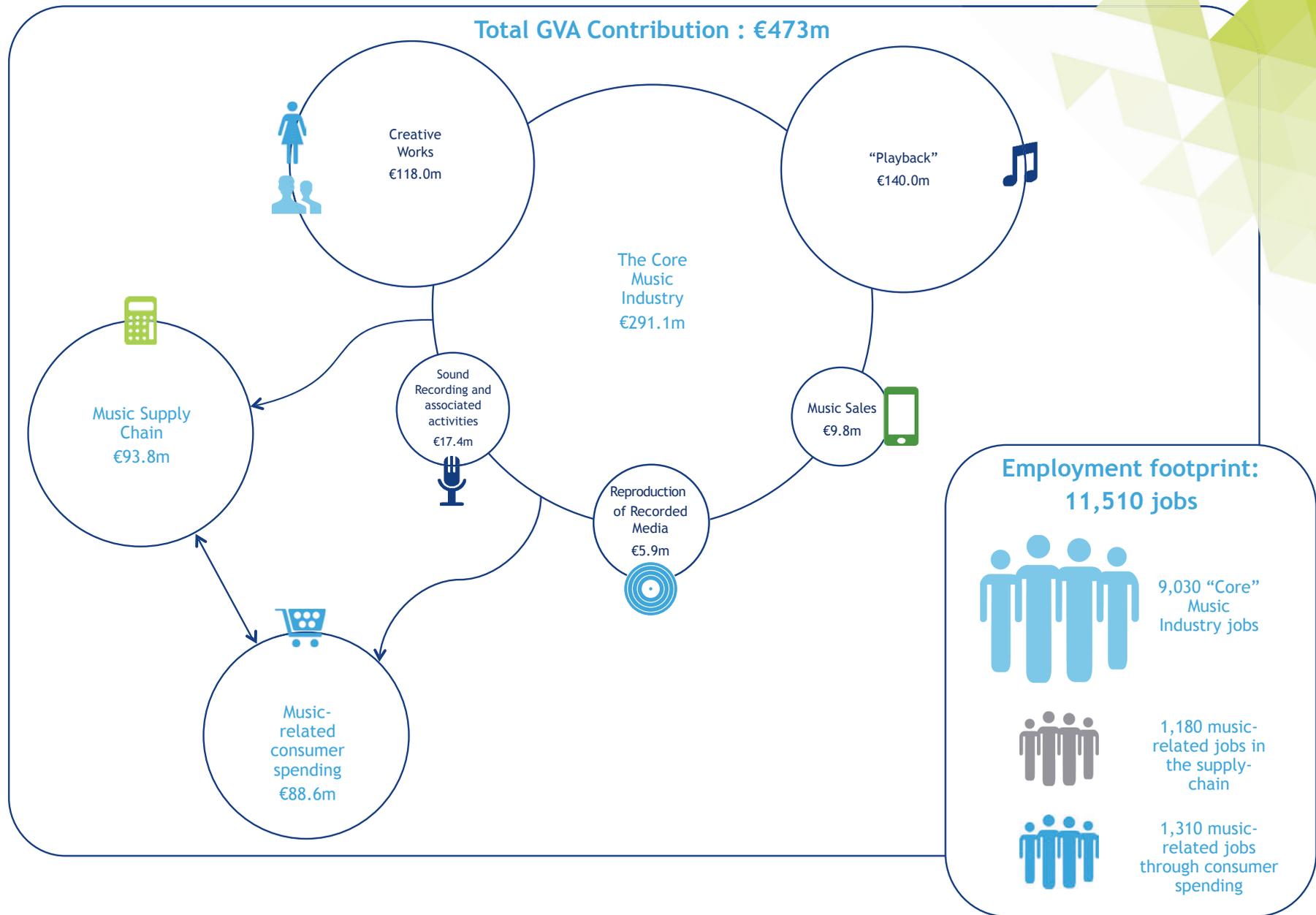


Figure 1: The economic contribution of the music industry in Ireland, 2012: A 60-second summary, Source: Deloitte Analysis, CSO.

MUSIC IS AT OUR CORE
SHAPING OUR IDENTITY,
ENRICHING OUR COMMUNITIES
AND DRIVING OUR ECONOMY



MUSIC BEATS IN THE HEART OF IRELAND...



Hozier

Ireland has always seen itself as a musical nation. We have a rich heritage of traditional music and latterly have developed an enviable repertoire across a number of genres including rock and pop.

In 2012 we purchased 3 million music CDs, 7.3 million single downloads, 1.1m album downloads, as well as collectively listening to over 3 billion hours of radio⁴.

The live music sector within Ireland is strong, with significant growth in the number of summer festivals, for example. Many of these festivals make substantial contributions to towns and cities right across the country, as do the many small, medium and large sized live venues.

Music plays a central role in community life, and one only has to look at organisations such as Comhaltas Ceoltóirí Éireann to see its impact. In 2013,

the Fleadh Cheoil attracted over 10,000 musicians and about 430,000 people in total to Derry. These numbers make the Fleadh one of the largest cultural festivals in the world.

The prominent role that music plays in key State occasions demonstrates the importance that the Irish people attach to music and its importance in expressing who we are as a people. When Queen Elizabeth II visited Ireland the occasion was marked with a special concert of Irish music and dance, while the State visit by President Higgins to the UK was marked by a similar event in the Royal Albert Hall.

It is clear that Ireland, more than many nations, has defined itself by its music and its cultural pursuits. However, music not only shapes our identity and is at the heart of our communities; it also plays a vital role in the economic life of the nation.



The Chieftains

⁴: Source: Sales data from Recording Industry in Numbers, 2013 and listening data from Joint National Listenership Research: 4 hours daily per adult coupled with 83% listenership from http://www.bai.ie/?page_id=142

MUSIC DRIVES GDP AND JOBS ...

Our analysis indicates that the Irish music industry contributes significantly to the Irish economy, having generated some €291 million directly towards Irish GDP in 2012 (0.18% of total GDP).

The bulk of this impact comes through the musical works which are created by Irish writers, composers and artists as well as the activity associated with live performances (of all types) across Ireland, along with radio broadcasting. These sub-sectors account for around 89% of activity in GVA terms.

A further €182 million is generated towards Irish GDP through the core music industry's interactions with businesses in other sectors (including goods and services ancillary to music as well as more generic goods and services) and consumers (through wage payments, other remuneration and subsequent spending).

Aggregated, this gives a total 'narrow' economic contribution of €473 million in 2012, or around 0.3% of Ireland's GDP. Here narrow refers

to the direct, indirect and induced effects of the music sector from its constituent parts, the businesses that supply the industry and the consumers who spend wages earned from the industry.

All this activity drives jobs and employment. The Irish music industry is responsible for 9,030 direct jobs in the core industry, as well as a further 2,480 jobs in the wider economy, giving a total of 11,510 (full-time equivalent) jobs supported.

Given that many performers work part-time and have other sources of income, the number of people making at least part of their living from music is considerably higher. These jobs include salaried employees and self-employed individuals involved on both a full-time and part-time basis right across the country in SMEs and larger enterprises. 69% of individuals giving their primary occupation as 'musician' in the Irish census are self-employed, which is well in excess of the national average across all sectors (c. 16%).



5: <http://www.cso.ie/en/census/index.html>

...AND IT PROMOTES IRELAND ON A GLOBAL STAGE



The Riptide Movement

Irish artists such as U2, The Chieftains, Sinéad O'Connor, Imelda May, Glen Hansard and The Script, among many more, are major stars in various territories around the world. As a result of their achievements, and those of breaking artists like Hozier and Kodaline, sales of works by Irish musicians⁶ across diverse genres, and foreign tours by Irish artists, bring in significant export revenues for Ireland.

They also have a secondary (and arguably just as important) impact in that they enhance Ireland's international standing and reputation. Both popular music and more traditional music showcase Ireland abroad and reinforce Ireland's reputation as a hub of creative talent. This reputation for creativity is vital in a modern economy where innovation is fundamental to success, and is used as a key selling point in promoting Ireland as a destination for investment.

Music also plays a key role in the success of the Irish tourist industry – a multi-billion euro sector in

its own right. Music does this by providing a medium for tourists to immerse themselves in Irish culture, thereby bringing the tourist experience to life. Whether it is U2, Brendan Graham, Riverdance, Celtic Woman or a breakthrough artist like Hozier, Irish songwriters, bands and musicians act as global ambassadors for Ireland – promoting it both directly and indirectly as a place to visit.



Mick Flannery

6: The term musician, as used in this report, refers to all those who write, play or perform music. It therefore encompasses songwriters, authors, lyricists, composers, singers, performers and recording artists.

THE MUSIC INDUSTRY IS ADAPTING TO THE NEW REALITY CAUSED BY CHANGES TO THE WAY MUSIC IS CONSUMED, COMMERCIALISED, INVESTED IN AND PROTECTED

The Irish music industry is successful and has a significant impact worldwide despite the relatively small size of the Irish population and domestic market. Nonetheless, it has had to adapt rapidly, similar to the industry in other markets, as the advent of new technology has opened up new channels for the distribution and consumption of music, changing long-standing revenue models.



Dolores O'Riordan

TECHNOLOGY IS CHANGING THE ECONOMICS OF THE MUSIC INDUSTRY

The global music industry has been in a state of flux for over a decade; the way people consume music has changed markedly as consumers move away from physical product to digital versions. Industry stakeholders recognise that the industry has changed, and that the commercial viability of music has changed with it, resulting in severely altered revenue models and structures.

The internet, encompassing digital downloads, and now streaming, has resulted in an ever increasing audience for music. Paradoxically, it has also led to lower revenues, arising from reductions in both average unit value and significantly lower volumes of physical sales.

The value of music has also been affected by technology-enabled piracy, with a generation growing up with the expectation that music is free. Growth in legitimate streaming services is believed by many stakeholders to be making headway into displacing pirate demand, though the IFPI estimates that 27% of

internet users in Europe still access at least one unlicensed site monthly.

The financial impact of technological change has been transformational. The value of physical recorded music sales in Ireland has fallen by c. 25% per annum for the last 5 years – from €72m to €33m. Digital sales and streaming, while rising strongly, have not yet filled this gap. Digital sales growth in Ireland has been c. 14% per annum over the same period – growing from €8m to €13m. This highlights the scale of the challenge that the industry is facing to ensure a viable future. Despite this paradox, the industry recognises that there is a strong and symbiotic relationship between the music and technology industries. The music industry provides technology companies with creative works, which are a key element of the offerings of companies such as Apple, Microsoft and Google. The technology companies can, in turn, increase access to music and allow it to be consumed in ways which were not possible 10 years ago.

RECOMMENDATIONS OF THE REPORT

In order to maximise the value of that demand, the music industry needs (a) to continue to support the growth of legitimate digital music services; and (b) in parallel, to continue to clamp down on piracy. This must be supported by a strong copyright legislation and enforcement regime which supports both industries.



CHANGING INDUSTRY DYNAMICS INHIBIT THE ABILITY OF IRISH CREATORS TO SUCCEED

Despite the fact that the consumption of music remains strong, it is much harder to survive on music sales today than it was 5 or 10 years ago.

Most musicians starting out have little appreciation of how to exploit the business of music. In many cases, making money is secondary to the enjoyment of performing. But to break through – and certainly into international markets – and ensure a career with longevity, a degree of professional help from publishers, labels, agents and financiers goes a long way.

However, falling music sales have made the process of developing new talent more difficult. Traditional models where a first album helped provide the finance for a tour, leading to further cycles of recording, touring and promotion, are now more difficult to sustain. Unsurprisingly this has had an impact on the industry in Ireland, with data and anecdotal evidence pointing towards a “hollowing-out” in the professional aspects of the industry – where a number of core functions have shrunk quickly. This includes specialist management and promotion skills among others.

The largely professional aspects of

the industry and also music retail, now account for around 10% of total activity.

Moreover, the Irish financial community is not consistently geared up to provide finance to musicians. They do not always understand how to evaluate IP-based businesses with variable cash-flow, and the cash intensive nature of recording and touring can therefore raise challenges for individuals and enterprises looking to expand both domestically and internationally.

RECOMMENDATION OF THE REPORT

We need world class business expertise available to the Irish music industry, based in Ireland.

THE INCENTIVES TO CREATE AND PERFORM ARE WEAKER THAN THEY WERE

Taking these factors together it is unsurprising that for creators, artists and others in the industry the risk/return

trade-off may increasingly be too high to warrant the investment of time and money in music.

In addition, income streams related to musical works tend to be highly variable from year to year at all levels of the industry. This can put significant pressure on artists and composers, particularly those earning lower levels of income.

RECOMMENDATION OF THE REPORT

If we are to retain a depth of talent, we need to ensure that it is as economically attractive as possible to create, commercialise and export music from Ireland.

BUT, PARTICIPATION CAN BE ENCOURAGED – AND THE GREATER THE PORTFOLIO OF PROSPECTIVE CREATORS IN IRELAND, THE GREATER THE CHANCES OF BUILDING FUTURE SUCCESS ...

Given all of the above, whether creators, artists, performers or managers, an Irish music industry realising its potential requires more people to consider a career in music, which requires more encouragement and support.

Whilst music reaches out to everyone across the length and breadth of Ireland, participation (rather than passive engagement) could be higher, and consultations⁷ undertaken as part of the research suggest that at grassroots level music needs more support in order to reach its full potential. This is not just about more music in schools and improving music tuition access outside school hours – although that would certainly help. It is also about promoting music as a career and, subsequently, a viable business investment.

RECOMMENDATION OF THE REPORT

The industry deserves a comprehensive and coordinated music education policy, encouraging and supporting grassroots participation.



Markéta Irglová

... AND EXPORTS ARE A WIN-WIN FOR IRISH MUSIC

Exports contribute significantly to economic growth. However, there is a tendency to think of exports in a narrow sense – as manufactured goods rather than services or cultural exports.

An additional 100,000 albums sold overseas, a major tour by an Irish artist in the USA, or 10,000 overseas visitors coming to Ireland for a music festival all count as exports in Ireland's balance of payments, contributing to GDP and supporting jobs.

The major changes in market dynamics outlined previously, coupled with the fact that the Irish domestic market is ultimately constrained in size by a relatively small population, reinforces the importance of Irish creators and artists gaining recognition and success on the international stage.

Building a global fan-base increases potential sales volumes many fold. The five biggest Irish acts of the last 50 years have sold in excess of 340 million albums⁸ – many multiples over and above what might have been generated at home.

⁷ To provide further insight to the data and analysis undertaken as part of this study, Deloitte consulted with 30 individuals and organisations from across the Irish music industry and music-related sectors. An online survey of all IMRO members was also carried out to ensure that the views of the wider IMRO membership were reflected in the report.

⁸ Valley, Paul (13 May 2006), Bono: *The Missionary*, www.independent.co.uk; "FAQ", www.enya.sk; "The Cranberries' Dolores O'Riordan on surviving success and finding new happiness - 3am & Mirror Online", Mirror.co.uk, 7 August 2009; "Westlife Where We Are Tour Advert".

MOREOVER :

- International fans drive touring opportunities, and whilst these are not always as lucrative as the headlines suggest, touring revenues can make a material contribution to musicians' incomes aside from sales of CDs, downloads and streams; and
- International music fans generate significant income for Ireland when they visit as a direct result of performances in Ireland or Ireland's music heritage.

Other countries (notably the UK, New Zealand, Sweden and Canada) have recognised the importance of exports for the music sector and invested in resources and support for the music sector to promote itself on a global stage. The music industry in the UK, for example, has a number of tailored sources of funding available including a £3m export growth fund⁹. The New Zealand Music Commission has an 'Outward Sound' program that provides funding of between NZ\$ 50,000 – 100,000 per project to fund international

market development initiatives including touring, showcasing, marketing, promotion, etc.

RECOMMENDATION OF THE REPORT

The Irish music industry should have a central office for exports and a coordinated approach to overseas promotion.



Damú

⁹: The UK Music Export Growth Scheme (MEGS), provides grants ranging from £5,000 to £50,000 to independent music companies to help them market British music overseas. The funding is aimed at artists who have already had some success in the UK, but have not yet broken through internationally. Chosen artists from the tranche of funding allocated in November 2013 include Drengé, Catfish and the Bottlemen, and Filthy Boy. Applications are open for the next round of funding as at 8 May 2014.



Christy Moore

RECOMMENDATION OF THE REPORT

This report calls for the music industry and government to work together across a number of policy initiatives to grasp opportunities, maximise the industry's contribution, and secure Ireland's musical heritage for future generations. Culture 2025, the forthcoming National Cultural Policy for Ireland, can be used as a conduit for these interventions.

These initiatives are justified on the grounds of market failure: the solutions to which can generate economic benefit for Ireland driven by a greater music industry contribution in excess of the costs of implementation.

The music industry in Ireland has been successful on many fronts; however the full potential of the industry remains unexplored and it is this potential that this report seeks to identify and examine.

Music and other cultural and creative industries have specific characteristics that require bespoke policy support. Typically the majority of enterprises are sole-traders and micro-SMEs, employing a handful of people. A far higher proportion of those in the industry tend to be self-employed than across the general

economy. The large enterprises that do exist, in contrast, tend to account for a large share of activity by revenue.

A typical challenge to the majority of enterprises is the difficulty in growing from small initiatives into medium-sized operations. They tend to require dynamic entrepreneurial skills and flexibility to succeed in growing. Furthermore, the traditional value chain of creation and consumption is being reshaped by technological developments and it is SMEs in the music and other creative industries that are often at the forefront of these changes.

This structure leads to challenges in ensuring sustainability and growth which necessitates particular policy support to maximise their economic and social contribution. The EU Commission recognised this in a recently commissioned report (2010) entitled 'The Entrepreneurial Dimension of the Cultural and Creative Industries'¹⁰.

That report outlines the unique characteristics of creative industries such as the music industry and sets out a framework for how best to support and grow these industries. The framework was developed to elicit pointers for blending new models of collaboration and competitive advantage for cultural and creative industries (CCIs) in order to best support them and embed CCI support within innovation, SME, entrepreneurship and cultural policies. The analysis highlights the following areas as the key areas of focus:

THEME

DETAILS

ACCESS TO FINANCE

Perhaps the greatest obstacle faced by entrepreneurs in the CCIs is access to finance. It is exacerbated by the fact that the assets of many cultural entrepreneurs are intangible, leading to financial institutions failing to recognise their full economic value.

MARKET ACCESS

Refers to the development of market opportunities at home and abroad. A lack of knowledge of, and access to, market opportunities is often a major impediment to the growth of CCIs.

INTELLECTUAL PROPERTY RIGHTS ISSUES

Protection of IP and awareness of the potential options for managing and exploiting IP are essential to the development of a successful music industry.

EDUCATION & TRAINING

In a fast-moving industry that never stands still, ongoing education, training and skills development are vital for the healthy cultivation of all elements of a successful industry.

ACCESS TO INNOVATION

Open innovation methods that include collaboration between different sectors can be enablers of innovation in these industries.

CLUSTERS & COLLABORATION

Fostering networking and collaboration are key enablers of these industries.

¹⁰: HKU, 2010, *The entrepreneurial dimension of the cultural and creative industries*, Hogeschool voor de Kunsten Utrecht, Utrecht

In this report we have outlined a range of policy recommendations against these thematic areas. Taken together, they provide a coherent basis on which to further develop the music industry in Ireland.

Success in leveraging these opportunities, however, will be dependent on a number of critical factors. These include:

- Recognition at government level of the growth potential and value of the music industry to the Irish economy;
- Promotion of the viability of the music industry as a career path;
- Proactive targeted development by the development agencies and government in conjunction with the industry itself;
- Continued support for a strong, viable music and creative industry base in Ireland, working hand-in-hand with the tech sector.

It is recognised that efforts have been made previously to address some of the issues set out in this report and were met with limited success.

RECOMMENDATIONS OF THE REPORT

IMRO believes that strong leadership combined with commitment from leading figures in the industry will address many of the pitfalls experienced previously.

Therefore,

IMRO proposes the set-up of a Music Industry Taskforce comprising of relevant government and industry bodies in conjunction with industry representatives to guide and coordinate the development of a sectoral strategy and the implementation of this report's recommendations.

The existence of such a group would be highly beneficial and, in fact, essential to delivering on the potential set out in this report.

Specific recommendations to address the issues identified are now outlined below and explored further in the main body of the report.

1. ACCESS TO FINANCE

Access to finance and funding is perhaps the single greatest obstacle faced by entrepreneurs in the cultural and creative industries. It is exacerbated by the fact that the assets of many cultural entrepreneurs are intangible (creativity, copyright etc.) and difficult to assess. Banks do not always therefore recognise their full economic value.

Furthermore, in Ireland, State funding is dispersed across a number of bodies and tends to focus more on cultural activities rather than commercial entities, raising challenges for those seeking to develop and build viable businesses within the industry.

1. RECOMMENDATIONS

- *Amendment to the Artists' taxation exemption relief to allow optimum utilisation of the relief across a number of years assisting individuals to manage the cyclical nature of the industry.*
- *Request for retention of the Employment and Investment Incentive Funding taxation relief and the promotion of this funding mechanism within the music industry.*

2. MARKET ACCESS

Knowledge of and access to both business support and market opportunities is often a major difficulty for those starting in the industry and also those looking to increase the scale of their operations both domestically and overseas. This is a critical area for support to bring a step change in the development and growth of the industry.



Lynched

2. RECOMMENDATIONS

- **Establishment of a Music Office (referred to in the report as 'Music Ireland') to act as a point of contact for the music industry, bringing together a range of enterprise, training & education and music related information and supports.**
- **In a role similar to that of the Irish Film Board, the Music Office would encourage creativity and a culture of excellence at all levels, bringing together a range of enterprise, marketing, training and education, and music-related information and supports in order to maximise the commercial performance of Ireland's music output.**
- **A core function of Music Ireland will be to provide support and assistance to individuals and groups looking to enter new overseas markets. It will develop trade links and provide export grants to artists and SMEs in the industry seeking to access overseas markets.**



Bill Whelan

Music Ireland could work with existing industry and government organisations (such as IMRO, First Music Contact and Enterprise Ireland) to ensure that efforts are not duplicated and a coherent and comprehensive system of supports is delivered to the Irish music industry.

Music Ireland could also examine the question of how Irish music is promoted within Ireland, including the issue of the level of Irish music played on Irish radio.

3. INTELLECTUAL PROPERTY RIGHTS ISSUES

The free rider problem in music (piracy and copyright infringements) is leading to loss of income to those operating in the industry and an erosion of the 'value' of music. Protection of IP and awareness of the potential options for managing IP are key concerns – success in managing these will ensure a viable creative industry and assist those industries (frequently in the technology sectors) which are dependent on creative works for their services.

3. RECOMMENDATION

Lobby for the establishment of IP 'Tsar' who will consider the impact of IP and copyright legislation and enforcement on both the creative and technology industries. This will enhance the structures currently in place. A core element of this role will be influencing and informing policy at a European level.

4. EDUCATION & TRAINING

Continuous education and skills development are vital for a healthy industry. While there are a number of high quality music education providers in Ireland (such as BIMM, Ballyfermot College of Further Education and the Sound Training Centre among others, in Dublin; Coláiste Stiofán Naofa and Cork School of Music in Cork; and the Irish World Academy of Music and Dance in University College Limerick and Limerick Institute of Technology in Limerick among others), skills and training gaps were identified in (i) provision of professional business / finance training to individuals operating in the industry and (ii) provision of advanced training and education, e.g. masterclasses, to experienced professionals in the industry. A limited but coordinated focus on music in schools nationwide was also identified.

4. RECOMMENDATIONS

- *Development / support for advanced training courses for music professionals and 'business of music' education and qualifications (project management, finance, international sales & marketing) to address two key gaps in current provisions.*
- *Introduce bursaries for top students (creative and commercial) to study in leading music institutions.*
- *Contribute to initiatives to encourage creativity through the teaching of music in schools (primary and post primary level).*



5. CLUSTERS AND COLLABORATION

Open innovation methods that include collaboration between different sectors can be enablers of innovation and growth in the creative industries. The cottage industry nature of the majority of the industry has limited the development of collaborative ventures. There is also a coordination failure between the music industry and other creative and technical industries.



Cormac DeBarra

5. RECOMMENDATIONS

- *Closer co-operation with tourism bodies such as Fáilte Ireland and Tourism Ireland.*
- *Closer collaboration with the technology and games sectors.*
- *Improved procedures for licensing of live events and interacting with local authorities.*
- *Amendment to Film Tax Relief Guidelines to encourage the engagement of Irish/EU based music components within the scheme.*
- *Request for amendment to the "SARP" taxation relief to encourage immigration of skilled talent capable of performing key functions within the industry (in such areas as sound recording and fostering/promoting Irish talent).*
- *Consideration of the music industry (and broader creatives) and the way it is not adequately considered at present in the NACE industrial classification system. Better data means evidence-based policy.*

(Right) Conor O'Brien/Villagers



POLICY INITIATIVES

Policy initiatives designed to solve perceived market failures, could greatly assist the music industry in achieving its potential and result in significant economic growth in both the short-term and the long-term.

The Irish music industry's GDP contribution has contracted by around 50% in real terms since 2001, the last time a similar study was conducted. The industry has changed markedly over this period, though the potential for a flourishing Irish music industry remains.

This potential can be realised with the help of the small number of focused policy interventions outlined above, and a commitment from those in the industry to provide complementary support to maximise the impacts of these interventions. The interventions can ensure that Irish music will continue to be at the heart of national culture, local communities and the economy, and in doing so act as a driver of economic growth.

EXPECTED BENEFITS

Music is a uniquely difficult industry within which to make annual forecasts, with year on year changes influenced by one-off events such as major album releases or tours. Even so, we estimate that the selection of measures set out above could:

- Increase the GVA contribution of the sector by between €14m and €25m per annum above a given baseline¹¹.
- Increase employment generation in the sector by between 500 and 800 jobs in total in Ireland (6 to 9% of the current total).

Whilst the quantification of tax induced benefits, and longer-term benefits from training and skills are not included in these calculations, rough order of magnitude (RoM) cost benefit analysis indicates that for each €1 invested in the industry across the four interventions, between €4.10 and €7.40 might be generated by the music industry.

Considering these outcomes on a cost per job basis, the interventions compare favourably to metrics from other public sector interventions in Ireland and are at the lower end of the cost per job range

(from c. €4,000 per job).

Furthermore, many of the additional jobs created within the music industry are likely to be long term in nature and relatively dispersed throughout the country. The positive spillover effects of additional industry activity on Ireland's reputation for culture and creativity also cannot be forgotten, not to mention the benefits to local communities of greater participation in music-related activities.

The policy interventions set out above thus have the potential to increase the industry's GVA contribution over time, and ensure that Ireland remains a firm fixture on the global music stage.

The music industry is fully committed to taking the lead on these initiatives, but Government support will make a material difference to the speed with which progress can be made in achieving the full range of benefits across the economy.

11. Given the creative cycle and the fact that the value of the industry fluctuates in any given year as a result of the creative output generated and level of touring, it is difficult to forecast future growth with any certainty. As such the report considers increment above baseline rather than projecting how much the industry may grow in a given year.

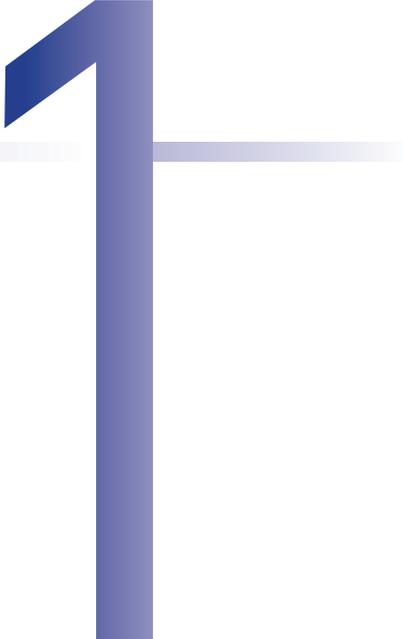


SOAK performing at Eurosonic 2015

MUSIC IS AT OUR CORE



MUSIC BEATS IN THE HEART OF IRELAND



Ireland has always seen itself as a musical nation. We have a rich heritage of traditional music and latterly have developed an enviable repertoire across a number of genres including rock and pop. More than many nations, Ireland has defined itself by its music and its cultural pursuits.

MUSIC CONSUMPTION

In 2012 we purchased 3 million music CDs, 7.3 million single downloads, 1.1 million album downloads as well as collectively listening to over 3 billion hours of radio¹². At home on the sofa, on the go through our smart phones, or on the radio in our cars, Irish citizens love music.

In the 12-month period from April 2013 to March 2014, almost 3 million adults - 83%

of the Irish adult population - listened to the radio every week day¹³. There were 2.7m airplays reported by Irish radio stations in 2013, with two prominent Irish acts – Kodaline and The Script - notching up 7 of the top 50 played tracks between them¹⁴.

Compared with most other countries, our consumption per capita is high and the breadth and diversity of music consumed is wide¹⁵. Moreover, it's not just pre-recorded music. The live music scene has been growing significantly in recent years, with the number of summer festivals in particular seeing strong growth. These festivals support communities throughout the country, as the box here illustrates.

12: Source: Sales data from Recording Industry in Numbers, 2013 and listening data from Joint National Listenership Research: 4 hours daily per adult coupled with 83% listenership from http://www.bai.ie/?page_id=142

13: Ibid

14: PPI - 2013 Most Played, www.ppimusic.ie

15: See for instance, Holger Schramm, 2008, Exposure to Radio, The International Encyclopaedia of Communication. This shows radio penetration is typically 80% across developed nations, below the 83% seen in Ireland.

FOCUS

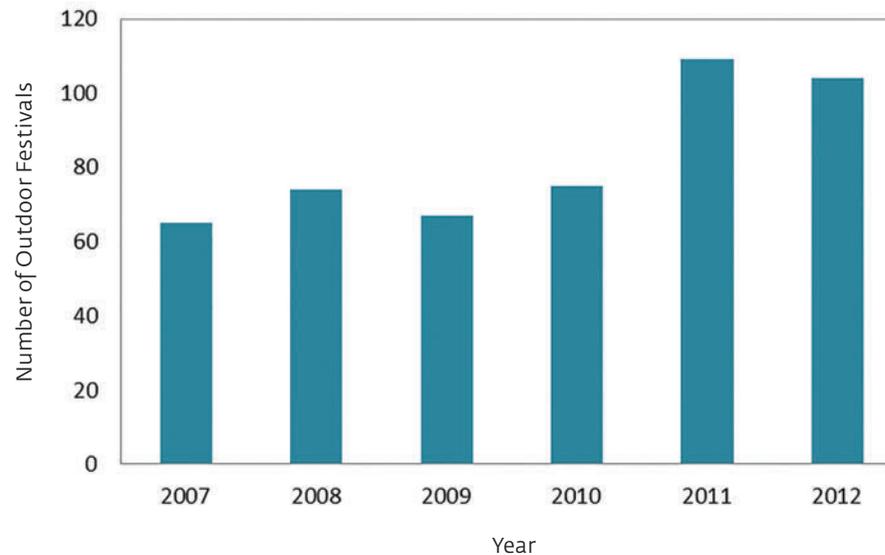
GROWTH IN MUSIC FESTIVALS: SUCCESS FOR MUSIC AND TOURISM

In 2007, Jim Carroll, Irish Times journalist and author of the 'On the Record' blog, began taking an annual census of the number of summer music festivals and major outdoor events in Ireland. These events ranged from large one-off shows in venues such as Croke Park, to smaller boutique festivals dotted around the country. This census continued for 6 years, and showed a large increase in the number of events from 65 in 2007 to 109 in 2011 and 104 in 2012.

Interestingly, the growth in these events has been mainly in the smaller boutique festivals rather than larger one-off events. These festivals are often key events for local towns and contribute significantly to the local economy. Furthermore, they are spread right around the country, from Sea Sessions in Bundoran, to Body & Soul in Co. Westmeath and Indiependence in Mitchelstown. They also tend to have a relatively high proportion of Irish acts, further increasing their net economic benefit.

One key driver of the growth in festivals has been a reduction in ticket prices. Industry feedback suggests that this has been greatly helped by the reduction in the VAT rate to 9% on a range of tourism-related activities.

Music festivals also tend to attract a large number of foreign visitors. Data from Fáilte Ireland shows that almost 1 million foreign tourists attended contemporary or traditional music festivals between 2009 and 2012. Music festivals accounted for roughly 50% of total foreign attendance at festivals and events during this time, highlighting their importance to Irish tourism.



IMPACT ON IRISH CULTURE AND IDENTITY

Music is a fundamental form of expression and communication, and as such, plays a key role in cultural life. It is a universal aspect of human behaviour and is present in every society¹⁶.

The prominent role that music plays in key State occasions demonstrates the importance that the Irish people attach to music and its role in expressing who we are as a people. In 2014, the state visit by President Higgins to the UK included a concert in Royal Albert Hall (Ceiliúradh) while the preceding visit of Queen Elizabeth II was also marked with musical performances.

Music not only represents a significant aspect of how we see ourselves, but it

also represents a key element of what other nations associate with Ireland. The recording and touring activities of Irish musicians across a range of genres has ensured that many cultures have been enriched by music from Ireland. President Obama made reference to this during his visit in 2011, when he stated that the American spirit "is eternally refreshed by Irish story and Irish song"¹⁷.

Traditional music is a key element of this cultural expression and identity. It is a key aspect of Irish heritage, particularly in a world where the Irish language is no longer the main language spoken in the State.

However, Irish musical culture finds expression across a range of genres, and is not simply restricted to traditional music. What they may have in common is a shared approach to music. Toner Quinn,

16: "Human Universals", Donald Brown (1991)

17: <http://www.whitehouse.gov/the-press-office/2011/05/23/remarks-president-irish-celebration-dublin-ireland>



Leslie Dowdall of In Tua Nua

a lecturer in music at NUI Galway, outlines three aspects of Irish music culture which he feels helps to generate Ireland's musical strength. These centre around:

- open and spontaneous performance that strengthen knowledge-sharing;
- an emphasis on passing on knowledge outside of formal teacher student relationships; and
- an openness to collaboration even where there may be gaps in ability.

He states that "these aspects of Irish musical culture are most obvious in Irish traditional music, but they spill out across all genres¹⁸."

Whatever the basis for it, Ireland's musical heritage is a source of great pride to the Irish people. The success of Irish music and other forms of creative expression such as art and literature reinforce each other, and enhance Ireland's reputation as a place of immense creativity. This reputation brings both cultural and economic benefits to Ireland and its importance will only increase in an economy where success is determined by ideas and innovation.

PARTICIPATION AND COMMUNITY INVOLVEMENT

Music can be a highly social activity. Participating in local community choirs and bands can significantly enrich and strengthen the social fabric of a community and provide important outlets for local people to express themselves.

One only has to consider organisations such as Comhaltas Ceoltóirí Éireann to see its impact. In 2013, the Fleadh Cheoil attracted over 10,000 musicians and about 430,000 people in total to Derry. These numbers make the Fleadh one of the largest cultural festivals in the world.



Marc O'Reilly

18: <http://journalofmusic.com/focus/what-ireland-can-teach-world-about-music>

FOCUS

COMHALTAS CEOLTÓIRÍ ÉIREANN: A VIBRANT FORCE IN IRISH SOCIETY

Comhaltas Ceoltóirí Éireann (CCÉ) is one of the most successful cultural organisations in Ireland today. It has 32 County Boards in Ireland and a well-established network of branches which are heavily involved in their local communities, providing a “nursery” setting where young people can develop musicianship and gain an appreciation of their cultural heritage.

MUSIC EDUCATION

CCÉ provides a range of services to students which begin with simply learning the music, before bringing more advanced students through intensive learning schools and a technical grading system. It also provides students with the chance to earn a performance accreditation or a teaching diploma.

INTERNATIONAL REACH

Internationally, CCÉ has gone from strength to strength and now has branches in 15 countries and on 4 continents. CCÉ estimates that it serves 3 million people from its 420 branches in Ireland and around the globe, making it a powerful force in spreading Irish music and culture around the world.

The scale and reach of CCÉ is perhaps best encapsulated in the success of the Fleadhanna Cheoil. 45 individual Fleadhanna Cheoil are organised annually in Ireland, the UK and the US. These competitions culminate in Fleadh Cheoil na hÉireann, which has grown enormously in recent years. The 2013 Fleadh attracted some 10,000 competitors and brought a total of 430,000 visitors to Derry over the course of one week. Its scale is such that it was worth an estimated €40 million to the local economy.

MAKING A POSITIVE CONTRIBUTION TO THE COMMUNITY

But the Fleadhanna Cheoil represent just one aspect of the multitude of services CCÉ provides. It provides students with the opportunity to perform nationally and internationally in events such as Seisiún, local sessions, and Fleadhanna Cheoil. It also gives publishing support to aspiring musicians, provides an online archive of original material and runs a series of language programmes. It does all this with the spirit of volunteerism which is so vital to local communities, thereby ensuring that Irish traditional musicians can get their voices heard.

PERSONAL AND SOCIAL BENEFITS

A report for the EU Commission also noted that cultural activities in general can be a powerful force for social cohesion, stating that these activities “can help express specific cultures, while also developing strong and positive relationships between people from different backgrounds in the workplace, in schools, and within neighbourhoods¹⁹”.

The development of ‘community music’ projects across Ireland in recent years shows the benefits that these activities can provide, particularly for people who may be disadvantaged or disenfranchised in some way. Professor George McKay of the University of Salford notes that “the development of community music activity as identity, catharsis and celebration has been significant²⁰”.

Various studies have found music education to be of benefit across a wide range of aspects of children’s personal and social development.

Positive relationships have been found between the study of music and the development of fine motor skills and vocabulary²¹, memory²², attentiveness²³

and mathematical skills²⁴.

The Irish National Teachers’ Organisation has stated that “the scientific evidence is abundant, obvious, and compelling; there are strong connections between music instruction and greater student achievement²⁵”.

A musical education can also foster creativity which is vital to a modern economy. This link between music, creativity and enterprise was also made by former Minister Ruairi Quinn when he stated that:

“Children and young people’s creativity can be unlocked by music. It is a core element of education, but music also offers much more. The development of musical skills can help young people to achieve their potential in the area of ICT and computer programming²⁶”.

Finally, an often overlooked aspect of the music industry is the regional and local benefit to communities all over Ireland. While other industries may be concentrated in particular regions or be primarily based in urban areas, the music industry touches even the smallest communities, so that towns and villages throughout Ireland benefit economically and socially.

19: *Impact of culture on creativity, a report for the EU Commission (2009)*

20: *“Community Music: History and Current Practice, its Constructions of ‘Community’, Digital Turns and Future Soundings”, George McKay and Ben Higham (2011)*

21: *“Practicing a Music Instrument in Childhood is Associated with Enhanced Verbal Ability and Nonverbal Reasoning”, Marie Forgeard et al (2008)*

22: *“Control in Auditory Working Memory is Enhanced in Musicians”, Karen Pallesen et al. (2010)*

23: *“Effects of Music Training on Brain and Cognitive Development in Under-Privileged 3- to 5-Year-Old Children: Preliminary Results”, Helen Neville et al. (2008)*

24: *References to a number of studies are given a 2009 INTO discussion document – ‘Creativity and the Arts in the Primary School’.*

25: *Ibid*

26: <http://www.musicgeneration.ie/news/article/music-generation-announces-final-funding-recipients-south-dublin-and-clare/>



Gavin James

FOCUS

MUSIC GENERATION: AN INNOVATIVE APPROACH TO MUSIC EDUCATION

Recognising a gap in music education in Ireland, particularly in performance education, Music Generation was established with the aim of helping children and young people access music education in their own locality.

Music Generation provides funding and support to Local Music Education Partnerships throughout Ireland to develop music education services from pre-school through primary and secondary level. The focus is largely on programmes outside of formal school teaching and aims to increase participation rates in music education. The interest has been significant and currently over 15,000 children annually avail of the programmes. As the programme expands over the next 3 years, a further 5,000 children are expected to participate across 12 areas of the country. A wide variety of initiatives are funded under the programme such as band camps, community choirs, music workshops, traditional music sessions, brass bands and guitar ensembles to name but a few.

The programme was funded in 2009 by a donation from U2 and The Ireland Funds together with Local Music Education Partnerships. The Department of Education and Skills commenced co-funding in July 2014.

"Music education plays an important role in promoting creativity and self-expression, and in developing children's cognitive and affective skills. This initiative will enrich the lives of children and their communities in the areas selected for funding."

Ruairi Quinn T.D., former Minister for Education and Skills

Given the importance of music education in personal development, it is vital that resources are not cut further, and adequate budgetary provision is made for music education.

MUSIC DRIVES GDP AND JOBS

MUSIC MAKES A SIGNIFICANT DIRECT CONTRIBUTION TO IRELAND'S ECONOMY

Our analysis indicates that the music industry contributes significantly to the Irish economy, with music directly generating €291 million towards Irish GDP in 2012.²⁷



The Saw Doctors

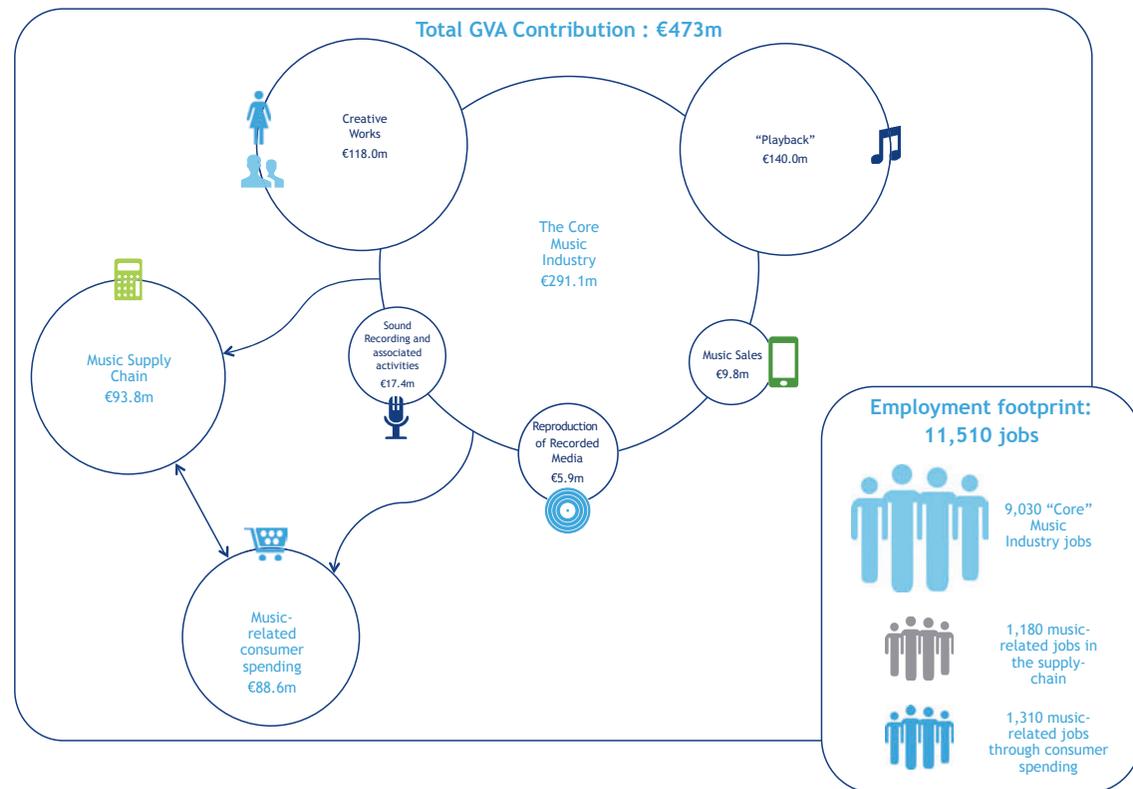


Figure 2.a: GVA contribution of the core Irish music industry, 2012, Source: Deloitte Analysis

27: The calculations in this section are based on an economic modelling exercise carried out by Deloitte, full details of which are provided in Annex 2 and Annex 3. It is based on publically available information and data from industry bodies.

The bulk of the impact of the music industry in Ireland comes through the musical works created by Irish writers, composers and artists (referred to as 'Creative Works') as well as music activity defined as 'Playback', which encompasses live performances and radio broadcasting. Together, these two sub-sectors account for 89% of total sector Gross Value Added (value added is essentially a sectoral measure of GDP contribution).

These sub-sectors are at either end of the creative cycle. However, the other elements of the industry – recording, reproduction of media and record sales in particular – had suffered at the hands of market dynamics in recent years.

		 Jobs	 Turnover (€m)	 GVA (€m)	 PpW (€,000)
Creative Works		3,950	131.1	118.0	29.9
Sound recording & associated activities		470	72.4	17.4	37.4
Reproduction of recorded media		60	28.7	5.9	102.3
Music Sales		220	83.7	9.8	44.3
"Playback"		4,340	250.4	140.0	32.2
Irish Music Industry		9,030	566.3	291.1	32.2

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Figure 2.b: The direct economic contribution of music in Ireland, 2012, Source: Deloitte Analysis



We define the “Creation” element of the industry as where musical works and recordings are conceived and turned into reality, plus the work of those individuals that are closely related to and support the creative process. In financial terms, this includes the income earned by creators from domestic and international sales, touring, merchandising and rights income. It typically has a high revenue/GVA conversion rate, as there are limited additional costs borne by the creators themselves.

Specifically, our definition includes:

- Artists
- Songwriters/Composers/Arrangers
- Singer/Songwriters
- Agents/Managers

and excludes:

- Performance artists not creating their own material (these are included elsewhere in the “Playback” component of the industry)

In total, the Creation element of the industry contributed €118 million in GVA terms in 2012, or 41% of the total ‘core

industry’ contribution.

We define the “Playback” element of the industry as those elements of the music sector where music is listened to en masse (rather than in private following purchase).

This includes all live music performances in Ireland, whether by domestic or foreign recording artists, as well as performers who are not recording artists across the pub/club circuit. It also includes the activity associated with the playback of music over the radio in Ireland.

Specifically the “Playback” component includes the following elements:

- Radio Broadcasting
- Pop Music performances (including touring and festivals in Ireland)
- Wider arts performances (including the performance elements of musical genres and arts which are dependent on music, and which are not counted above as popular music and/or are beyond copyright)
- Performances in pubs/clubs & other smaller venues

Mary Black



Sinéad O'Connor

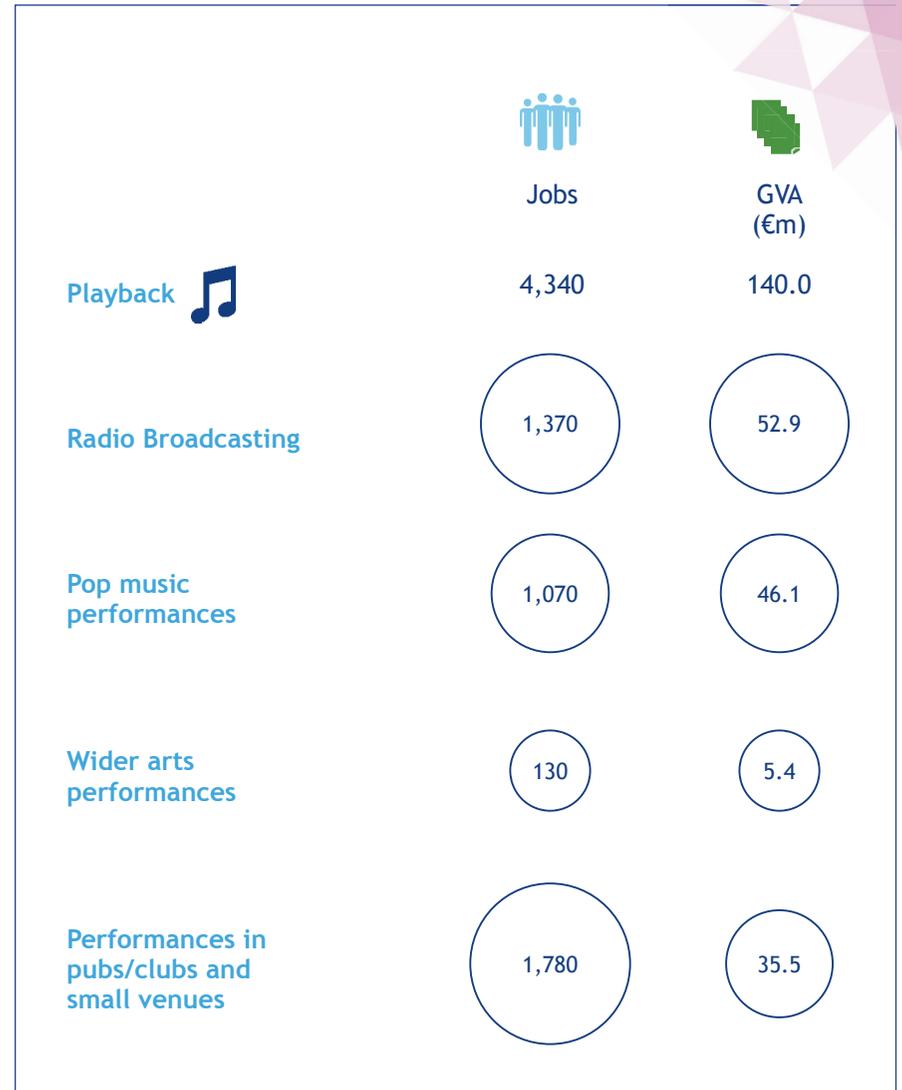


Figure 2.c: Economic contribution in the Irish "Playback" sub-sector, 2012. Source: Deloitte Analysis

The analysis indicates that playback through live performances and radio broadcasting generated c. €140 million in GVA in 2012 – 48% of the core industry and making it the highest contributor of the 5 sub-sectors used in the study.

In GVA terms, radio broadcasting is the largest contributor in the sub-sector, in part due to the advertising revenue associated with this activity – though it is noted that advertising revenues remain down on pre-recession levels.

MUSIC CREATES IMPACT THROUGH THE SUPPLY-CHAIN AND CONSUMER SPENDING

The activity generated across the wider economy by the music industry includes a further €182 million towards Irish GDP in its interactions with other businesses supplying the industry and consumers spending the income generated by working in the industry.

This includes music-specific supply-chain activity such as the sale of instruments and musical education services, as well as non-music related activity in sectors used by both businesses and consumers.

MUSIC CREATES JOBS

In 2012, the Irish music industry was responsible for 9,030 direct jobs in the core industry and approximately 11,510 in total across the broader economy.

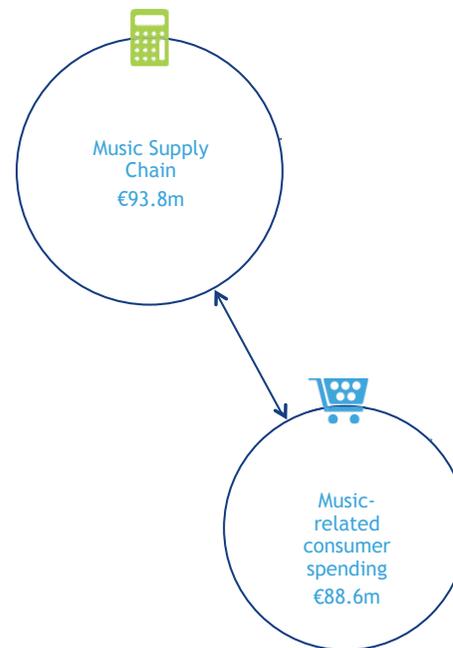


figure 2.d

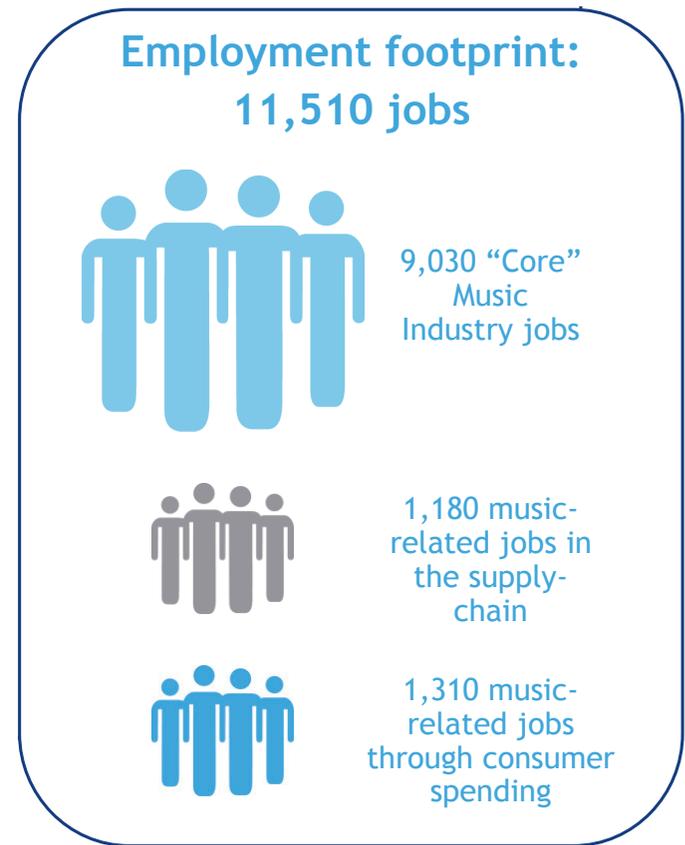


figure 2.e

Figure 2.d: Supply-chain and Consumer spending GVA contribution of the Irish music industry, 2012, Source: Deloitte Analysis
 Figure 2.e: Employment footprint of the Irish music industry, 2012, Source: Deloitte Analysis

Of these jobs, the majority can be found in the creative works and “Playback” sub-sectors – representing 92% of the direct impact of the music industry in employment terms.

In employment terms the contribution of live music and radio is comparatively higher. The 4,340 jobs supported in the Playback sub-sector accounts for over 48% of employment in the core music industry.

Within the “Playback” sub-sector the employment footprint is most significant across pubs/clubs and small venues. Our estimates, based on IMRO licensing data, indicate that c. 1,780 jobs are supported in music by activity at these venues – 41% of the Playback sub-sector total.

The music element of radio broadcasting supports 1,370 jobs in Ireland (based on CSO data), and live performances in concerts and festivals across pop and other genres, contribute c. 1,100 jobs to the Irish economy.

The activity generated across the wider economy by the music industry includes a further 2,480 jobs within businesses supplying goods and services to the core industry and through consumer spending from wages.

MUSIC SUPPORTS SMES, THE SELF-EMPLOYED AND ENABLES PART-TIME WORKING

The nature of work and of work practices in the music industry, is diverse. There is a significant number of self-employed people engaged in the sector, as well as many small and medium-sized enterprises (SMEs).

There is also a significant number of people engaged in the industry on a part-time basis, either with music as a main occupation supplemented by other work, or to augment a main job in a non-music related sector.

The 2011 Irish Census indicates that 69% of individuals giving their primary occupation as ‘musician’ are self-employed. This is well in excess of the all economy average for Ireland (c. 16%), as well as being in excess of the same proportion for the wider ‘Creative Arts and Entertainment’ industry (NACE code 9000), where 55% of those in employment are self-employed.

SMEs and start-ups, including the self-employed, are regarded as a key determinant of economic growth by policy-makers, largely due to their

“indigenous as employment-intensive” nature and contribution through “exports, domestic sales, wage bills and investment”²⁸. Whilst this endowment of SMEs and self-employed individuals ensures that the music industry is one of a number of creative sectors where new artists/writers can generate economic growth, SMEs and the self-employed are often in need of specific support to prosper. The music industry faces challenges in accessing some of the enterprise supports available to other SMEs and start-ups and this is considered later in the report.

In the IMRO member survey undertaken as part of the work, 58% of the 210 respondents stated that music was not their only source of income. This implies that some of those earning royalties from music are likely to be part-time to one extent or another. Although no such estimates are available for “Playback”, outside radio broadcasting it is very likely that the level of part-time activity is equally high. Musicians on the pub and club circuit, people staffing concerts in stadia and those working at festivals are likely to include a high number of part-time workers getting a supplementary income from elsewhere.

28: Source: *SMEs in Ireland: Stylised facts from the real economy and credit market, 2012, Lawless et al*

This implies that the total number of people at least partly dependent on the music sector for their income is substantially higher than the FTE numbers provided in this report.

MUSIC FACILITATES EMPLOYMENT THROUGHOUT THE COUNTRY

The nature of the industry means that it is not heavily location dependent. While there are clusters of activity, as to be expected, in the main cities, those employed in the music industry are dispersed throughout the country. This has significant benefits to the towns and localities where these individuals live and work.

One way of illustrating this is to look at the location of IMRO members throughout the country. The graphic to the right shows the number of IMRO members in each county in Ireland, with the number per 10,000 of population in brackets. We can see that every county in the Republic of Ireland is represented (as indeed is each county in Northern Ireland), with most counties having at least 10 members per 10,000 of population.

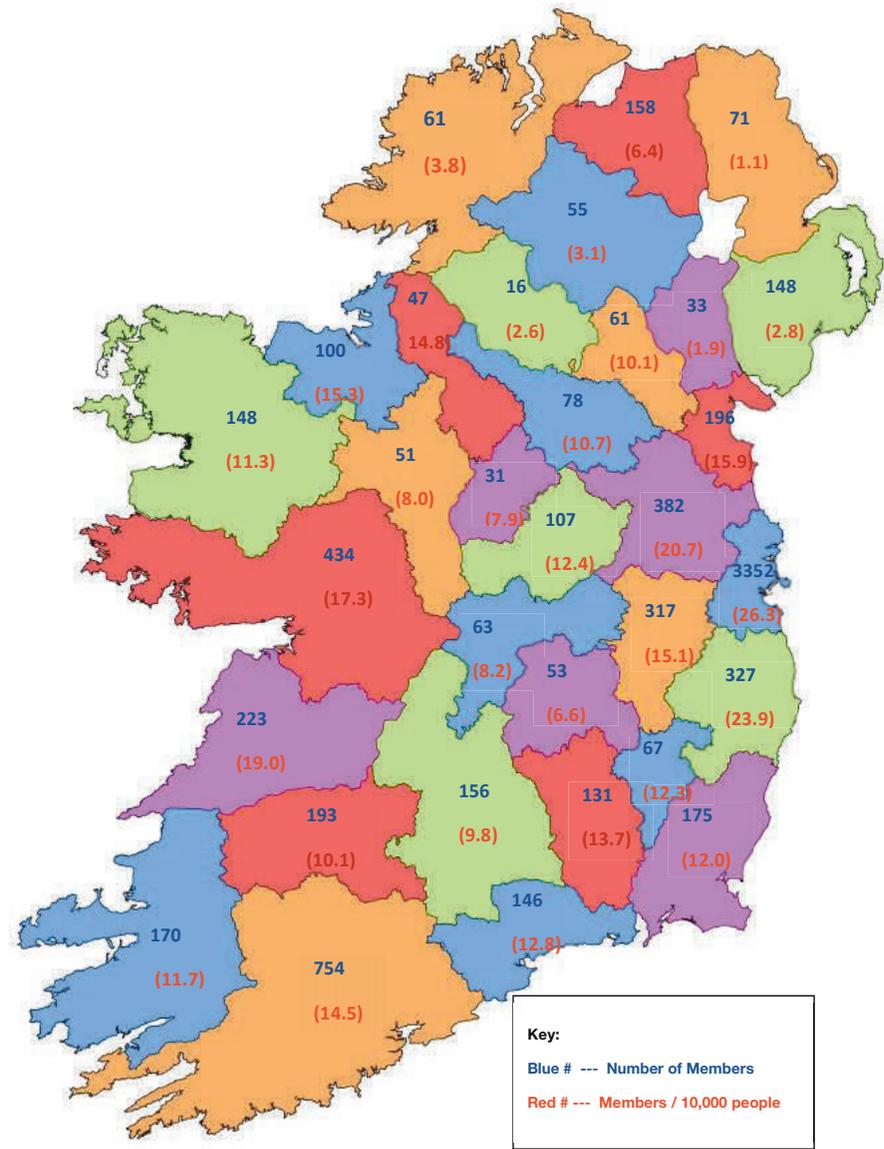


Figure 2.f: Regional participation and employment, Source: Deloitte analysis based on data from IMRO

MUSIC PROMOTES IRELAND ON A GLOBAL STAGE

While music makes a significant contribution to the Irish economy, the fact remains that the size of the domestic market is small in global terms. This means that most Irish musicians need to succeed on a global stage if they are to earn a viable income.

This results in direct export earnings for the Irish economy, as sales of Irish music overseas and touring by Irish artists bring in significant overseas income for Ireland. Whilst these are not explicitly published by Ireland's Central Statistics Office (CSO), they are embodied in the contribution presented throughout this report.

However, the need to succeed abroad also has a secondary (and arguably at least as important) benefit in that it significantly raises Ireland's profile abroad. Irish artists must prosper on the world stage if they are to forge a career in music. And so a succession of major acts has emerged from Ireland – from Van Morrison, Rory Gallagher, Thin Lizzy, The Boomtown Rats and U2 to Sinéad O'Connor, My Bloody Valentine, The Cranberries, The Corrs, The Frames, Westlife, Ronan Keating, Damien Rice, Imelda May, The Script and lately Hozier.

Both popular music and more traditional Irish music are used to showcase Ireland's offer, improve Ireland's brand, and in doing so, boost tourism and investment. Music has enabled the Irish brand to reach a wide

range of countries and audiences that it otherwise may not have. More widely, music enhances Ireland's international standing and reputation as a creative and innovative location.



Imelda May

FOCUS

50 YEARS OF SUCCESS IN IRISH MUSIC

From the Celtic tones evoked by Clannad and The Chieftains, to the modern indie folk sound of recently emerged stars like Villagers and Hozier, the past 50 years has seen a remarkable number of Irish acts enjoy success on the global stage, with knock-on economic and social benefits for Ireland. The following whistle-stop tour gives just a flavour of some of the most relevant acts, and of the value they brought to Ireland through their recordings and performances.

THE 1950 - 60S: IRISH MUSIC EMERGES ON THE GLOBAL STAGE

The 50s and 60s was the era of showbands with a number of Irish acts achieving prominence on the global stage. Bridie Gallagher rose to international fame with renditions of Irish ballads, touring throughout the US, Australia and the UK. Her success, and that of other traditional singers like Ruby Murray and Mary O'Hara, as well as showband stars like Brendan Bowyer and Joe Dolan, established Ireland as a player on the global music stage for the first time.

THE 1970S: ROCK TO THE TOP

The 1970s saw Irish acts joining the rock and roll revolution, with artists such as Van Morrison, Thin Lizzy, Rory Gallagher, Horslips, The Boomtown Rats, Stiff Little Fingers, The Undertones and Chris de Burgh selling millions of records worldwide.

THE 1980 - 90S: TRADITIONAL MUSIC TO THE FORE WHILE U2 ACHIEVE GLOBAL FAME

The Clancy Brothers, The Dubliners, Seán Ó Riada, The Chieftains and Planxty paved the way for the success of Irish folk music in

the 1970s, but it was Clannad, Paul Brady and Christy Moore in the 1980s who brought Irish music and culture, as well as the Irish language, onto the world stage, selling millions of records and popularising Ireland as a destination for music and culture. Meanwhile Ireland enjoyed unparalleled success in Eurovision (as it was then), with Shay Healy, Johnny Logan and Brendan Graham becoming synonymous with the competition.

U2, with the release of *The Unforgettable Fire* (1984), *The Joshua Tree* (1987) and *Achtung Baby* (1991), brought Irish music to the four corners of the globe, with the band in total selling over 150 million records worldwide and going on to become the most successful live act of all time. Their success was compounded by the modernising of Irish folk music, with Enya, Sinéad O'Connor and The Corrs achieving acclaim in the US, and Bill Whelan's *Riverdance* revitalising Irish dance, ultimately grossing more than €1 billion at the box office.

THE 2000S: SUCCESS ACROSS A RANGE OF GENRES

Ireland joined the rock and pop revolution with bands such as Boyzone, B^oWitched, Westlife, Ronan Keating, Ash, Snow Patrol and, latterly, The Script achieving top chart slots in the UK and US. At home, folk and traditional acts continued to flourish; David Holmes from Belfast has emerged as one of the re-eminent soundtrack artists of the modern era; while independent artists such as Glen Hansard, Damien Rice, Lisa Hannigan, Imelda May, The Coronas, Villagers, Julie Feeney and Hozier have provided a whole new wave of talent.

IMPACT ON INVESTMENT

The first Global Irish Economic Forum in 2009 highlighted the importance of culture in developing Ireland's profile abroad. One of the main themes to emerge in the forum report was:

*"Recognition of the importance of culture in promoting Ireland abroad and developing a unique brand for the country in new markets. Most participants agreed that our unique and strong cultural identity provides the Government and the private sector with a strong competitive advantage abroad."*²⁹

It is agreed then, that the music industry raises Ireland's profile internationally. But it also greatly enhances the country's reputation as a hub of creative talent. This is increasingly vital in a world where economic progress is driven by ideas and innovation. The importance of this is recognised by the IDA: it references the Irish people's "blend of the commercial and the creative"³⁰ as being a key reason to invest in Ireland.

TOURISM

The activities of Ireland's musicians in spreading Irish culture throughout

the world also have a significant bearing on the tourism industry. Tourism is one of Ireland's most important industries, with 6.3 million overseas visitors in 2012 spending an estimated €4 billion (domestic expenditure contributed a further €1.3 billion)³¹.

Ireland's culture plays a vital role in the attractiveness of Ireland as a destination for foreign visitors. Data from Fáilte Ireland shows that 91% of overseas visitors state that 'interesting history and culture' is important in a tourist destination³².

Furthermore, Ireland's 'traditional culture' (defined as traditional music, song, dance, and the Irish language) was rated as the second most important aspect of Ireland's attractions and culture in a recent tourist survey³³.

The importance of music to Ireland's tourism industry was outlined in discussions with Fáilte Ireland as part of the consultation phase of the research. Overseas tourists see traditional music as a chance to engage in a genuine cultural experience and something that is unique to Ireland. It is something that can 'animate' Ireland's culture and offers tourists a chance to interact directly with it.

29: <https://www.globalirishforum.ie/2009ForumReports.aspx>

30: <http://www.idaireland.com/news-media/publications/library-publications/ida-ireland-publications/IDA%20Ireland%20General%20Brochure.pdf>

31: Fáilte Ireland *Tourism Facts 2012*

32: Fáilte Ireland's *Port Survey of Overseas Holidaymakers (2012)*

Performances in other musical genres are also very important from a tourism perspective. Rock festivals such as Longitude and especially Electric Picnic attract visitors from outside the country. A number of Ireland's largest festivals are music based (Cork Jazz Festival, Wexford Festival Opera, West Cork Chamber Music Festival etc.). Meanwhile, music is a vital element in many more such as the Galway Arts Festival. A number of these festivals draw significant numbers of overseas tourists each year.

These festivals are perhaps even more important from the point of view of domestic tourism. They provide occasions when people can organise a short break around a particular event and are often very important to local economies. The vital role that music plays in these events is underlined by the fact that of the 29 festivals that Fáilte Ireland are providing funding to in 2014, 15 are either exclusively music based or have music as a core element of the festival³⁴.

The important role that music can continue to play in Ireland's tourism industry is outlined in the Tourism Recovery Taskforce Report entitled 'GB Path to Growth'³⁵. The report

notes that many tourists now look for 'immersive experiences' where they not only visit a place, but feel part of it. The communal and participatory nature of Irish musical performance provides a visitor with an opportunity to immerse themselves in Ireland's culture and engage with its people. Music may not be the sole reason that attracts an individual to Ireland, but it plays a key role in bringing the tourist experience to life.

33: http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/4_Visitor_Insights/Visitor-Attitudes-Survey-Exec-Summary.pdf?ext=.pdf

34: Deloitte research based on data from Fáilte Ireland

35: <http://www.tourismireland.com/Home/Latest-Presentations-and-Reports/GB-Path-to-Growth.aspx>

FOCUS

WEXFORD FESTIVAL OPERA: SUCCESS IN A NICHE MARKET

Wexford Festival Opera has grown from humble beginnings to become a highly-regarded celebration of the Arts, both nationally and internationally. The Festival prides itself on covering lesser-known and overlooked operas, while also providing a variety of 'extra-curricular' events such as the Fringe Festival, lectures, lunchtime recitals and exhibitions.

INTERNATIONAL SUCCESS

The Festival's popularity is such that it now attracts almost 13,000 people to Wexford each year, with about one third of that total coming from abroad. The international success of the Festival is particularly noteworthy, given that opera is a genre of music that many people would not immediately associate with Ireland. It provides a very striking example of what can be achieved with a combination of local initiative and public funding.

ECONOMIC BENEFITS

The net result of this public and private effort is a very sizable benefit to the local economy. A 2013 Deloitte study estimated that the Festival generates a total of €6.6 million in GDP, while helping to maintain 208 direct, indirect, and induced jobs in Ireland.

The Festival also generates a significant amount of tax revenue associated with income and expenditure taxes. In 2011, it contributed approximately €0.91 million to the public purse, with each euro of public subsidy estimated to generate an average return of €0.66 in the euro, via tax collection alone.

The Festival, therefore, delivers what is by any standards an excellent return on public investment, as well as providing an outstanding programme of events for Irish and international audiences to immerse themselves in, learn from and enjoy.

THE NEW REALITY



2

THE MUSIC INDUSTRY HAS ENDURED MAJOR CHANGE ...

The music industry is adapting to the new reality caused by changes to the way music is consumed, commercialised, invested in and protected.

This is not unique to Ireland. In 2000, having the best-selling album in the US required annual sales in excess of 7.9 million units. By 2013, that had reduced to just 1.7 million units.

The Irish music industry has been successful and has a significant impact worldwide despite the relatively small size of the Irish population and domestic market. Lately, it has had to adapt rapidly, similar to the industry in other markets, as the advent of new technology opened up new channels for the distribution and consumption of music, changing long-standing revenue models.

Comparisons through time are difficult due to the lack of complete coverage in official statistics, definitional differences, and artist activity levels in a given year. However, in value terms, the industry

as a whole is thought to be significantly smaller than it was in 2001.

A study completed in 2003 indicated that in 2001 the core music industry in Ireland contributed €478 million towards Irish GDP³⁶. The equivalent estimate for 2012 is some €291 million in 2012 prices - implying an industry that has shrunk by around 39%. However, after also accounting for the effects of inflation, the difference in real terms is even starker. Using CSO CPI inflation data to put the 2001 estimate into 2012 prices shows that the industry as measured here may have contracted by around 50% in real terms.

TECHNOLOGY IS A DRIVER OF CHANGE

The global music industry has been in a state of flux for over a decade; the way people consume music has changed markedly as consumers move away from physical product to online and streaming. Industry stakeholders recognise that the industry has changed, and that the

commercial viability of music has changed with it, resulting in changing revenue models and structures.

The internet, digital consumption and now streaming, have resulted in an ever increasing audience for music. Paradoxically, they have also led to lower revenues, arising from reductions in both average unit value and significantly lower volumes of physical sales.

The value of music has been affected by technology-enabled piracy, with a generation growing up with the expectation that music is free. Growth in legitimate streaming services is believed by many stakeholders to be making headway into displacing pirate demand, though the IFPI estimates that 27% of internet users in Europe still access at least one unlicensed site monthly.

The impact of technological change has been transformational. The value of physical recorded music sales in Ireland has fallen by c. 25% per annum for the last 5 years - from €72m to €33m.

36: Goodbody Consultants, 2003, "The Economic Significance of the Irish Music Industry"

Digital sales and streaming, while rising strongly, have not yet filled this gap. Digital sales growth in Ireland has been c. 14% per annum over the same period – growing from €8m to €13m. This highlights the scale of the challenge that the industry is facing to ensure a viable future. Furthermore, a number of individuals in the music industry have commented on a perceived lack of transparency in how these revenues are shared.

During our consultations, a number of respondents felt that there is an opportunity for Ireland to play a leading role in developing and strengthening the copyright regime given the presence of a number of prominent technology firms here.

There is a symbiotic relationship between technology and music / creative industries as the music industry provides technology companies with creative works which are key elements of the offerings of companies such as Apple, Microsoft and Google. The technology companies can in turn increase access to music and allow it to be consumed in ways which were not possible 10 years ago.

A strong copyright regime is critical to ensuring that this relationship can thrive in the long term. Many consultees felt that

leadership in this regard would have to come at European level and that Ireland should have a clear voice at European level.

In order to maximise the value of demand for musical works, the music industry needs to continue to encourage and support the growth of legitimate digital music services and in parallel, continue to clamp down on piracy. This must be supported by a strong copyright regime which supports both industries.

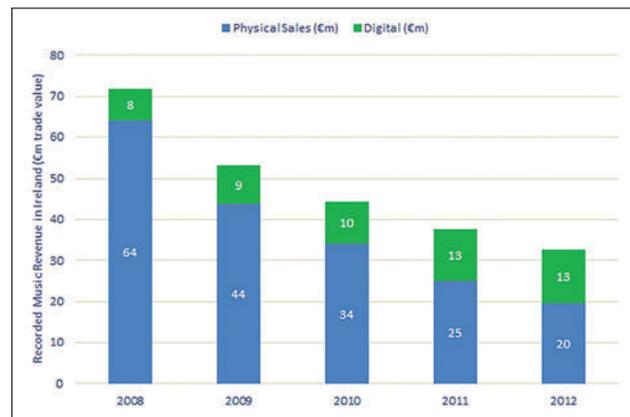


Figure 4.a: Recorded Music Revenue in Ireland, 2008-2012, Source: RIN, Deloitte analysis.



Kodaline

FINANCIAL SUCCESS IS NOW HARDER TO REALISE

Changing industry dynamics inhibit the ability of Irish artists to earn from their creative works. Despite the fact that the consumption of music remains strong, it is much harder to survive on music sales today than it was 5 or 10 years ago, as indicated above.

Falling sales of physical product have had a significant impact on existing artists. Physical sales used to provide a larger share of income, and legitimate digital sales are not yet delivering the same level of revenue to artists.

As part of our consultations and survey, industry stakeholders recognised that the industry has changed significantly, and that the commercial viability of music has changed with it. Now, more than ever, it is vital that musicians are aware of how to go about earning an income from their creative works.

Most musicians starting out have little appreciation of how to exploit the business of music. In many cases, making money is secondary to the enjoyment of performing. But to break through – and certainly into international markets – and ensure a career with longevity, a degree of

professional help from publishers, labels, agents and financiers goes a long way.

TRADITIONAL MODELS OF TALENT DEVELOPMENT ARE BEING CHALLENGED

Falling music sales have made the process of developing new talent more difficult. Traditional models where a first album helped provide the finance for a tour, leading to further cycles of recording, touring and promotion, are now more difficult to sustain.

Unsurprisingly this has had an impact on the industry in Ireland, with data and anecdotal evidence pointing towards a “hollowing-out” in some of the professional aspects of the industry – where a number of core functions have shrunk quickly – such as specialist management and promotional skills. The largely professional aspects of the industry and also music retail, now account for around 10% of total activity in Ireland.

Feedback from the consultations would indicate that while there are considerable levels of talent in the country, there is a certain lack of industry infrastructure (large domestic labels, management,

production expertise, legal etc.) to complement this talent. This skills gap was particularly evident for artists and bands when looking to operate at an international level.

This may be due to the fact that historically, many Irish artists have been signed and developed by major international labels such as Sony Music or Universal Music Group. Much of the recording, development and management of Irish artists happened in London or elsewhere, with some notable exceptions.

If the target is international success, Irish artists also need access to finance. As is true in other creative sectors, the Irish financial community is not always geared up to provide finance to musicians. Banks do not always understand how to evaluate Intellectual Property-based businesses with variable cash-flow, and the cash intensive nature of recording and touring can therefore raise challenges for individuals and enterprises seeking to expand, whether domestically or internationally.

In short, if the Irish music industry is to achieve its full potential, it requires a more sophisticated industry infrastructure than currently exists to give full expression to the creative talent that

exists here. While the industry in Ireland should always maintain deep links with the industry in London, it should not be wholly reliant on it. There is therefore a requirement to make world-class business expertise available to the Irish music industry, based in Ireland.

TECHNOLOGY IS CHANGING THE WAY MUSIC IS DISCOVERED

Advances in recording technology have meant that getting music recorded to a commercial standard is now cheaper than before. But while recording music has become easier, standing out from the crowd has not.

Twenty years ago the vast majority of people discovered new music on the radio, or perhaps read about it in a magazine or saw a video on TV. Getting noticed meant getting your music played by an influential DJ, or talked about by a prominent publication. Changing music consumption patterns and media fragmentation have combined to ensure that this process is not as clear-cut as it once was.

Online music services such as Spotify, iTunes, Soundcloud and Deezer are providing new means for people to discover and share new music. Internet bloggers have also added to the number of voices recommending new music. Radio still remains a vital channel for discovering

music, though the emergence of internet radio means that the number of avenues of discovery have grown exponentially.

This is not to diminish the importance of local radio, which still remains a big influencer in terms of the discovery of new music. The issue of the amount of airplay of Irish music on Irish radio is certainly of vital importance to those in the Irish music industry (as illustrated in the consultation and member survey feedback). However, changing consumption dynamics does mean that any strategy for the promotion of Irish music should take all forms of media into account. Dialogue between the industry and the government is required on the airplay issue; however ensuring that Irish artists are better promoted within and outside of Ireland will require a wider approach.

INCENTIVES TO CREATE AND PERFORM ARE WEAKER

Given changing industry dynamics, it is unsurprising that for creators, artists and others in the industry the risk/return trade-off to investing in music is worse now than it has been in the past. Indeed, the IMRO member survey conducted as part of this research suggests that as many as 59% of respondents earn money from outside the music industry.

Income streams related to musical works

tend to be highly variable from year to year at all levels of the industry. This can put significant pressure on artists and composers, particularly those earning lower levels of income.

A suggestion was made during consultations that a 'carry forward' provision could be added to the Artist Exemption Scheme whereby unused elements of relief up to the €50,000 threshold could be taken forward into subsequent years and offset against future earnings. This would help smooth earnings in what can be a highly cyclical industry.

In addition, a view was expressed that adjustments could be made to Section 481 (Film Tax Relief) so that the criteria for receiving tax relief be expanded to include the use of Irish/EU based composers, recording studios, performers etc. The inclusion of such criteria is unlikely to discourage film production in Ireland, but would help support Irish/EU-based music industry professionals.

These measures would help ensure that it is as economically attractive as possible to create, commercialise and export music from here, helping Ireland retain a depth of industry talent.

BUT, IN FUTURE, THE INDUSTRY CAN BUILD ON A NUMBER OF POSITIVES

A PUSH FOR PARTICIPATION

Participation can be encouraged – and the greater the portfolio of prospective creators in Ireland, the greater the chances of building future success. Given all of the above, whether creators, artists, performers or managers, an Irish music industry realising its potential requires more people to consider a career in music, which requires more encouragement and support.

Whilst music reaches out to everyone across the length and breadth of Ireland, participation (rather than passive engagement) could be higher, and consultations undertaken as part of the research suggest that at grassroots level music needs more support in order to reach its full potential.

This is not just about more music in schools and improving music tuition access outside school hours – although that would certainly help.

Industry participants were particularly of the opinion that there was a lack of training and education available to help them develop their commercial skills and access export markets. While this was not a

significant issue at start-up stage, as artists looked to expand internationally this gap became very evident. A certain number of supports are available (First Music Contact, an organisation supported by the Arts Council, is an example), though funding levels are low.

As noted earlier in the report, it is also about promoting music as a career and, subsequently, a viable business investment.

Consultations suggested formal education should play a role in the development of commercial skills, but also that there is a significant element of learning from other individuals with deep industry knowledge – a number of respondents felt that a mentorship programme and master classes could be valuable in this regard.

The industry deserves a comprehensive and coordinated music education policy, encouraging and supporting grassroots participation.

EXPORT-LED GROWTH

Exports are a win-win for Irish music. They contribute significantly to economic growth. However, there is a tendency to

think of exports in a narrow sense – as manufactured goods rather than services or cultural exports.

An additional 100,000 albums sold overseas, a major tour by an Irish artist in the USA, or 10,000 overseas visitors coming to Ireland for a music festival can all count as exports in Ireland's balance of payments, contributing to GDP and supporting jobs.

The major changes in market dynamics outlined previously, coupled with the fact that the Irish domestic market is ultimately constrained in size by a relatively small population, reinforces the importance of Irish creators and artists gaining recognition and success on the international stage.

A number of participants commented on the strong reputation of Irish artists abroad, particularly in the UK and US – a strength to be leveraged.

This reputation extends across a number of genres from pop to traditional music to classical. The reputation is connected to, and reinforces, a strong overall cultural brand. However, a common view expressed was that many markets remain relatively underexplored by Irish artists (e.g. mainland



Europe), largely driven by a lack of familiarity and lack of understanding of how to access these markets.

Also noted by stakeholders is the fact that funding is a critical issue for the Irish music industry and indeed in the cultural industries in general. IMRO has a scheme to assist members travelling abroad, though funding is limited.

Other countries (notably the UK, New Zealand, Sweden and Canada) have recognised the importance of exports for the music sector and invested in resources and support for the music sector to promote itself on a global stage. The music industry in the UK for example has a number of tailored sources of funding available including a £3m export growth fund.

The New Zealand Music Commission has an 'Outward Sound' program that provides funding of up to NZ\$ 50,000 per project to fund international market development initiatives including touring, showcasing, marketing, promotion, etc. Building a global fan-base increases the potential

sales volumes many fold. The 5 biggest Irish acts of the last 50 years have sold in excess of 340 million albums³⁷ – many multiples over what would have been generated at home.

Moreover:

- International fans drive touring opportunities, and whilst these are not always as lucrative as the headlines suggest, touring revenues can make a material contribution to musicians' incomes aside from CDs, downloads and streams; and
- International music fans generate significant income for Ireland when they visit as a direct result of performances in Ireland or Ireland's music heritage.

The Irish music industry should have a central office for exports and a coordinated approach to overseas promotion to facilitate greater exports by the industry.

37: Vallely, Paul (13 May 2006), Bono: The Missionary, www.independent.co.uk; "FAQ" www.enya.sk; "The Cranberries' Dolores O'Riordan on surviving success and finding new happiness - 3am & Mirror Online". Mirror.co.uk. 7 August 2009; "Westlife Where We Are Tour Advert".





FOCUS

GROWING EXPORT INCOME: MUSIC AS AN INTERNATIONALLY TRADED SERVICE

Music can increase export earnings through direct sales of musical works, but also through the earnings of domestic artists while touring abroad. Music can therefore become an internationally traded service, with a vibrant music sector playing an important role in boosting exports. This potential has been recognised by many nations providing a range of services to those seeking success abroad.

CANADA

Canada has a well-established music support infrastructure which has helped develop a highly successful music industry, producing world renowned acts such as Arcade Fire, Michael Bublé and Justin Bieber. The government-run Canada Music Fund provides almost C\$25 million in funding annually to the Canadian music industry which helps artists and musical entrepreneurs record and promote music at home and abroad. Some of these funds are administered by the Foundation Assisting Canadian Talent on Recordings (FACTOR), which combines this funding (c. C\$8.4 million) with contributions from private Canadian radio broadcasters (c. C\$8.5 million) to provide a range of funding and services to the Canadian music industry. These range from showcase attendance funding for export-ready artists to tour support and marketing support.

SWEDEN

Sweden has a number of agencies which promote Swedish music abroad. For example, the State funded Musikplattformen works to promote the independent music scene and sees a key role for itself in maintaining a network of international contacts and facilitating international collaborations. Meanwhile, Export Music Sweden was founded by industry associations to promote Swedish music abroad. It attends international fairs to promote Swedish music, while also providing training to infuse as much know-how as possible into the industry.

BRITAIN

The UK has recently launched an export scheme designed to promote British music overseas, which is run by UKTrade & Investment and BPI (a music trade body). The scheme recognises the fact that many labels and management companies do not have the scale and resources required to promote their acts internationally, and therefore provides grants of £5,000 to £50,000 to support overseas marketing and the promotion of specific artist releases. In total the scheme will provide £3 million in grants over the next 3 years. It is notable that such a scheme is deemed necessary by the UK government even though it has one of the largest and most developed music industries.



Glen Hansard

LEVERAGING OTHER STRENGTHS

To end on another upbeat note, there were a number of other 'positives' for the music industry highlighted in study consultations.

USPs for Ireland included:

- The level of talent within the industry is very strong across a range of genres. This was the most consistently voiced opinion heard during the consultations, with respondents very positive on the levels of creativity and musicianship present throughout Ireland;
- There is a strong musical culture, which is deeply ingrained in Irish cultural milieu;
- English as a main musical language affords easier access to major markets for Irish artists (if they are able to crack those markets); and
- Ireland has a vibrant live music scene with, the number of summer festivals in particular expanding significantly in recent years.
- A number of participants also commented on the high levels of technical talent (sound engineers, lighting technicians, etc.) present here, which complements this scene.

THE WIDER CONTEXT

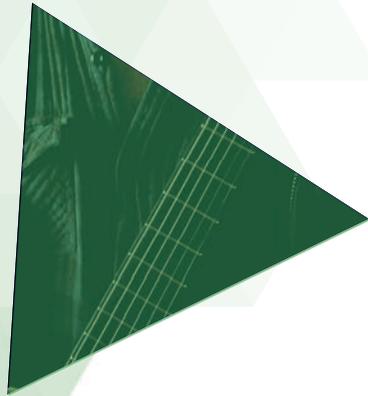
A recent report on behalf of the European Grouping of Societies of Authors and Composers outlined the importance of music and the wider creative sector throughout Europe. The report stated that "activities that rely heavily on intellectual property drive European growth, and deliver 38.6% of EU GDP. Copyright intensive activities ... accounted for 4.2% of EU GDP in 2012." More than 7m Europeans are directly or indirectly employed in creative and cultural activities which is 3.3% of the EU's active population. Furthermore, music is a major contributor to this economic activity, with the report stating that "performing arts (1,234,500), visual arts (1,231,500) and music (1,168,000) employ more than 1m each, followed by advertising (818,000), books (646,000) and film (641,000)"³⁸.

In the next chapter, the analysis considers interventions capable of providing the ammunition to develop the industry as described in this section of the report.



38: *Creating Growth - Measuring Cultural and Creative Markets in the EU, EY, 2014*

A CALL TO ACTION



3

PROVIDING OPTIMAL POLICY SUPPORT

The music industry in Ireland has been successful on many fronts as highlighted in this and many previous industry reports; however the full potential of the industry remains unexplored and it is this potential that this report seeks to identify and exploit.

Music and other cultural and creative industries have specific characteristics that require bespoke policy support. The music industry is subject to a number of market failures that imply a role for government in providing the optimal environment for

the industry to thrive. This has been recognised by the European Commission in a recently commissioned report on the overall creative industries³⁹.

EVIDENCE OF MARKET FAILURE

Market failure refers to a situation where the market, left to its own devices, delivers a solution which is not optimal (or efficient) for those involved in the market and/or any third parties impacted by it.

The corollary of this is that, in some instances, intervention by policy-makers can work to improve

socio-economic outcomes by forcing the market to allocate resources more efficiently. There is nearly always a cost to intervention, and any analysis of policy intervention needs to consider the cost of intervention (financial and otherwise) against the benefits that intervention could create.

As part of the research undertaken in the preparation of this report, a number of specific market failures have been identified with respect to the Irish music industry, and these are summarised in the table over-page:

39: HKU, 2010, *The entrepreneurial dimension of the cultural and creative industries*, Hogeschool voor de Kunsten Utrecht, Utrecht

Market Failures Identified	Description
 The free rider problem in music access	The free rider problem refers to piracy and copyright infringement. Users of music from non-legitimate sources are in effect free-riding on those who pay (a higher price than they otherwise might) for music through legitimate means. In practice copyright infringement costs both the producer and consumer who could each benefit from increased sales / lower price.
 Information failure/asymmetry: Business support	Information failure stems from the difficulty noted by stakeholders in up and coming artists obtaining the relevant business support to succeed.
 Co-ordination failure/ information asymmetry in foreign market access	This is a two-way failure, whereby artists/writers and others do not have the relevant information to succeed in foreign markets, and relevant individuals in foreign markets do not have the requisite information to be able to promote Irish music overseas.
 Lack of access to finance for an incomplete market	Financial institutions are not prepared to lend to perceived risky individuals and organisations at market clearing interest rates, which results in either raised cost of capital or a lack of provision.
 Skills gaps in music	Feedback from the consultations would indicate that certain skills gaps exist in Ireland for specific support roles (commercial expertise was often mentioned). Certain technical skills also need to be developed and an emphasis placed on continuous professional development in order to ensure that a flow of talent continues to be created in the long-term.
 Incomplete market in ancillary services	The Irish music market is not of sufficient size to sustain large scale management and ancillary music services, the demand for which therefore leaks to the UK and beyond

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As this study was being finalised, it was announced that Culture 2025, the Irish National Cultural Policy will specifically consider:

- The meaning of culture in the 21st century;
- What can be done to embed culture at the heart of public sector decision-making and discourse, and in corporate and private sector decision-making;
- Policies for growth and expansion;
- International representation and collaboration;
- The delivery of cultural services in the digital age; and
- Issues relating to intellectual property, copyright and associated matters.

These issues are, in the main, in keeping with the issues identified through our research and the policy solutions identified in this chapter.

Figure 6.a Suggested market failures in the Irish music industry, Source: Deloitte

OVERCOMING MARKET FAILURES THROUGH POLICY SUPPORT

Market failures necessitate policy support if an industry is to reach its full potential. The music industry, in common with other cultural and creative industries, has specific characteristics that require a tailored policy approach in order to maximise their economic and social contribution. The EU Commission recognised this in a recently issued report (2010) entitled 'The Entrepreneurial Dimension of the Cultural and Creative Industries⁴⁰' (the 'EDCCI report').

One of the most important characteristics of the Cultural and Creative Industries (CCIs) is the prevalence of small enterprises. About eighty percent of enterprises within the cultural and creative sectors are SMEs, with many of them sole-traders or 'micro SMEs' employing a handful of people. The number of large scale enterprises is small at less than one percent, though they account for 40 percent of annual turnover⁴¹. This is often the case in the music industry, with only three 'major' labels now left for example (Sony Music

Entertainment, Universal Music Group and Warner Music Group).

Another important characteristic is that the traditional value chain of creation and consumption is being reshaped by technological developments. The 'digital shift' and the small nature of most enterprises means that well established and clear cut value chains rarely exist. Instead, the CCIs tend to be characterised by 'value creating ecologies' which "encompasses the idea of a constellation of firms that are dynamic, with value-flow being multi-directional and working through clusters of networks⁴²".

Taken together, these factors have many implications. Because of their small size, firms cannot rely on internal networks and institutional knowledge and instead must be very well connected with the outside world. They may often require assistance in identifying opportunities and gaining market access. Furthermore, their small size and lack of tangible assets means that they often have difficulty in sourcing finance. Firms also can have difficulty in growing from small initiatives into medium-sized operations, and require dynamic

entrepreneurial skills and flexibility to succeed in growing.

Again, if we draw on the record label example it is easy to see how smaller firms must adopt different strategies and be able to draw on outside resources if they are to compete with the major labels. The major labels have large international networks and can draw on local knowledge in many markets, have much easier access to finance and also have high levels of internal expertise that can be used to develop talent. Smaller labels do not have those resources internally, but if they have access to external expertise and the knowledge of where such resources can be availed of, they can then hope to compete and grow.

The EDCCI report recognised the unique characteristics and issues facing CCI firms and developed a framework in response. The framework was developed to elicit pointers for blending new models of collaboration and competitive advantage for CCIs in order to best support them and embed CCI support within innovation, SME, Entrepreneurship and cultural policies. The analysis highlights the following areas as the key areas of focus:

⁴⁰: HKU, 2010, *The entrepreneurial dimension of the cultural and creative industries*, Hogeschool voor de Kunsten Utrecht, Utrecht

⁴¹: *Ibid*, page 14

⁴²: *Ibid*, page 14

THEME

DETAILS

ACCESS TO FINANCE

Perhaps the greatest obstacle faced by entrepreneurs in the CCIs is access to finance. It is exacerbated by the fact that the assets of many cultural entrepreneurs are intangible, leading to financial institutions failing to recognise their full economic value.

MARKET ACCESS

Refers to the development of market opportunities at home and abroad. A lack of knowledge of, and access to, market opportunities is often a major impediment to the growth of CCIs.

INTELLECTUAL PROPERTY RIGHTS ISSUES

Protection of IP and awareness of the potential options for managing and exploiting IP are essential to the development of a successful music industry.

EDUCATION & TRAINING

In a fast-moving industry that never stands still, ongoing education, training and skills development are vital for the healthy cultivation of all elements of a successful industry.

ACCESS TO INNOVATION

Open innovation methods that include collaboration between different sectors can be enablers of innovation in these industries.

CLUSTERS & COLLABORATION

Fostering networking and collaboration are key enablers of these industries.





Brendan Graham

This report makes use of the Commission framework in order to set out a series of policy recommendations that will provide a coherent basis to further develop the music industry in Ireland.

Achieving success will be dependent on a number of critical factors however, including:

- Recognition by government of the growth potential and value of the music industry to the Irish economy;
- Promotion of the viability of the music industry as a career path;
- Proactive targeted development by the development agencies and government in conjunction with the industry itself;
- Continued support for a strong, viable music and creative industry base in Ireland, working hand-in-hand with the tech sector.

It is recognised that efforts were made previously to address some of the issues set out in this report and were met with limited success.

However, IMRO believes that strong leadership combined with commitment

from leading figures in the industry itself will address many of the pitfalls experienced previously. Therefore,

IMRO proposes setting up a Music Industry Taskforce comprising of relevant government and industry bodies in conjunction with industry representatives to guide and coordinate the development of a sectoral strategy and the implementation of this report's recommendations.

The existence of such a group would be essential to delivering on the recommendations set out in this report.

The combination of political leadership and industry expertise would enable the group to identify how existing resources can be exploited to the full and indeed enhanced, while also identifying areas where further investment is needed. It is expected that many of the recommendations below can be implemented through existing State bodies such as Enterprise Ireland and the Department of Jobs, Enterprise & Innovation, with existing industry bodies also playing a key role.

As indicated in this report, success in the music industry requires a range of skills – creative, commercial and technical. The Music Industry Taskforce ('the Taskforce') must therefore be comprised of a sufficient degree of expertise in each area. IMRO is committed to taking a leadership role in driving industry participation in the Taskforce. It is expected that the group would also require representation from The Department of Jobs, Enterprise and Innovation; The Department of Arts; Heritage and the Gaeltacht; Enterprise Ireland; the IDA; Forfás and SOLAS among others. The reporting relationship of the Taskforce would need to be determined – the optimal relationship would, we suggest, be with the Department of Jobs, Enterprise and Innovation.

Specific priority recommendations to address the issues identified in the report are outlined below. A full set of lower priority recommendations is set out in Annex 6. It is our expectation that the Taskforce would evaluate all recommendations and make a final decision on priorities. A suggested Terms of Reference for the Taskforce is set out in Annex 7.

ACCESS TO FINANCE

Access to finance and funding is perhaps the single greatest obstacle faced by entrepreneurs in the CCIs. It is exacerbated by the small scale of many CCIs and the fact that the assets of many cultural entrepreneurs are intangible (creativity, copyright etc.). This makes it difficult for banks to assess them and sufficiently recognise their economic value. The result is that CCIs often have a short-term span of financial planning.

While some public supports are available, the EU Commission report states that self-financing is the predominant means of finance for CCIs. Furthermore, in Ireland, State funding is dispersed across a number of bodies and, in the case of an agency like The Arts Council, tends to focus on cultural and creative entities, rather than commercial operations, raising challenges for those seeking to develop and build viable businesses within the creative industries.

The EDCCI report encouraged national States to consider tax shelter measures and to support the development of both public and private Venture Capital funds. This report echoes those sentiments and specifically calls for the following measures:

RECOMMENDATIONS

- Amendment to the Artists' taxation exemption relief to allow optimum utilisation of the relief across a number of years assisting individuals to manage the cyclical nature of the

industry.

- Request for retention of the Employment and Investment Incentive Funding taxation relief and the promotion of this funding mechanism within the music industry.

MARKET ACCESS

Knowledge of and access to both business support and market opportunities is often a major difficulty for those starting in the industry and also those looking to increase the scale of their operations both domestically and overseas. Access to foreign distribution networks often presents a serious difficulty for smaller firms in particular.

Improving access to foreign markets is therefore a critical area for support to bring a step-change in the development and growth of the industry. Having a central point of information is particularly critical where most firms are small in nature and cannot rely on large internal networks. This report therefore recommends:

RECOMMENDATIONS

- Establishment of a Music Office (referred to in the report as 'Music Ireland') to act as a point of contact for the music industry, bringing together a range of enterprise, training & education and music-related information and supports.
- In a role similar to that of the Irish

Film Board, the Music Office would encourage creativity and a culture of excellence at all levels, bringing together a range of enterprise, marketing, training and education, and music-related information and supports, in order to maximise the commercial performance of Ireland's music output.

- A core function of Music Ireland will be to provide support and assistance to individuals and groups looking to enter new overseas markets. It will develop trade links and provide export grants to artists and SMEs in the industry seeking to access overseas markets.
- Music Ireland could work with existing industry and government organisations (such as IMRO, First Music Contact and Enterprise Ireland) to ensure that efforts are not duplicated and a coherent and comprehensive system of supports is delivered to the Irish music industry.
- Music Ireland could also examine the question of how Irish music is promoted within Ireland, including the issue of the amount of Irish music played on Irish radio.

INTELLECTUAL PROPERTY RIGHTS ISSUES

The free rider problem in music (piracy and copyright infringements) is leading to loss of income to those operating in the industry and an erosion of the 'value' of music. Future policies to support the development of CCIs will have to account for the changing IP environment and changing business models, while acknowledging the importance of IP in providing incentives for cultural and creative entrepreneurs.

Protection of IP and awareness of the potential options for managing IP are key concerns – success in managing these will ensure a viable creative industry and assist those industries (frequently in the technology sectors) which are dependent on creative works for their services.

RECOMMENDATIONS

- Lobby for the establishment of an IP 'Tsar' who will consider the impact of IP and copyright legislation and enforcement on both the creative and technology industries. This will enhance the structures currently in place. A core element of this role will be influencing and informing policy at a European level.

EDUCATION & TRAINING

Continuous education and skills development are vital for any healthy industry, and the music industry is no exception. A successful music industry relies on three core skillsets – musical and creative skills for musicians, performers and songwriters; technical skills for industry professionals such as sound engineers; and entrepreneurial skills for cultural entrepreneurs.

While there are a number of high quality music education providers in Ireland, skills and training gaps were identified in (i) provision of professional business / finance training to individuals operating in the industry; and (ii) provision of advanced training and education, e.g. master classes, to experienced professionals in the industry. A limited coordinated focus on music in schools nationwide was also identified.

RECOMMENDATIONS

- Development / support for advanced training courses for music professionals and 'business of music' education and qualifications (project management, finance, international sales & marketing) to address two key gaps in current provisions.
- Introduce bursaries for top students (creative and commercial) to study in leading music institutions.
- Contribute to initiatives to encourage creativity through the teaching of music in schools (primary and post primary level).



FOCUS

SCREEN TRAINING IRELAND: TALENT, CREATIVITY, ENTERPRISE

Screen Training Ireland was established in 1995 to provide continuous training and career development opportunities for professionals in the independent film, television and animation sector. It is founded on a collaborative approach with industry, and has three core aims:

- Develop storytelling skills (visual and narrative) across multiple genres and platforms and promote creative collaboration;
- Develop production and technical skills to enable Irish artists to compete at the highest level internationally; and
- Raise the bar of business acumen and entrepreneurship.

STRUCTURE AND APPROACH

A core function of Screen Training Ireland is to assess skills shortages in the industry and design courses and opportunities for practitioners to fill those gaps. Screen Training Ireland does not provide this training directly, but rather has a network of expertise which it can draw on, both within Ireland and internationally. This structure allows Screen Training Ireland to be run at a relatively low cost, while still providing the highest calibre of training to the Irish film industry.

The courses tend to be delivered to relatively small groups of people who have already attained a

certain level of expertise. This ensures that training is focused on those who are in the best position to benefit, with the smaller groups allowing talented individuals to progress more rapidly.

APPLICABILITY TO THE MUSIC SECTOR

The three-pronged approach of developing creative, technical and commercial skills is directly relevant to the music sector. A healthy music industry requires a core base of creative talent, supported by high levels of technical expertise with the production skills necessary to give the talent its fullest expression. The final product must then be correctly promoted and marketed in order to ensure that the maximum commercial value is obtained from the artistic output.

The structure of Screen Training Ireland is also suitable for the music sector. This would help to ensure that the right people receive the right training in a cost-effective manner.





Clannad

INNOVATION, CLUSTERS AND COLLABORATION

Open innovation methods that include collaboration between different sectors can be enablers of innovation and growth in the creative industries. The cottage industry nature of the majority of the industry has limited the development of collaborative ventures. There is also a coordination failure between the music industry and other creative and technical industries.

There are a number of potential areas in which the music industry can collaborate with other industries. The fact that musical works are fundamental to the offerings of many technology companies makes this an obvious area of potential. Greater collaboration with the growing games industry in Ireland would also seem to hold promise.

Another area where greater collaboration is required is with regard to the licensing of live music events. Current procedures for the planning and authorisation of events are inadequate, and it is vital that licensing laws and procedures are reviewed.

However, clusters of knowledge and collaboration are also vital within the music industry itself. Networking, collaborating and sharing knowledge are critical in any creative process, but can also have very practical uses. For example, musicians in the early phase of their career can learn extensively from one another and exchange information on sourcing finance, recording, touring etc. Having a central area where creative interaction and more prosaic information-sharing can occur can

potentially have wide-ranging benefits. Such interaction could take place within Music Ireland.

Another issue pertains to accumulating better evidence for use in monitoring the performance of the music industry and formulating fit-for-purpose policy to support it. UK Music is presently engaged with the Office for National Statistics (ONS) and the Department for Culture Media and Sport (DCMS) as well as GESAC at EU-level to have ISIC and NACE code issues addressed, so that statistics are more useful for the industry.

RECOMMENDATIONS

- Closer co-operation with tourism bodies such as Fáilte Ireland and Tourism Ireland
- Closer collaboration with the technology and games sectors
- Improved procedures for licensing of live events and interacting with local authorities
- Amendment to Film Tax Relief Guidelines to encourage the engagement of Irish/EU based music components within the scheme
- Request for amendment to the "SARP" taxation relief to encourage immigration of skilled talent capable of performing key functions within the industry (in such areas as sound recording and fostering/promoting Irish talent)

FOCUS

SUPPORTING THE MUSIC INDUSTRY: THE NEW ZEALAND APPROACH

A number of nations have developed comprehensive systems of support to promote their music sectors. These key areas of support can be broadly classified under the headings of skills development, music creation and promotion. Here we profile New Zealand, which has a number of agencies with a role in music, including the Music Commission, NZ On Air, Creative NZ and Te Māngai Pāho. Together these agencies provided over NZ\$16.9 million (€10.5 million) in direct funding for music in New Zealand in 2013.

The agencies come together to create a Contemporary Popular Music Working Group to formalise ongoing consultation in areas of shared interest, and work together to promote music from New Zealand. The supports that the agencies provide are as follows:

SKILLS DEVELOPMENT

The New Zealand Music Commission provides a range of services, including:

- Participation in and hosting seminars and up-skilling events
- Facilitating at least one Master Class per annum
- Providing a free legal advice service
- Facilitating an internship programme
- Supporting 'capability growth' for NZ music businesses.

MUSIC CREATION

Creative New Zealand provides music recording grants for emerging and established New Zealand artists to make recordings of original high-quality New Zealand music. Creative NZ provided over NZ\$10,600,000 of funding to the music sector

in 2013.

NZ ON Air provided over NZ\$500,000⁴³ worth of funding to New Zealanders recording original music in 2013.

Te Māngai Pāho provided NZ\$452,000⁴⁴ of funding to Maori-related music projects in 2012⁴⁵.

PROMOTION

The Music Commission of NZ runs New Zealand Music Month, which seeks to increase public exposure of, and to promote, NZ Music it also invests in offshore music market initiatives through the Outward Sound funding programme, which provides assistance for market development initiatives to encourage the entry of New Zealand music and musicians into global markets. The Commission provides grants of up to NZ\$50,000, depending on the nature of the project. The total funding available is NZ\$800,000⁴⁶.

The Commission also coordinates and manages the representation of NZ music at international music trade events and produces the 'Going Global Music Summit' in partnership with IMNZ.

In addition, the Commission provides networking opportunities for NZ music businesses with international counterparts via initiatives such as Country Connections.



The Coronas



BENEFITS OF INTERVENTION

THE INDICATIVE BENEFITS OF INTERVENTION

The Irish music industry's GDP contribution may have contracted by around 50% in real terms since 2001, the last time a similar study was conducted.

The industry has changed markedly over this period, though the potential for a flourishing Irish music industry remains.

This potential can be realised with the help of the focused policy interventions outlined here, and a commitment from those in the industry to undertake complementary support.

Whilst it is a uniquely difficult industry in which to make annual forecasts, with year on year changes influenced by one-off events such as major album releases or tours, we estimate that the selection of measures proposed in this document could make a difference to the industry and wider economy.

Using a series of ready reckoners and information pertaining to the costs and benefits of similar interventions overseas (in the UK and New Zealand), we have been able

to provide lower and upper bound estimates of impact for interventions across 4 of the areas:

- Establishment of Music Ireland
- Provision of support assistance to enter new overseas markets
- Lobby for the establishment of an IP Tsar
- Cooperate more closely with the tourism industry

Given the creative cycle and the fact that the value of the industry fluctuates in any given year as a result of the musical output generated and level of touring, it is difficult to forecast future growth with any certainty. As such, the report considers increment above baseline rather than projecting how much the industry may grow in a given year.

Figures 7.a. and 7.b, over-page, respectively show the lower and upper bound indicative estimates of costs, benefits and KPIs for each intervention, and in the aggregate.

Theme	Market Failure	Proposed Intervention	RoM Cost to Govt (€m, Annual - Medium-term)	RoM Benefit (€m, annual, medium term)	Indicative Benefit-Cost-Ratio	Indicative Jobs Generated	Potential KPIs	
							Inputs	Outputs
Market Access	Information & co-ordination failure	 Establishment of a Music Office to act as a point of contact	0.8	0.0	0.0	10	Funding; time	Annual (impact) report, measuring outputs and outcomes in the industry and as a result of intervention
	Access to Finance	 Provide support and assistance to enter new overseas markets. Export grants and info	1.0	4.0	4.0	100	Funding; time	Export sales: music; touring; other; Social media monitoring
Intellectual Property Rights	Free rider problem in music access	 Lobby for establishment of IP 'Tsar' across creative and technology industries, enhancing current structures	0.5	1.3	2.7	100	Funding; time	Domestic digital sales; Domestic Streaming sales
Innovation, Clusters & Collaboration	Co-ordination failure	 Closer co-operation with tourism bodies such as Fáilte Ireland and Tourism Ireland	1.0	8.3	8.3	300	Funding; time	Induced visitor numbers; Associated spending
Total medium-term impacts			3.3	13.6	4.1	510		

Figure 7.a

Theme	Market Failure	Proposed Intervention	RoM Cost to Govt (€m, Annual - Medium-term)	RoM Benefit (€m, annual, medium term)	Indicative Benefit-Cost-Ratio	Indicative Jobs Generated	Potential KPIs	
							Inputs	Outputs
Market Access	Information & co-ordination failure	 Establishment of a Music Office to act as a point of contact	0.8	0.0	0.0	10	Funding; time	Annual (impact) report, measuring outputs and outcomes in the industry and as a result of intervention
	Access to Finance	 Provide support and assistance to enter new overseas markets. Export grants and info	1.0	8.0	8.0	200	Funding; time	Export sales: music; touring; other; Social media monitoring
Intellectual Property Rights	Free rider problem in music access	 Lobby for establishment of IP 'Tsar' across creative and technology industries, enhancing current structures	0.5	2.7	5.4	200	Funding; time	Domestic digital sales; Domestic Streaming sales
Innovation, Clusters & Collaboration	Co-ordination failure	 Closer co-operation with tourism bodies such as Fáilte Ireland and Tourism Ireland	1.0	13.8	13.8	400	Funding; time	Induced visitor numbers; Associated spending
Total medium-term impacts			3.3	24.5	7.4	810		

Figure 7.b

Figure 7.a: Lower bound benefits of intervention, Source: Deloitte analysis

Figure 7.b: Upper bound benefits of intervention, Source: Deloitte analysis

The analysis shows that the interventions could:

- Increase the GVA contribution of the sector by between €14m and €25m per annum above baseline – adding between 5 and 8% to the music industry’s contribution.
- Provide a Benefit to Cost Ratio (BCR) on Government funding of between 4.1 and 7.4
- Increase employment in the sector by between 500 and 800 jobs in total, above baseline, in Ireland – adding between 6 and 9% to the core music industry footprint.

Rough order of magnitude (RoM) cost benefit analysis indicates that for each €1 invested in the industry across the four interventions in the table, between €4.10 and €7.40 might be generated by the music industry.

The quantification of tax-induced benefits, and longer-term improvements from training and skills, are not included in these calculations – and would serve to increase the benefits further. Additional jobs created within the music industry are likely to be long term in nature and relatively dispersed throughout the country. The positive spillover effects of

additional industry activity on Ireland’s reputation for culture and creativity also cannot be forgotten, not to mention the benefits to local communities of greater participation in music-related activities.

Moreover, the above estimates are a relatively prudent calculation of a ‘steady-state’ solution. The parameters used represent a realistic and attainable contribution toward the industry in a given year, but in the event of one or more major success stories for Irish artists in the US and UK as a result of the intervention, the impact on GVA, if not necessarily on employment, could be much greater.

To put these benefits in perspective, the cost per job of these initiatives based on a €3.3m annual spend is estimated to be between €4,125 and €6,600 per job, depending on whether the upper or lower bound is achieved. This compares very favorably with cost per job figures for County and City Enterprise Boards, Enterprise Ireland and the IDA⁴⁷, as set out below.

In future, the inputs, outputs and outcomes of interventions would be monitored and evaluated by Music Ireland to ensure that Value for Money is achieved from Government funding.

The policy interventions set out above have the potential to increase the industry’s GVA contribution over time, and ensure that Ireland remains a firm fixture on the global music stage.

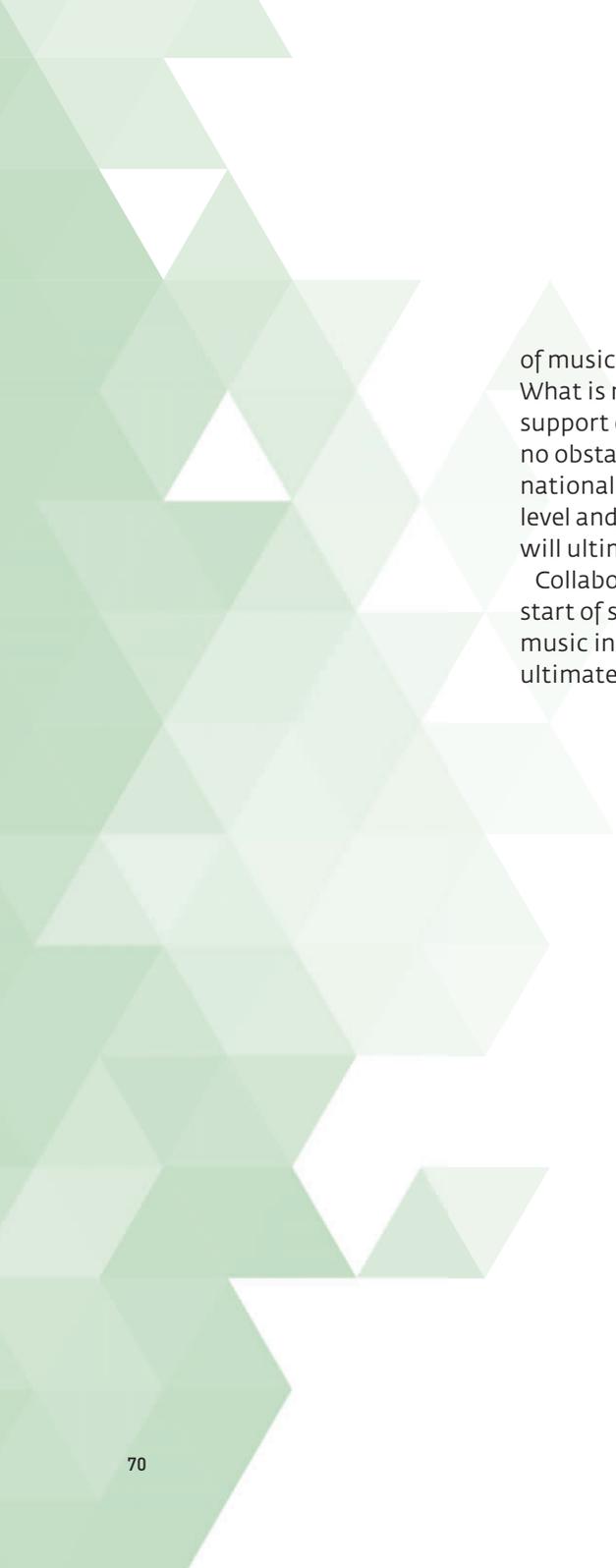
The music industry is fully committed to taking the lead on these initiatives – but Government support remains crucial in a number of ways. In terms of the policy framework, in certain respects – for example in relation to Intellectual Property Rights – legislation may prove to be of the utmost importance. State support will also make a huge difference to the speed at which progress can be made, so that the full range of benefits can be achieved in a timely manner, across the economy.

The will is there within the music industry to push forward with the project of enabling Ireland’s creative community

County and City Enterprise Boards:	Ent. Ireland Cost per Job 2006-2012:	IDA Cost per Job 2006-2012:
€4,248	€12,597	€13,475

Figure 7.c: Indicative cost per job

⁴⁷: Figures for Enterprise Ireland and the IDA taken from their 2012 annual reports. County and City Enterprise Boards from the Committee of Public Accounts - [http://www.oireachtas.ie/parliament/media/committees/pac/correspondence/2013-meeting742102/\[PAC-R-851\]-Correspondence-3A.11.pdf](http://www.oireachtas.ie/parliament/media/committees/pac/correspondence/2013-meeting742102/[PAC-R-851]-Correspondence-3A.11.pdf)



of musicians to realise their full potential. What is needed now is the constructive support of Government to ensure that no obstacles are allowed to inhibit this national mission – from which, at every level and stratum of society, Irish people will ultimately benefit.

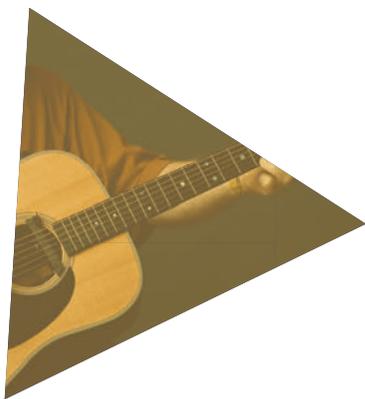
Collaboration is the key. Let this be the start of something of which both the music industry and the Government can ultimately feel proud.





The Minutes

ANNEXES



ANNEX 1: DEFINITION

STUDY BACKGROUND

Deloitte has been commissioned by the Irish Music Rights Organisation (IMRO) to undertake a study that assesses the economic contribution of the music industry to the Irish economy.

STUDY SCOPE

The scope of the study is to present estimates of the size of the industry and the way it contributes to the Irish economy and society, based on available secondary source data as well as primary information from stakeholders.

The study also considers ways in which the contribution of music in Ireland might be maximised with respect to short, medium and long-term time horizons.

ISSUES IN CONSIDERING MUSIC'S SOCIO-ECONOMIC CONTRIBUTION

Data pertaining to the music industry is of variable quality, with certain sub-sectors catered for in the official statistics, and others unavailable at the requisite level of detail.

Data falls into three 'reliability' categories,

with the bulk of the data used in the study falling into the first two areas:

- *Robust official secondary data* – for example pertaining to recording and publishing which is wholly covered by official statistics from the CSO;
- *Assumptions based on secondary data* – where, for example the assumption used is based upon official or public source information, but augmented in some way to arrive at a useful measure for the music industry; and
- *Assumptions based on anecdotal evidence* where the assumption is based on consultations and data has not been provided (perhaps for confidentiality reasons).

In order to arrive at an estimate, it is necessary to make these assumptions and where assumptions have been made, these are highlighted in the methodological section in Annex 2. Most of these assumptions pertain either to revenue streams for artists and writers (which are generally not public domain) or the extent of live music in Ireland.

DEFINITION

A pragmatic definition of core music activity

The definition of music used in the study is dictated as much by the availability of information, as it is by what might constitute the industry on the broadest possible measure. The way revenue from the exploitation of rights are collected and distributed and the complication of circular flows of income mean tracing every individual flow is impractical, not least because artist level information is disclosive and therefore unavailable.

Moreover, elements of the industry fluctuate significantly year-on-year. This is not due to the economic cycle, but the creative cycle, with a year including a foreign tour by the likes of U2 leading to significant export earnings relative to other years.

In order to produce robust estimates of music's contribution, which do not double-count elements of the sector, it is necessary to base the analysis around information from official sources, and augment this with data from stakeholders to fill the (sometimes significant) gaps.

More detail on the method used to arrive at estimates of the core industry can be found in Chapter 2 as well as in Annex 2.



Lethal Dialect (right) and JackKnife J

The ins and outs.

The definition of the core music industry used here builds on the existence of a creative cycle in music, from music creation at one end (supply), through to the listener at the other end (demand), via a series of activities, interactions, and intermediaries.

Our definition of the core music sector through this cycle includes:

- Authors of creative works and individuals (including agents and managers);
- Sound recording and associated activities (including labels & publishers, producers, recording, distribution, and rights organisations);
- Reproduction of recorded media;
- Music sales (including online – digital or physical, and retail); and
- Playback (including radio and all live music).

Specific exclusions from the core definition include:

- Elements occurring before the production of creative works (including education in music, or purchases of ancillary equipment such as a guitar or decks);
- Elements needed to facilitate personal playback (including the purchase of technology to play music, a derived demand which is not measured explicitly in this study).

This does not mean these elements are any less important to the sector, they do depend on music to a great extent. Rather – after all, it reflects the availability of information and the need to arrive at a workable core industry definition where contribution is attributable.

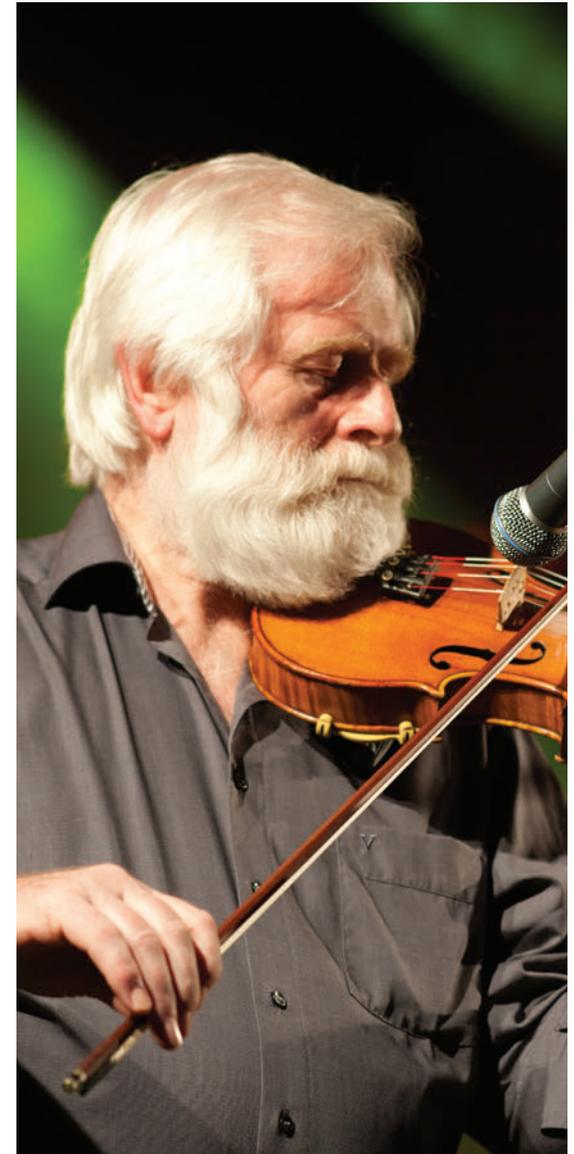
THE STUDY FRAMEWORK

As well as the core contribution of the music industry in Ireland, music contributes to the rest of the economy in two directions. Up the supply-chain, those engaged in supplying the core music industry generate further economic activity through their own purchasing patterns. Equally, individuals working in the core music industry (and throughout the supply chain) spend their income in a range of sectors.

Down the supply-chain, consumers gain utility from music in a number of ways; and wider than this, the Irish economy benefits from the ways in which music generates positive spillovers in other sectors such as tourism.

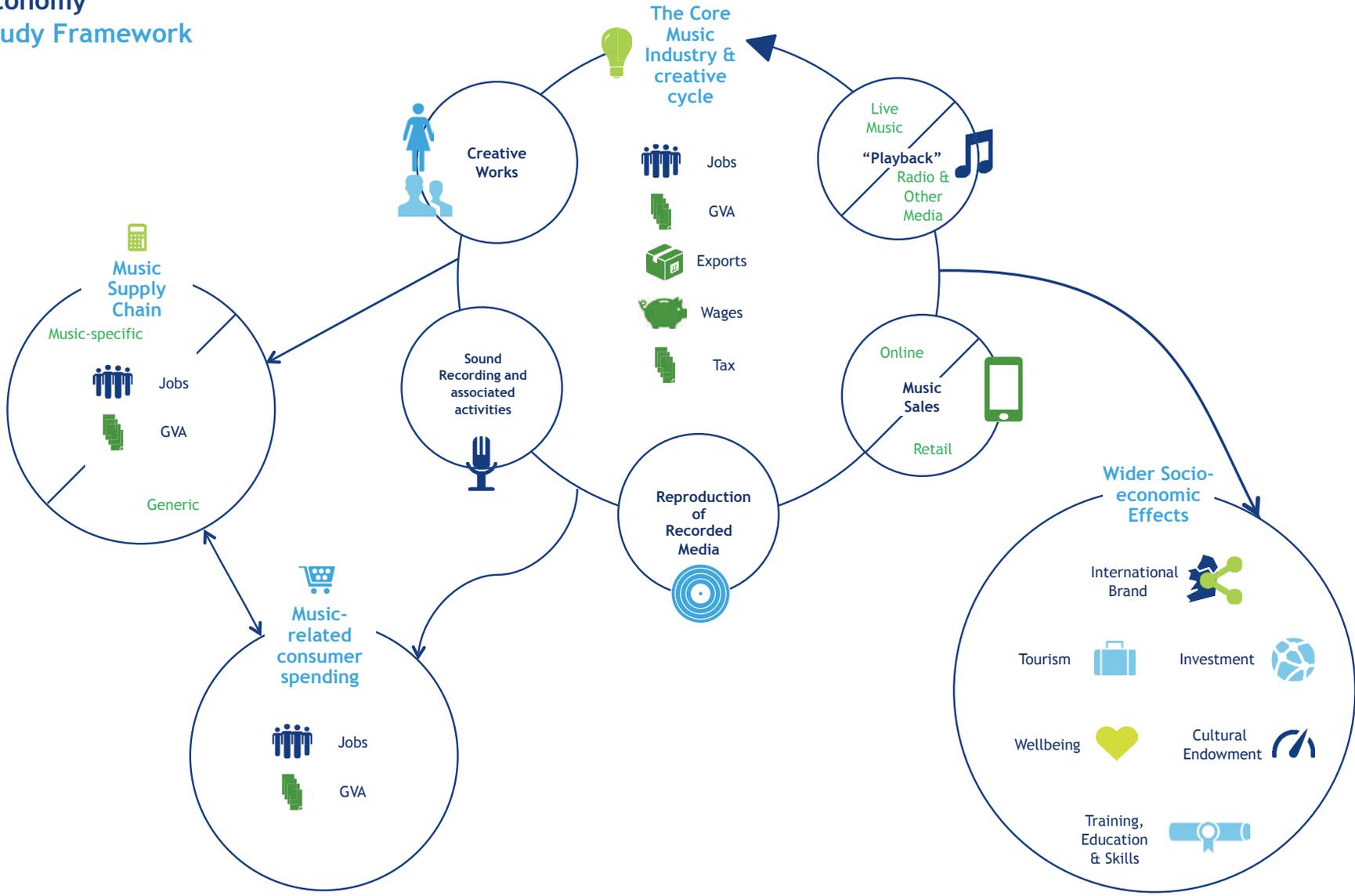
The core, indirect and induced impacts (together 'Narrow Impacts') are brought together with the 'wider' socio-economic impacts in the study framework, shown opposite.

The framework has been developed as part of the process of arriving at a definition of the core music industry, and understanding the reach of music through other elements of the economy. The framework remains a reference point for the remainder of the study.



John Sheahan

The Socioeconomic Value of Music to the Irish Economy Study Framework



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Figure A.1a: Study Framework, Source: Deloitte Analysis

ANNEX 2: MUSIC'S DIRECT ECONOMIC CONTRIBUTION

DATA SOURCES

Given the lack of one single source of information for the music industry, it has been necessary to complement official statistics for elements of the sector, with a range of primary and secondary data to arrive at the estimates of industry contribution presented in the report. In instances it has been necessary to use 2011 data, where 2012 data is not yet available – particularly for official data.

Data sources have included primary source information from:

- IMRO;
- RAAP;
- PPI.

As well as secondary source data from:

- Central Statistics Office (CSO):
 - 2011 4-digit structural business statistics; and
 - 2011 Irish Census
- IFPI: 2012 Recording Industry in Numbers (RIN):
 - 2012 digital music sales;
 - 2012 physical music sales; and
 - 2011 music synchronisation revenues
- Kantar Research: 2012 Arts Attendance

in Ireland;

- Public domain information regarding performers and live music events; and
- Financial Reports.

METHOD AND DEFINITION

Overarching methodology

This section gives more detail on the definition for each of the 5 core music sub-sectors outlined in Chapter 2, as well as the way disparate data sources have been used to arrive at estimates of GVA and employment contribution.

A note on double-counting

As part of this study, we do not provide an aggregate total for turnover/expenditure in the Irish music industry, because to do so would be to double-count. When comparing activity at different stages of production, double-counting will occur in turnover terms because one organisation's cost is another organisation's revenue. GVA (Gross Value Added) must be used instead.

Crucially, by considering the value added (or GVA in aggregate) at each stage of production, double-counting is prevented, and this approach yields the economic contribution. This is why economists use GVA/GDP to measure economic contribution rather than turnover.

CREATIVE WORKS

Definition Includes the activities of:

- Artists
- Songwriters/Composers/Arrangers
- Singer/Songwriters
- Agents/Managers

Definition Excludes:

- Artists who are paid for performances but do not create their own material (these are included elsewhere in the "Playback" component of the industry).

The starting point for quantification of the contribution of Creative Works is the revenue accruing to creative individuals after other elements of the industry have extracted value for their own part in the process. This includes revenues from within Ireland but also from overseas.

Given the lack of transparency on individual earnings and remittances across all income streams, this is the most difficult area of the industry to quantify.

G V A

GVA is estimated by first understanding the extent of revenue inflows to the Creative Works sector.

In revenue terms the process is even more involved and has to be based on a series of simplifying assumptions. Accordingly, in terms of the robustness of each of the estimates presented in this chapter, Creative Works is likely to be the least reliable.

This is also compounded by the fact that it is the most variable part of the industry. Whilst residual income from back catalogues, compositions and other sources will be generated over a number of years based on sales and usage, a significant element of revenue is dependent on specific activity in a given year.

Notably for Ireland, when a major artist tours internationally or releases an album in

a given year, the flows to the artist are likely to be far in excess of the same flows in a year without new release revenues, tour revenues, merchandising and other dependent income streams.

It follows that in some years with a good number of releases and tours by Irish artists, revenues will be higher than years where industry output is more muted.

Specific assumptions with regard to revenue calculations for 2012 are:

- Irish artist revenue from societies was €18 million in 2012;
- Artist revenue for Ireland's Top 10 artists (defined on album sales to 2012), from the combination of album sales, publishing, touring, merchandising and image rights, was estimated at €77.8 million in 2012. This figure is a composite of further data taken from a variety of sources including:
 - Billboard;
 - Other media;
 - Artist websites;
 - Assumptions on "residual revenue": because sales figures for albums and singles tend only to be publicised around the year of release, where artists have a significant back catalogue (as the top 10 artists tend to) specific assumptions were made:

- 7.5% of total album sales to-date were sold in 2012;
- These were sold at €6 per unit; and
- With 17.5% of that, on average, going to the artist (based on industry averages and provided by IMRO).
- For the rest of Irish music's artist community, anonymised data from IMRO has been used to understand the extent to which earnings are distributed amongst members. Whilst this data is subject to restrictions because of artist and writer confidentiality, it indicates that beyond the top 10 artists there is a very healthy "mid-tier" as well as significant revenue to a "tail" of artists, writers and composers. On the basis of this information it is assumed that a further €75m of income in 2012 accrues to all other (i.e. non-top 10 artists) through remittances from labels, publishers, touring, merchandising, and image rights as applicable.

J O B S

The cottage industry nature of music makes it very difficult to estimate the number of jobs in the industry. This is compounded by the fact that the available sources give conflicting information regarding the level of engagement by individuals in the Creative Works segment:

- If all members of societies are included, there are approaching 12,000 individuals in Ireland who earn some income from music. In practice, many members will not be active or they may be earning insufficient sums, and therefore these cannot be counted as “jobs”, the most usual measure of involvement in economic terms; and
- The 2011 Irish Census indicates that 2,200 individuals give “professional musician” as their primary occupation, though a proportion of these would be performers rather than songwriters/authors and this figure excludes those who fall into the category of agents or managers.

The survey conducted as part of this study showed that 52% of respondents worked less than 20 hours in music per week. It seems self-evident that the real number of full-time workers in the sector lies between 2,200 full-time (professional) musicians and 12,000 society members. Taking all of the factors and information into account, we estimate that there are 3,950 full-time equivalent “jobs” under the Creative Works heading in Ireland.

SOUND RECORDING AND ASSOCIATED ACTIVITIES

Definition Includes:

- Labels & Publishers
- Producers
- Recording
- Distribution
- Rights Organisations

This sub-sector is based, in its entirety, on the official definition of the sector embodied by NACE code 5920: Sound Recording and Music Publishing Activities. Thus, levels of employment, turnover and GVA are available in full from CSO and are used for this sub-sector.

Though the data comes from an official source, there is some variability over the years in which the data is available, and the latest data for the sub-sector is significantly higher than the data for the previous year (2010) by c. 50% for both GVA and employment.

As chapter 4 notes, this isn't in keeping with anecdotal evidence from across the industry. Nonetheless, as official data, it is used in the analysis, on a three-year average basis to dampen the effect of the increase.

The official definition of sector 59.20: Sound Recording and Music Publishing Activities, is:

- (a) The activities of production of original (sound) master recordings, such as tapes, CDs; releasing, promoting and distributing sound recordings to wholesalers, retailers or directly to the public. These activities might be integrated, or not, with the production of master recordings in the same unit. If not, the unit exercising these activities has to obtain the reproduction and distribution rights to master recordings. This class also includes sound recording service activities in a studio or elsewhere, including the production of taped (i.e. non-live) radio programming; and
- (b) The activities of music publishing, i.e. activities of acquiring and registering copyrights for musical compositions, promoting, authorising and using these compositions in recordings, radio, television, motion pictures, live performances, print and other media. Units engaged in these activities may own the copyright or act as administrator of the music copyrights on behalf of the copyright owners. Publishing of music and sheet books is included here.



ASCAP Chairman Paul Williams & IMRO Chairman Keith Donald

REPRODUCTION OF RECORDED MEDIA

Definition Includes:

- Reproduction of music

Definition Excludes:

- Reproduction of motion picture, TV, educational material & computer games – these music revenues are accounted for by sync revenues in the Music Sales sub-sector.

This sub-sector is also based on the official definition of the sector embodied by NACE code 1820: Reproduction of Recorded Media. However, levels of employment, turnover and GVA are not used in their entirety because the bulk of such media reproduction in Ireland is with respect to audio-visual, educational and video games.

In conjunction with stakeholders, just 5% of the sector by GVA and employment has been assumed to pertain to pure music reproduction. Music-related elements contained on other media are accounted for elsewhere as sync revenues, per the definition box above.

MUSIC SALES

Definition Includes:

- Physical music sales in Ireland
- Digital music sales in Ireland
- Performance rights in Ireland and from overseas
- Sync revenues in Ireland

Definition Excludes

- Export earnings by Irish artists

The Music Sales sub-sector refers solely to sales within Ireland (apart from performance rights), the majority of which are sales of music by overseas artists and creators.

This is another example of where double-counting exists in turnover terms, with many aspects of the industry benefitting from these sales. This is accounted for by using GVA rather than turnover/expenditure as the main monetary metric in the research.



Altan

GVA

Specific turnover data is sourced as follows:

- Physical music sales revenues are taken from Recording Industry in Numbers (RIN) 2012;
- Digital music sales revenues are taken from RIN 2012;
- Performance rights revenue and GVA information is available from each of the collection societies, IMRO, RAAP and PPI; and
- Sync revenues are taken from RIN, but are only available for 2011.

For each of the elements above, where only revenues are available, GVA is approximated, using ratios from official statistics such as 4763: Retail sale of music and video recordings in specialised stores

JOBS

In terms of jobs supported in the Music Sales sub-sector, CSO data is used where applicable, either in direct terms where jobs are available (such as retail sales) or by applying relevant per worker productivity where jobs aren't available (such as digital sales).

In respect of performance rights, employment data is taken directly from the societies: IMRO, RAAP and PPI.

PLAYBACK

Definition Includes:

- Radio Broadcasting (share)
- Pop Music performances: Stadium, large venues, and festivals (by recording artists but not including recording artists in this category)
- (Additive) Wider arts performances (classical, and using music in ballet and opera)
- Live performances by artists in pubs, clubs, hotels and other venues as well as mobile discos

Definition Excludes:

- Music-induced activity in premises which have a license to play music, but where live sessions are not held.

“Playback” is designed to capture those elements of the music industry where music is listened to en-masse (rather than in private following purchase). This refers to all music performances in Ireland, whether by domestic or foreign recording artists, as well as performers who are not recording artists across the pub/club circuit.

Again there is double-counting in turnover with the collection societies here, but not with respect to GVA or employment.

G V A

GVA is estimated for each of the components as follows:

- Radio Broadcasting – 2011 GVA data is taken from CSO data based on NACE code 6010: Radio Broadcasting. However only 90% of GVA is included, reflecting the increasing reliance of radio on spoken content, either as stations which exist as ‘talk’ stations in their own right, or which increasingly employ DJs who predominantly talk rather than play music.
- Pop music performance – gross receipts from popular music in stadia, large venues and festivals are taken from IMRO data on the box office value (before VAT and ticket sales commissions) of the concert market in 2013 (this excludes ballet, opera and classical which tend to be out of copyright). This is then uplifted for the appropriate ticket sales commission. For confidentiality reasons, the split between box office value and commission cannot be provided. As a final step, GVA is calculated based on the industry average GVA to Turnover ratio for NACE industry group 90_93: Arts, Entertainment and Recreation – more granular data is not available here.
- (Additive) wider arts include the performance elements of musical genres and arts which are dependent on music, and which are not counted above as popular music and/or are beyond copyright. On this definition ballet, opera and classical music are included, but jazz, contemporary dance and folk are excluded to avoid double-counting. Data for 2012 from Kantar Research indicates that these three genres attracted a total of 530,000 attendees in Ireland. Assuming that each of these attendees spend €20 per visit, this implies gross receipts of €22m per annum to which the same GVA ratio from NACE 90_93: Arts, Entertainment and Recreation is applied.
- Pubs/clubs & smaller venues – data from IMRO is first used to obtain the number of performances of live music and discos across pubs, hotels, nightclubs and other venues (including sports and social clubs, dance halls, community halls, restaurants, theatres, schools, colleges and sundry premises). The data is used in conjunction with assumptions on the level of income generated from these performances, in keeping with the detailed assumptions discussed in the section below on jobs. Essentially, the method assumes that for each performance an individual receives an average of €100, of which 80% is profit/wage. When taken together with the employment estimates below, this

yields a productivity estimate of €20,000 per annum, which is lower than other areas of the sector but reflects the lower value added nature of this component.

J O B S

Jobs are estimated for each of the following components using the method described below:

- Radio Broadcasting – 2011 employment data is also taken from CSO data based on NACE code 6010: Radio Broadcasting. However only 90% of jobs are included, for the same reasons as GVA;
- Pop music performance – employment supported by these performances (in stadia and supporting activities rather than the performers) is calculated by using the GVA estimate for this sub-sector in conjunction with the industry average productivity for NACE industry group 90_93: Arts, Entertainment and Recreation;
- (Additive) wider arts employment is also calculated by using the GVA estimate for this sub-sector in conjunction with the industry average productivity for NACE industry group 90_93: Arts, Entertainment and Recreation; and
- Pubs/clubs & smaller venues – data from IMRO is used to obtain estimates of the number of jobs supported by

performances of live music and discos across pubs, hotels, nightclubs and other venues (including sports and social clubs, dance halls, community halls, restaurants, theatres, schools, colleges and sundry premises). This is based upon data for the number of live and mechanical music sessions in 2012:

- There were around 170,000 live music sessions in Ireland in 2012 covered by IMRO, excluding those by major artists in the pop music performance category;
- There were also 18,850 discos covered by IMRO in 2012;
- Assuming there were 2.5 individuals associated with each session and 1 individual associated with each disco, and dividing this by 250 working days in a year yields an estimate of the number of “jobs” supported in this sub-sector. In reality there are likely to be a large number of individual artists, bands and artists who perform as a second job as a hobby and/or to provide supplementary income. As a case in point, First Music Contact provided information to suggest there are over 3,500 Indie bands active in Ireland at present, well in excess of the number of musicians recorded in the Irish Census of 2011 (2,200).

MUSIC'S DIRECT ECONOMIC CONTRIBUTION IN 2012

Aggregate contribution

On the basis of the data and methodologies described earlier in this annex, our analysis indicates that, in 2012, the Irish music industry contributed significantly to the Irish economy.

- Music's Gross Value Added (GVA) of €291 million represents 0.18% of Irish GDP.
- Music's employment base of 9,030 people represents 0.47% of Irish employment across all sectors

Figure A.2.a (below) details the aggregate industry totals as well as sub-sector totals for 2012.

				
	Jobs	Turnover (€m)	GVA (€m)	PpW (€,000)
Creative Works 	3,950	131.1	118.0	29.9
Sound recording & associated activities 	470	72.4	17.4	37.4
Reproduction of recorded media 	60	28.7	5.9	102.3
Music Sales 	220	83.7	9.8	44.3
“Playback” 	4,340	250.4	140.0	32.2
Irish Music Industry 	9,030	566.3	291.1	32.2

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Figure A.2.a: The direct economic contribution of music in Ireland, 2012, Source: Deloitte Analysis



Celtic Woman

COMPARATIVE IMPACT

There are a number of methodological and definitional issues in comparing the estimates presented in this report with other studies. These include:

- Differences in definition
- Macroeconomics
- Industry changes/changes in the value of music
- Artist activity levels in 2001 relative to 2012

Even so, it is possible to compare and contrast the research with work undertaken for the UK by UK Music, examining Music's Economic Contribution to the UK in 2012, as well as a study by Goodbody Consulting, "The Economic Significance of the Irish Music Industry", based on information from 2001.

In 2012, core music in Ireland as defined in this study accounted for around 6.8% of the UK music industry by value (GVA) and 8.3% by employment. As a ready reckoner, the Republic of Ireland's population is c. 7% of the UK, and each of the above measures of contribution are higher than this.

The music industry equates to 0.18% of total economic activity in GVA terms. Productivity per worker in the music industry in Ireland is lower than in the UK (by 18%).

This study uses a different method to that employed by UK Music, which was more granular and based upon a deeper level of official data available in the UK. The definition also differs slightly on the basis of information available.

Looking back to the 2001 study by Goodbody Consulting, which again has a different definition and embodied different levels of

activity, the contribution of Irish music was significantly higher than today at €478 million in GVA terms – some 39% lower with €291 million core contribution now. Interestingly, core music employment was lower in 2001, at 8,100 jobs versus the 9,030 estimated here – an increase of c. 11%.

However, after also accounting for the effects of inflation, the difference in real terms is even starker. Using CSO CPI inflation data to put the 2001 estimate into 2012 prices shows that the industry as measured here may have contracted by around 50% in real terms.

Whilst too much shouldn't be written into these comparisons through time and with the UK, it does match the perceptions of the industry as a whole garnered through the consultations, namely that:

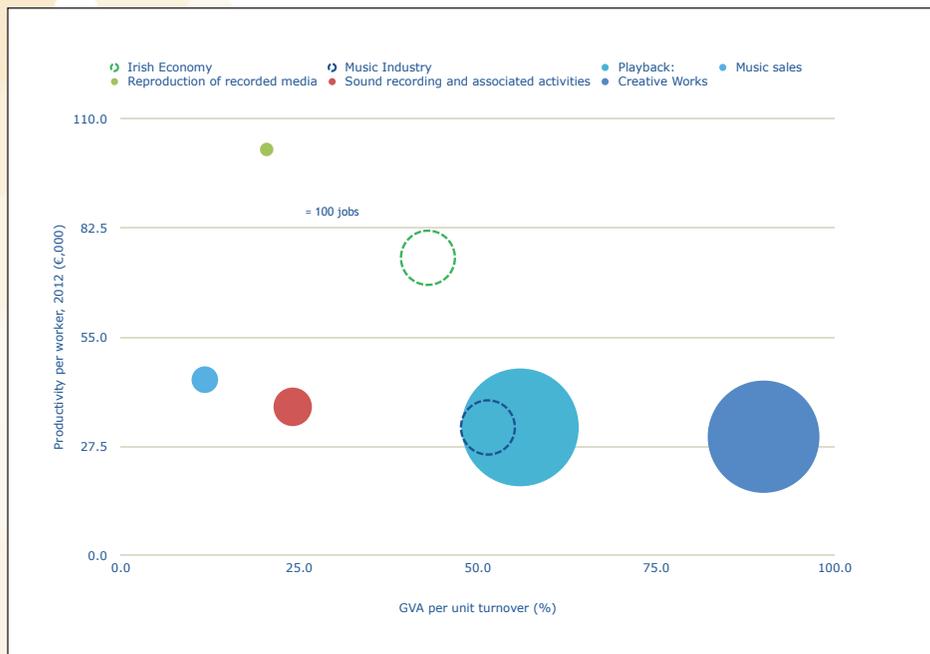
- The Irish music industry is relatively large given Ireland's population; and
- The industry's fortunes have taken a dip over the last decade.

SUB-SECTORAL CONTRIBUTION

The two most significant sectors in music (in employment terms), are Playback and Creative Works, which support 4,340 and 3,950 jobs respectively. Together these two sub-sectors account for almost 92% of employment in the music industry in Ireland.

In GVA terms however, these two sub-sectors account for a lower proportion of GDP: 89%, which reflects the fact that the activity taking place in these sub-sectors has a lower productivity per worker.

This is illustrated in figure A.2.b (overleaf)



Productivity in these sub-sectors is marginally below the average for the music industry, as well as the average for the Irish economy as a whole. In Creative Works terms, there is a small number of artists and writers who generate a large proportion of income, and accordingly, this is high productivity activity. A long-tail, however, in both Creative Works and Playback means that the sub-sector average productivity per worker is significantly lower than the levels of productivity seen amongst the highest earning artists.

Sectors covering reproduction, recording and

sales tend to see much lower GVA contribution per unit of turnover than Creative Works and Playback. As discussed in the next section, competitive pressures have had an impact on this part of the industry, and such low GVA to turnover ratios indicate a lack of profitability in the sector.

This relativity is also due to the lack of capital outlay and other overheads required to allow musicians to perform and earn. For artists in particular, residual income from back catalogues means that the level of intermediate purchasing required to support an additional € income is comparatively low (not least because others in the industry have already taken their share).

Productivity is highest in the Music Sales and Reproduction of Recorded Media sectors, though these sectors are the smallest in employment terms.

MUSIC'S CONTRIBUTION OVER TIME

The lack of consistent information across each aspect of the music industry precludes a comprehensive analysis of how the industry has contributed to the Irish economy over the course of the last few years.

However, consistent time-series information is available for some elements of the industry, including the following NACE codes:

- 1820: Reproduction of Recorded Media;
- 4763: Retail Sale of Music and Video Recordings in Specialised Stores;
- 5920: Sound Recording and Music Publishing Activities;
- 6010: Radio Broadcasting.

Anecdotal evidence suggests that the industry contracted immediately post-2008 crash, and during the subsequent recession. It is widely understood by stakeholders that areas of the industry pertaining to recording; publishing; reproduction of media; and retail sales have declined significantly over the last few years.

This is certainly borne out by the official statistics which show that GVA declined significantly across these areas between 2008 and 2011 (2012 is not yet available from CSO).

Elements of this decline can be explained by the recession, the pace of technological change and changing consumer behaviour, but other factors at work here might include displacement to piracy. Although the statistical measures available include video and video-game elements, the reproduction of recorded media in Ireland lost over 40% of its output between 2008 and 2011. GVA accruing from the retail sale of music (and video) in specialised stores also fell by over 40% between 2008 and 2011.

At the same time, the sector accounting for physical music sales over the internet (and for

Figure A.2.b: The direct economic contribution of music in Ireland, 2012, Source: Deloitte Analysis

all other retail items too), increased GVA by 76%, detailing the shift away from the high street (as well as toward non-specialist stores) over this time-period.

Output in radio broadcasting also fell, with much of this decline thought to be due to a decline in advertising spend throughout the recession. Anecdotally, the expected shift from traditional channel advertising to new media hasn't materialised in Ireland to the extent that was expected.

The data shows an increase in GVA in recording and music publishing, particularly in 2011, which meant GVA in those organisations increased by 150% from 2008. However, stakeholders have cast doubt on the validity of this statistic, stating that this sub-sector had contracted over the period. CSO confirm that there is no mistake in the data, and that any variability in the data can be due to the sampling in the survey.

Taking these 4 sectors in aggregate, nominal GVA (before accounting for inflation) fell by an average of 11% per annum between 2008 and 2011. The equivalent measure for the Irish economy as a whole was a decline of 3.4% per annum. When inflation is factored in, the real terms decline in both these measures is likely to be even higher.

In a situation where GVA falls faster than employment, this leads to reductions in productivity measured as the level of output per worker.

In these four sectors, nominal terms productivity per worker (GVA) fell from €74,300 to €54,300 between 2008 and 2011. Whilst this might not apply to the other elements of the music industry as defined in this study, it does highlight the extent to which the industry has changed, largely we assume due to changing consumer preferences and the recession.

In employment terms, the declines have not been quite so severe. Between 2008 and 2011, the number of people engaged in activity in these

sectors fell by an average of 1.8% per annum.

Across the Irish economy as a whole, employment contracted by 4.6% per annum over the same period. The contraction in 2009 was particularly severe across the economy and in the 4 sectors, but things have improved since then, according to the statistics.

The estimate is particularly sensitive to the 2011 figure for Sound Recording and Music Publishing activities.

The growth in 2011 in employment within the

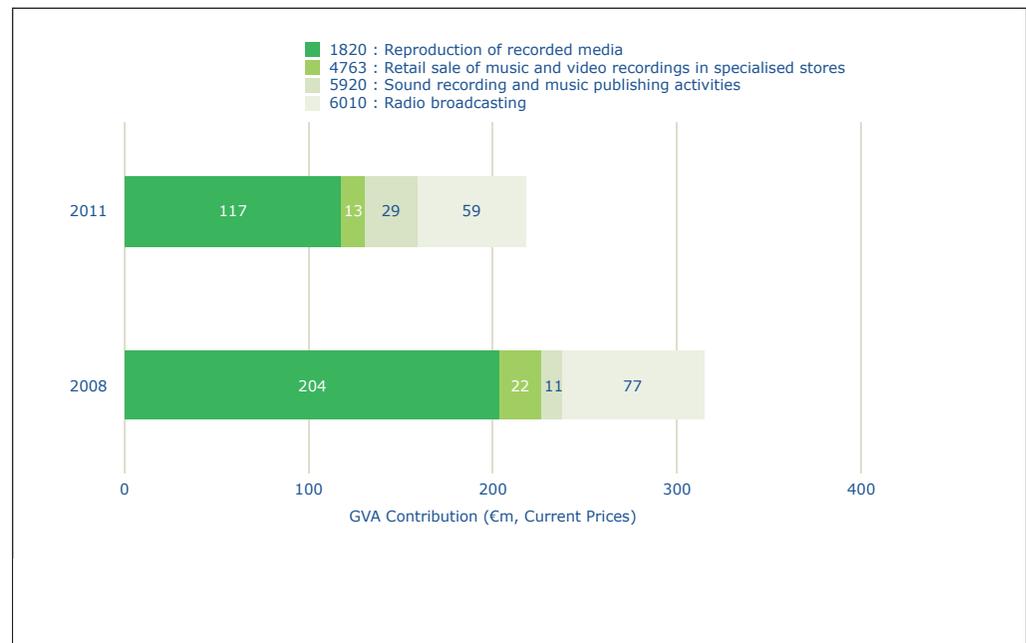


Figure A.2.c: Selected areas of the Irish music industry, GVA contribution, 2008-11 (€m, Current prices), Source: CSO, Deloitte Analysis

4-sectors came almost exclusively from Sound Recording and Music Publishing Activities – an estimate queried by stakeholders. In 2011, employment in this sector doubled from 390 people in employment to 780.

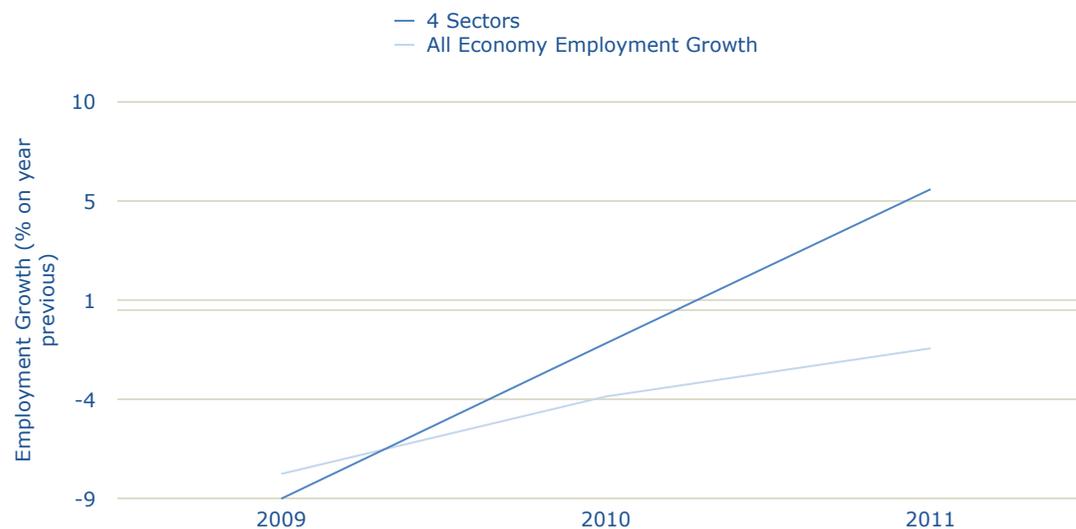


Figure A.2.d: Selected areas of the Irish music industry, Employment Growth 2009-11 (% on year previous), Source: CSO, Deloitte Analysis

ANNEX 3: THE INDIRECT, INDUCED AND NARROW ECONOMIC CONTRIBUTION OF MUSIC

This chapter presents estimates of the way in which the Irish music industry generates further activity throughout the economy, as organisations and individuals purchase inputs through the supply-chain, as well as spending earnings from the industry on consumer goods and services in Ireland.

METHOD

A fixed-coefficient macroeconomic model of the Republic of Ireland is used to estimate the extent to which the core music industry supports activity in other sectors and through consumer spending.

In broad terms, this involves applying the direct expenditure in the core music industry to an input-output model of the Irish economy, which in turn estimates the level of supply chain purchases generated throughout the economy (the Type I multiplier or indirect effect) and also a total measure to include the effects of consumer spending (the Type II multiplier including the induced effect – which also includes the previous Type I element).

Sector average GVA ratios and productivity estimates for Ireland are then used to translate the indirect and induced expenditure impacts into GVA impacts and employment impacts respectively.

Given data gaps in ancillary sectors such as the production and sale of musical instruments, music teaching and instruction and other similar sectors that facilitate the creation and playback of music, it is not feasible to split out how much of the supply-chain impact is in those specialist industries and how much is in other supporting, but generic, sectors.

Our analysis indicates that a high proportion, 31%, of the direct (core industry) intermediate purchases come from other sectors included in the core definition. Including these in the core definition is acceptable because GVA is the measure used to strip out the value added at each stage⁴⁸. However, these intra-industry purchases cannot be included when estimating indirect and induced effects through the supply-chain and consumer spending, otherwise elements of the sector will be double-counted and the impact of music amongst other sectors

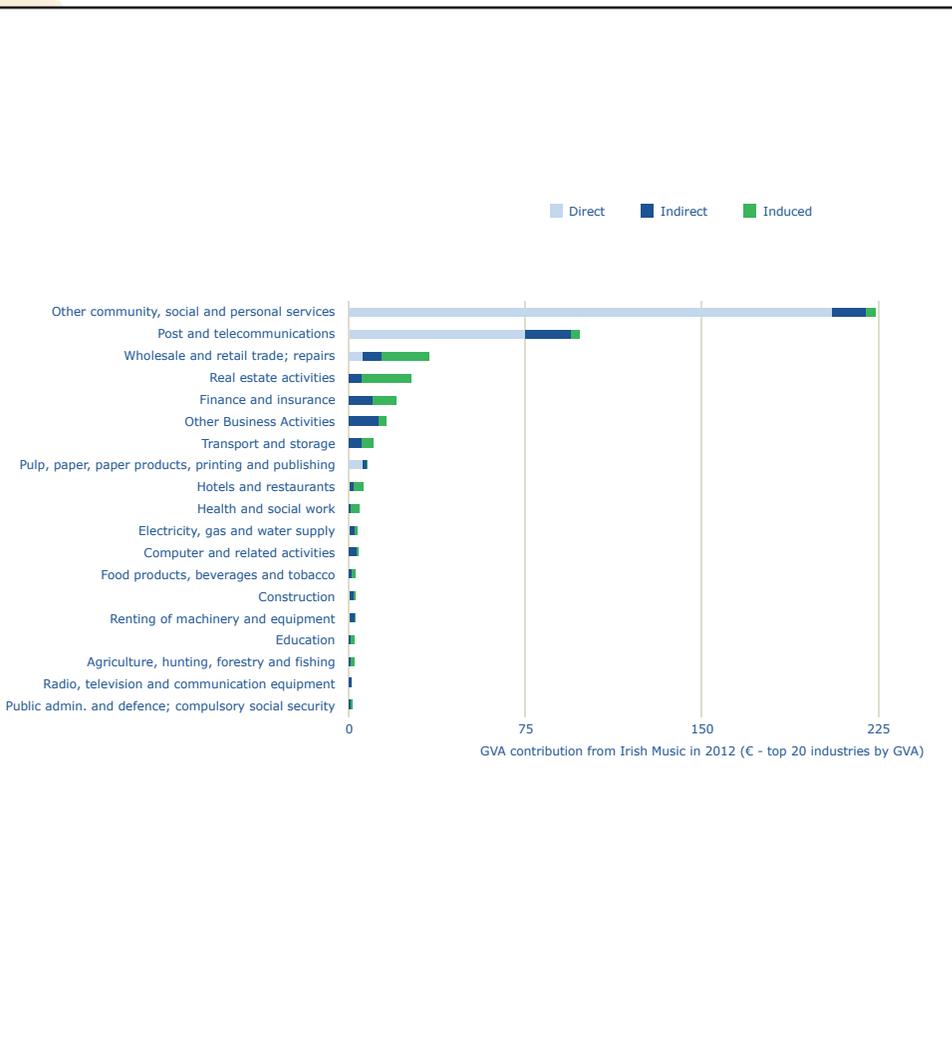
will be subject to overestimation.

Allowing for the 31% interaction in the music industry supply-chain yields an effective Type II expenditure multiplier of 1.67, which thus excludes inter-industry purchases already included, by definition, in the direct measure of music's contribution to the Irish economy⁴⁹.

This multiplier is significantly lower than the calculated TYPE II expenditure multiplier for sector 90_93: Other community, social and personal services, which is estimated to be in the order of 2.19.

Without the downward adjustments for cross-purchasing, the total effects implied by the analysis and shown in section 4.2 would be around a third higher again.

⁴⁸: This 31% is a weighted average based on the extent to which sectors featuring sub-sectors designated in the analysis tend to buy from each other
⁴⁹: If all this intra-industry activity were all additional, the multiplier would be expected to be in the region of 1.94.



RESULTS

The direct economic activity in the core Irish music industry (discussed in Chapter 3) generates additional activity through the Irish economy. In summary:

- 2,480 jobs, of which 1,180 stem from the support of business throughout the supply-chain and 1,310 come from consumer spending from income paid to individuals throughout Ireland; and
- €182.3 million in GVA terms, of which €93.8 million comes through business-to-business purchasing and €88.6 million is attributable to consumer spending.

When factoring in this additional activity, the Irish music industry can be said, in total, to contribute:

- 0.3% of Ireland’s GDP; and
- 0.6% of Ireland’s employment

Figure A.3.a (left) shows the industrial breakdown of these impacts for the top 20 sectors in the model, by value.

Much of the music industry (at least in direct

terms) is contained within other services, post and telecommunications (which includes media), and printing and publishing.

In terms of the indirect impacts of business to business purchasing, the largest single component is attributable to the media and communications sector outside the core definition of music. Here the impacts in other services are those generated by purchases from firms outside the core music industry.

Other sectors benefitting significantly from music include:

- Business services
- Finance and insurance
- Wholesale and retail
- Transport
- Real estate
- Computer and related activities.

From a consumer spending perspective, the top five sectors by value in 2012 are:

- Real estate activities
- Wholesale and retail
- Finance and insurance
- Transport
- Hotels and restaurants

Figure A.3.a: Total GVA contribution from the music industry in Ireland, 2012. Source: Deloitte Analysis

ANNEX 4: CONSULTATION FEEDBACK

THE IRISH MUSIC INDUSTRY TODAY

To provide further insight to the data and analysis undertaken as part of this study, Deloitte consulted with 30 individuals and organisations from across the Irish music industry and music-related sectors. The consultations were held in order to obtain the views of a range of participants within the sector with regard to the strengths of the industry in Ireland, areas in which it requires support, potential opportunities and potential risks.

STRENGTHS

Level of talent

There was an almost universal view amongst those consulted that the level of talent within the industry is very strong across a range of genres. This was the most consistently voiced opinion heard during the consultations, with respondents very positive on the levels of creativity and musicianship present throughout Ireland.

Strong musical culture

Music is deeply ingrained in Irish culture and

there is a strong tradition of musicianship and a general appreciation of the value of music. However, stakeholders noted that this culture must be nurtured if it is to continue to flourish. In particular music education for children is believed to have significant gaps at present, both within the formal education system and outside of it. Developments such as the 'Arts in Education Charter' prepared by the Department of Education and Skills and initiatives such as Music Generation are positive steps in this area.

*"Arts education encompasses a range of activities in the visual arts, in music, in drama, in dance and in literature. These activities and experiences help the child to make sense of the world; to question, to speculate and to find solutions; to deal with feelings and to respond to creative experiences."*⁵⁰

Strong international reputation

A number of participants commented on the strong reputation of Irish artists abroad, particularly in the UK and US. This reputation extends across a number of genres from pop to traditional music to classical. The reputation is connected to, and reinforces, a strong overall cultural brand. However, a common view expressed was that many markets remain relatively unexplored by Irish artists (e.g. mainland Europe) largely driven by a lack of

familiarity and lack of understanding of how to access these markets. However, where Irish artists have focused on these markets they have been successes (e.g. Ryan Sheridan's success in Germany, where his debut album reached number 1 in the German iTunes chart).

English speaking

Being an English-speaking nation is a strength from the point of view that it gives Irish artists easier access to a number of key markets (the UK and US in particular). However, this may have resulted in other key markets being under-explored by Irish artists.

Vibrant live music scene

Ireland has a vibrant live music scene with the number of summer festivals in particular expanding significantly in recent years. A number of participants also commented on the high levels of technical talent (sound engineers, lighting technicians, etc.) present here which complements this scene.

However, a view was also expressed that some of the more traditional smaller venues have suffered in recent times, with economic pressures taking their toll. This can make it difficult for smaller acts starting out to get live experience particularly outside the major cities.

⁵⁰: Department of Education & Skills, Arts in Education Charter, December 2012

CHALLENGES

Perception of value

While the intrinsic value of music in terms of its social impact and benefits is generally appreciated within Ireland, participants expressed significant concern that the economic value of the industry is less understood and appreciated. This is evident across all levels of society through actions such as the illegal downloading of music, consideration of music as a 'hobby' rather than a valid profession, and the lack of tailored enterprise support available to small music businesses. This raises challenges for those operating in the industry to build sustainable careers and enterprises.

Small domestic market

The small nature of the domestic market has a number of implications. Firstly, it means that most professional musicians, songwriters and technical resources are required to work internationally in order to earn a sustainable income (though the point was made that this does force people to expand their horizons and ultimately can be of benefit). Secondly, it means that there is less scope to develop specialist skills and expertise in a smaller market. This is exacerbated by the fact that Ireland is close to London - one of the largest centres of music in the world - which acts as a draw (and will continue to do so) for specialist legal, commercial and production expertise.

Lack of industry infrastructure to complement the creative talent

A large number of participants expressed a

view that while there are considerable levels of talent in the country, there is a lack of industry infrastructure (large domestic labels, management, production expertise, legal etc.) to complement this talent. This skills gap was particularly evident for artists and bands when looking to operate at an international level. This may be due to the fact that, historically, many Irish artists have been signed and developed by major international labels such as Sony Music Entertainment or Universal Music Group. Much of the recording, development and management of Irish artists happened in London or elsewhere, with some notable exceptions.

Lack of commercial skills

A frequent challenge mentioned was the lack of commercial skills among artists and bands themselves. While this was not a significant issue at start-up stage, as artists looked to expand internationally, this gap became very evident. Industry participants particularly felt that there was a lack of training and education available to help them develop their commercial skills and access export markets.

Lack of funding

Lack of funding is a major issue within the Irish music industry. This is exacerbated by the collapse in physical sales, which traditionally provided funding for touring and promotion - which in turn could lead to further cycles of new releases and investment. This is a problem shared by the wider music industry, though in many countries supports exist to mitigate these funding pressures. Some supports are of course available in Ireland, though they are dispersed

across a number of entities, creating challenges in terms of individuals understanding and accessing the funding.

Difficulties for Irish artists in getting radio airplay.

Many respondents felt that it is difficult for Irish artists (particularly those who are emerging) to get meaningful levels of airplay on Irish radio. A number of respondents felt that playlists tend to be dominated by international releases from the major labels. Independent radio stations are required to play certain levels of Irish music by the terms of their license, though there is some confusion as to what constitutes 'Irish' music (recorded or mixed in Ireland, one member of a group Irish etc.).

OPPORTUNITIES

Better funding to help the development and promotion of emerging Irish artists

As noted above, funding is a critical issue for the Irish music industry and indeed in the cultural industries in general. A number of nations have established highly successful institutions to help develop their domestic music industries with Canada, Sweden and New Zealand being notable examples. These organisations tend to perform a number of roles: developing skills (both artistic and commercial); and providing recording support, touring support and promoting their domestic music at home and abroad. Targeted support could be highly beneficial to the industry.

Developing commercial skills through education and mentorship programs

Formal education can obviously play a role in the development of commercial skills, though there is also a significant element of learning from other individuals with deep industry knowledge. A number of respondents felt that a mentorship programme and master classes could be valuable in this regard.

Strengthen the copyright regime

A number of respondents felt that there is an opportunity for Ireland to play a leading role in developing and strengthening the copyright regime, given the presence of a number of prominent technology firms here. There is a symbiotic relationship between technology and music / creative industries with the technology

sector dependent on the generation of creative works for their services – a strong vibrant creative sector can ensure the success of the technology sector and vice versa. A strong copyright regime is critical to this. Many felt that leadership in this regard would have to come at European level and that Ireland should have a clear voice at European level.

Provision of a digital platform for Irish recording artists to facilitate more Irish music on the radio

A proposal was raised during the consultations for a digital platform that would enable Irish artists to provide new material to radio stations in a convenient, consistent digital format. The proposal is based on a system in use in Canada whereby all new recordings are submitted to stations digitally in the same format. The system allows Canadian recordings to be tagged and identified separately, while music can also be identified by genre. The system could potentially be of particular benefit to emerging artists, who frequently submit music by CD and generally have difficulty getting attention from the radio stations.

Adjustments to the tax regime

Income streams related to musical compositions tend to be highly variable from year to year at all levels of the industry. This can put significant pressure on artists and composers, particularly those earning lower levels of income. The possibility of a carry forward provision that could be added to the Artist Exemption Scheme was put forward

during consultations. It would mean that unused elements of relief up to the €50,000 threshold could be taken forward into subsequent years and offset against future earnings. This would help smooth earnings in what can be a highly cyclical industry.

In addition, the view was expressed that adjustments could be made to Section 481 (Film Tax Relief) so that the criteria for receiving tax relief be expanded to include the use of Irish/EU based composers, recording studios, performers etc. The inclusion of such criteria is unlikely to discourage film production in Ireland, but would help support Irish/EU-based music industry professionals.

THREATS

Infringements on copyright

Widespread infringements on copyright are obviously a threat to the livelihoods of artists and this issue remains a significant concern to many within the music industry. A number of respondents stated that a generation has now grown up with the expectation that music is free and that this has damaged the perception of value in the industry. The increasing maturity of legal means of downloading and streaming content presents a hope that music sales can begin to grow again, though some respondents expressed concerns regarding the levels of payments from some of these services.

Withdrawal of the major labels from Ireland

The view was expressed that there is a possibility that the labels could pull out of

Ireland altogether if current trends continue. Given the historic importance of the major labels in terms of developing Irish talent, this could represent a threat to the health of the industry here, unless other avenues of development and promotion are improved. The changing nature of the music industry does provide such opportunities however. For example, many artists now look to keep the rights associated with their work and hire the services of labels to market and distribute their work, on an arm's length basis.

Less emphasis on music in the education system

While historically music education and exposure to music has been high, this has reduced over time, as curriculums have become more crowded. Participants felt that there is a lack of emphasis on music in the current education system and in teacher training. All instrument teaching is undertaken outside of the formal education system and this is heavily dependent on parental attitude and income.

Further reductions in the artist exemption scheme cap

While there were no objections to the imposition of a cap on the artist exemption scheme amongst those consulted for the purposes of this study, many did feel that any further reductions in the level of the cap could have a significant detrimental impact on the ability of artists to earn a living, and by extension, the health of the industry here.



And So I Watch You From Afar



Laura Sheeran

ANNEX 5: IMRO MEMBER SURVEY

As part of the broader study, IMRO conducted a survey of its members in order to profile the current state of the Irish music industry and those who operate within the industry. The survey focused on the challenges facing the industry and opportunities for improvement through both government intervention and intervention from the industry itself.

The following provides an analysis of the responses received to each of the 15 questions that were posed to IMRO members. A total of 313 responses were received.

1. Which of the following best describes you (Songwriter/Composer, Composer/Songwriter/Performer, Music Publisher or Other)?

Respondents were requested to provide the nature of their involvement with the music industry. Just under three quarters of those surveyed categorised themselves as a Songwriter / Composer / Performer, with a further 16% classified as exclusively Songwriter / Composer. Of the rest, 3% recorded Music Publisher as their primary involvement in the industry and 8% listed Other.

2. What age classification do you fall into?

All age categories from <20 to >64 were represented in the responses received, with an average age of approximately 43.

3. Where are you based?

Approximately 44% of respondents classified themselves as primarily Dublin-based, with 11% and 6% from Cork and Galway respectively. Responses received were broadly in line with the national population distribution, with the strong artistic presence in Dublin excepted.

4. How long have you been active in the music industry?

Most of the respondents had considerable experience within the industry. Just under half of those surveyed recorded an involvement of 20+ years in the music industry, while 23% recorded 10 – 20 years of experience in the industry.

5. On average, how many hours per week do you spend working in music?

Respondents recorded an average of 20 hours per week spent working in music, with roughly a quarter of respondents in each of the 1-10, 11-20, 21-30 and 31-40 brackets.

6. Are you operating as a limited company or sole ownership?

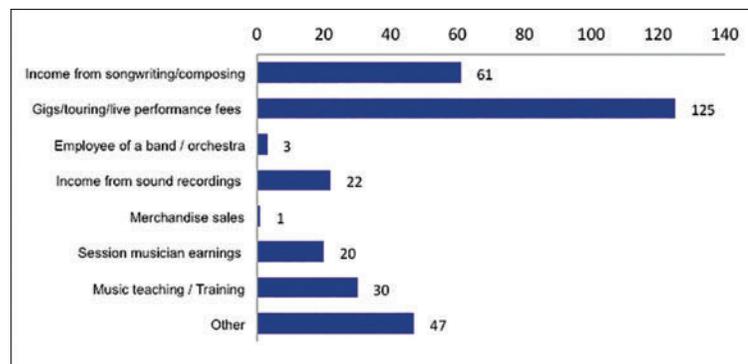
Half of respondents categorised themselves as a sole trader, with a further 8% operating as part of a limited company.

7. Is music your only source of income?

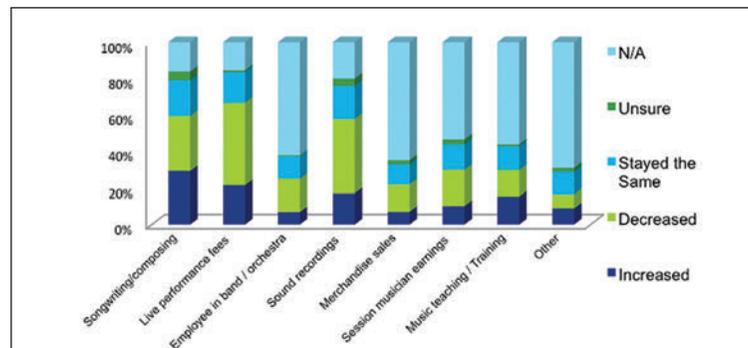
Four out of ten of those surveyed list music as their only source of income.

8. Thinking about your earnings from music in the last 12 months, please indicate the primary source of your income from the following categories.

The majority of respondents' income is from live performance fees:



9. Over the course of the past five years, how has your income changed in each of these categories, if at all?



Large proportions of respondents reported declining income from live performances and sound recordings, though other income from songwriting/ composing (IMRO royalties, mechanical royalties, etc.) has been more stable.

10. Over the course of the last 5 years, have your IMRO royalties increased, decreased or remained the same?

30% of respondents saw an increase in royalties, with a similar number seeing a decrease. 20% of the respondents recorded royalties as unchanged.

11 If you said you had seen an increase in royalties, outline the reasons why this may have occurred.

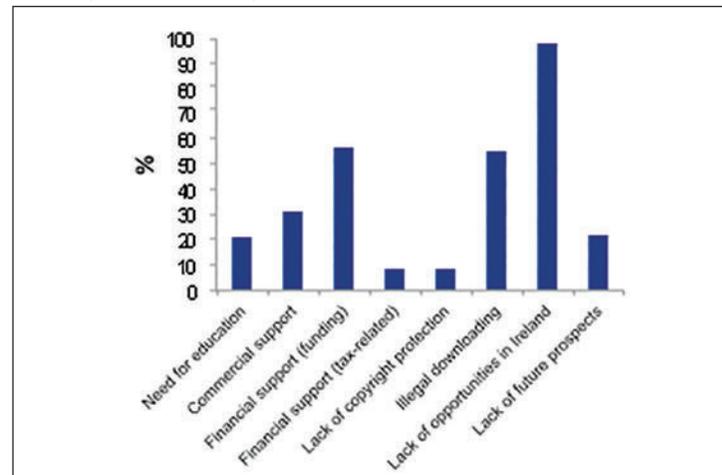
60% of respondents recorded career progression, more airplay & new material as a primary reason. Other popular responses included more live performances and more effective royalty collection by IMRO.

12. If you said you had seen a decrease in royalties, outline the reasons why this may have occurred.

Most respondents cited less airplay as the primary reason for the decrease in royalties. Other reasons included career decline and less live performances.

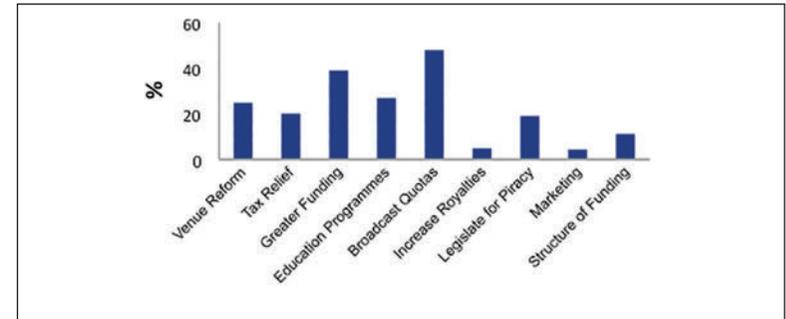
13. Which of these issues represents the greatest challenge to songwriters/composers/music publishers in Ireland today?

The major issue identified by respondents was the lack of opportunities available in Ireland, with the lack of financial support and illegal downloading also seen as presenting major challenges to the music industry in Ireland today.



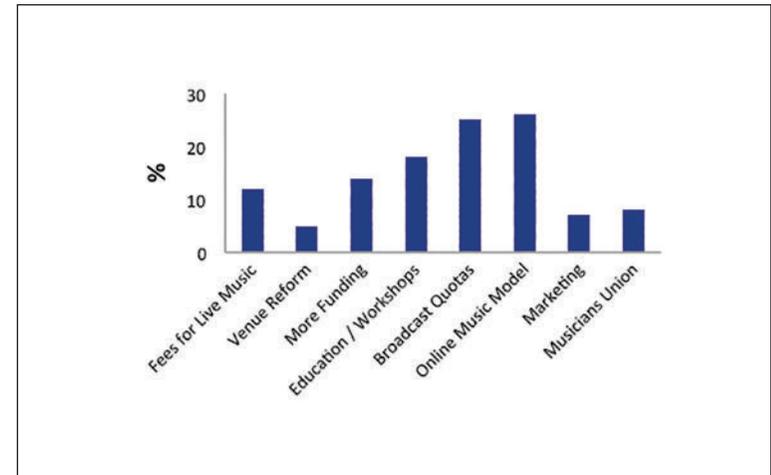
14. If the Government could provide one targeted intervention to improve the sector and enhance its prospects, what would that be?

Respondents identified the lack of airtime given to Irish acts as the major challenge facing musicians in Ireland. The lack of funding available to artists is an issue, and many identified a lack of venues available for rehearsing as a major issue.



15. Is there anything the music industry itself can / should do to enhance its prospects?

The primary issue raised by respondents was the need for the music industry to lobby for change in the online streaming market, to wrest power back into the hands of musicians. Broadcast quotas for Irish acts were raised again here.



ANNEX 6: POLICY RECOMMENDATIONS

In developing the policy recommendations for this report, a large number of options were considered. The highest priority recommendations have been included in the main section of the report. For completeness the full list has been included below.

FINANCE

- Lack of access to finance as financial institutions are not prepared to lend to individuals or organisations in the industry, viewing any investment as 'risky'
- Limited State funding available to those in the 'commercial' music industry

PROPOSAL

TIMEFRAME

Establishment of a Music Industry Innovation Fund to support funding at all stages of business development	12 Months
Provision of export grants to SMEs	12 -18 months
Engagement with the financial sector e.g. music industry insight into the typical risk profile and financing requirements	6 months
Amendment to the Artists' taxation exemption relief to allow optimum utilisation of the relief	12 -18 Months
Request for retention of the Employment and Investment Incentive Funding ("EII") taxation relief	n/a

MARKET ACCESS

- Information failure / asymmetry in relation to business support
- Coordination failure / information asymmetry in relation to foreign market access

PROPOSAL

TIMEFRAME

Build relationships with and leverage existing networks e.g. Enterprise Ireland international office network (access to over 60 countries); Irish Embassy's worldwide etc. 6 – 12 months

Establishment of Music Ireland to act as a point of contact for all music-related information and supports 12 -18 months

Industry cooperation with Irish broadcasters in showcasing Irish talent 6 months

Ronan Hardiman



EDUCATION & TRAINING

- Skills and training gap in provision of professional business / finance training to individuals operating in the industry
- Gap in provision of advanced training and education e.g. master classes to experienced professionals in the industry
- Limited coordinated focus on music in schools nationwide



Roger Doyle

PROPOSAL

TIMEFRAME

Development / support for 'business of music' education and qualifications – project management, finance, international sales & marketing	24 months +
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Review and development of advanced training courses for music professionals	24 months +
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Contribute to initiatives to encourage creativity through the teaching of music in schools (primary and post-primary level)	24 months +
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Develop industry-led mentorship programs	12 months
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Introduce bursaries for top students (creative and commercial) to study in leading music institutions	12 months
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Encourage international competitive placement programs for leading students	24 months +
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Develop measures to attract home Irish talent in overseas markets with specialist skills (management, production, engineering etc.)	24 months +
---	-------------

Detailed audit of skills requirements for the music industry	12 months
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INTELLECTUAL PROPERTY

- Free rider problem in music (piracy and copyright infringements) leading to loss of income to those operating in the industry, higher prices to consumers and erosion of 'value' of music
- Failure to consider the synergies between the creative and technology industries

PROPOSAL

TIMEFRAME

Lobby for establishment of IP 'Tsar' who will consider impact of IP and Copyright legislation on both the creative and technology industries	12 – 18 months
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Develop closer links with education sector to inform on the issues caused by copyright infringement	18 – 24 months
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Seek cooperation with industry to look at IP regime in Ireland	12 – 18 months
--	----------------

ACCESS TO INNOVATION

- Industry lacks the scale to sustain large scale management and ancillary music services, leading to loss of key talent and skills overseas (primarily UK)
- Coordination failure between the music industry and other creative and technical industries.

PROPOSAL

TIMEFRAME

Request for amendment to the "SARP" taxation relief to encourage immigration of skilled talent capable of performing key functions within the industry (in such areas as sound recording and fostering / promoting Irish talent)	12 - 18 months
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Facilitate collaboration between other creative industries such as games and film, to share experiences and pool opportunities	3 – 6 months
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CLUSTERS AND COLLABORATION

- The cottage industry nature of the majority of the industry has limited the development of collaborative ventures

PROPOSAL

TIMEFRAME

Develop strategy for development of clusters around defined expertise e.g. production	18 – 24 months
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Closer co-operation with tourism bodies such as Fáilte Ireland and Tourism Ireland	6 – 12 months
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Creation of a 'music space' to allow young musicians to collaborate and experiment á la the "Oh Yeah Centre" in Belfast or Webworks / Digital Hub for technology companies	12 – 18 months
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Maintenance of an industry directory of key international contacts (producers, engineers, managers etc.)	12 months
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Networking events around particular themes	6 months
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Amendment to Film Tax Relief Guidelines to encourage the engagement of Irish/EU based music components	12 - 24 Months
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Nathan Carter

ANNEX 7: TASK FORCE TERMS OF REFERENCE

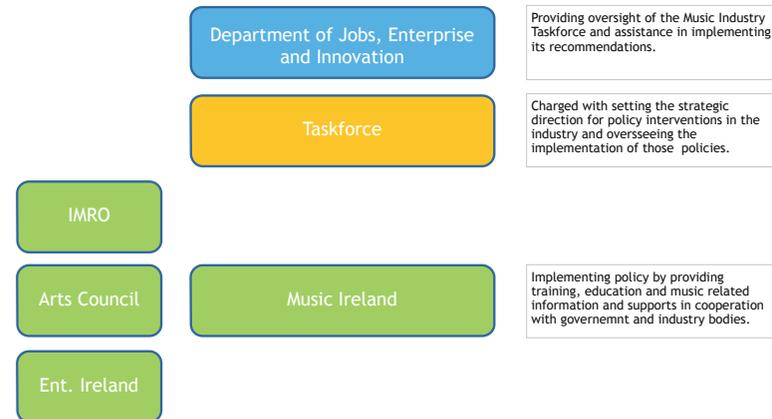
Suggested Terms of Reference for the Music Industry Task Force ('The Taskforce') are set out below.

1. The Taskforce should be comprised of members with sufficient industry and/or political knowledge to assess and implement the recommendations of this report.
2. The Taskforce is to be charged with examining the feasibility of the individual recommendations set out in this report.
3. The Taskforce should decide on the optimal suite of policy recommendations, taking into account the need to support the creative, commercial and technical aspects of the industry.
4. The Taskforce is to specify the actions required to prioritise and implement the chosen recommendations and the likely timeframe for implementation.
5. The Taskforce is to oversee the implementation of the chosen policy measures and report on its progress to the Minister for Jobs, Enterprise and Innovation.
6. In specifying and implementing the actions, the Taskforce should make use of existing industry and government

bodies where possible in order to ensure that the recommendations are implemented quickly and efficiently.

7. The Taskforce should propose an ongoing governance framework post implementation in order to ensure that the implementation measures continue to deliver the maximum level of benefit to the Irish music industry.

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