AN IMPACT ANALYSIS OF PROVINCIAL MUSIC HUBS IN SOUTH AFRICA

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Mr Mandla Selby Maseko

Master of Arts degree (Arts, Culture and Heritage Management) Wits University, 2017

a) Lecturer (PT) at Tshwane University of Technology and Acting CEO of Downtown Music Hub (a project of DAC)
b) Chairperson of the Association of Independent Record Companies of South Africa (AIRCO)–2016 to 2019;
c) Deputy Chairperson of Moshito Music Conference and Exhibitions 2014 to 2018;
d) Former Secretariat member of the Interim Committee for Cultural and Creative Industries of South Africa (CCIFSA) appointed by the Minister of Arts and Culture in March 2014; and
e) Chairman of Limpopo Arts Foundation
In South Africa, the major constraints on the launching of a musical career are access to trade knowledge and the means of production, such as recording facilities (Jordan, 2009). The Southern African Music Rights Organization’s empirical research shows that international music still dominates the South African music market, with 74% of music sold and played on broadcasting and public platforms (Samro, Notes, November 2014, p 13). As a result, the majority of local independent music composers, producers and performers are forced to share the remaining 26% of the music market.
Since 2006 the South African music industry has seen an increase in government expenditure on and investment in musical institutions, at national and provincial levels, which are defined in this study as “music hubs”. In 2006, the Eastern Cape Audio Visual Centre (ECAVC) was established in East London (Eastern Cape Province); in 2009/2010, the KZN Music House was established in Durban (KwaZulu-Natal) and in 2008, the Downtown Music Hub was established in Johannesburg (Gauteng Province). The rationale to establish these music hubs is to ease access to the means of production for a large number of local music composers, producers and performers.
This qualitative research study unpacks the economic challenges facing the local music industry role players and evaluates how these music hubs, in the respective provinces, are used as government interventions to address the historical challenges that continue to derail the economic growth of local music role players. The research used the music evaluation model, i.e. the music industry ecosystem and value chain system as a tool to gauge the impact of the case studies. It evaluated whether the two case studies (Music House KZN and ECAVC) have managed to position themselves, in their respective provinces, as music industry ecosystem and centrepiece for local music role players to thrive.
To what extent are music hubs fulfilling their policy mandate to be beacons of hope for the local music industry?
The music industry’s core business is to identify talent, nurture it, record compositions, build musical brands and exploit the sound recordings through music publishing. The music industry is premised on two fundamental rights, namely Copyright in Composition (the creation of the song, idea, lyrics, melody and structure) and Copyright in the recorded works (whoever paid for the recording owns the master copy). The Copyright laws of South Africa (Copyright Act 98 of 1978) confer the right to the owner of any intellectual property.
The rights (Composition and Recorded works) in music accrue royalties when they are used. As explained by Matzukis (2013), there are different types of royalties. For example, for Copyright in Composition there are performance royalties, mechanical royalties and synchronization royalties and for Copyright in Recording there are recording artists’ royalties, needle-time royalties, music video royalties, producer’s royalties and secondary exploitation royalties.
The local music industry in South Africa is still haunted by the findings of the Music Industry Task Team (MITT) report (2001), which diagnosed the cancer that continues to eat its economic growth. The MITT report (2001) remains a reliable source that articulates the challenges facing the local music industry and also provides recommendations to address these challenges. The Music Industry Task Team recommended, as enshrined in recommendation 33 and 34, the following:

a) That the Department of Arts, Culture, Science and Technology (DACST) explore the possibility of creating recording infrastructure in areas outside Gauteng as part of the Cultural Industries Growth Strategy; and

b) That the National Arts Council actively solicit proposals for music development outside of Gauteng in particular and the major cities in general.
Unfortunately, majority of local independent music composers, producers and performers, mostly located outside of urbanised provinces such as Gauteng and Western Cape, still lack access to adequate and professional recording studios; lack basic knowledge on ownership of compositions and sound recordings rights; lack the skill to interpret the copyright laws; lack understanding of contractual issues between the artist and record company; lack understanding of the exportation trade; lack the means to submit their audio-visual works for airplay and lack adequate resources to build their brands for competitiveness.
Existing literature shows that in 2008/2009, the Department of Arts and Culture purchased the historic Downtown Studios from Callo Record Company in Johannesburg; in 2006/2007 the Eastern Cape Department of Sport, Recreation, Arts and Culture in partnership with the University of Fort Hare, funded through the National Lottery Commission, established the Eastern Cape Audio Visual Centre (ECAVC), also known as the Miriam Makeba Centre, and in 2009/10 the KwaZulu-Natal Department of Economic Development and Tourism funded the establishment of Music House KZN to be centres of musical activity.
DOWNTOWN MUSIC HUB
MUSIC HOUSE KZN
This research used KZN Music House (KwaZulu-Natal) now named Music House KZN, and the Eastern Cape Audiovisual Centre (Eastern Cape) as case studies to evaluate their impact in the music ecosystem or value chain system in their respective provinces to gauge whether these provincial music hubs have created access for local music role players (composers, producers and performers) to state-of-the art recording facilities, cutting-edge audiovisual music production facilities, music manufacturing plants, channels to retail stores, broadcasting platforms, rehearsal spaces, and the marketing and promotion of music products, which were cited in the MITT report (2001) as blockages created by the past government system. Overall, this study analysed how these music hubs are assisting local music role players in their respective provinces to produce high-quality broadcast music products that will elevate them to be competitive locally and globally.
research findings
In South Africa, there is insufficient literature on the subject of music hubs, thus there is no common definition of the musical institutions used in this research as case studies. For the purpose of consistency, this study borrowed the term “music hub” from the UK scholar Allen (1990), who defines a hub as a central point of interest or activities. A music hub is, therefore, defined as a central point for music activities or a central point for people with music interest (The Concise Oxford Dictionary, 1990. p 574). In fact, research shows that the United Kingdom (UK) government credited Chief Executive of Arts Council England, Darren Henley as one of the originators of the concept of music hubs in the 1980s.
The former arts and culture minister Pallo Jordan (2009), in his speech at the launch of Downtown Music Hub, said: “The Downtown studios will be transformed into South Africa’s first music hub that will provide opportunities across the entire value chain of the music industry.” This policy directive is embraced by his successor, the current Minister of Arts and Culture, Nathi Mthethwa (2014), who further committed that “the music hubs will serve as cultural incubators for content production, talent development, establishment of a venture capital fund, value capturing and value circulation”.

policy position
The concept of music hubs was brought into existence by the former arts and culture minister, Pallo Jordan, who advocated for government investment in the local music industry. Jordan (2009) advanced a policy direction to create unique and innovative music production entities that would empower all the stakeholders in the music industry, with special emphasis on the musicians and the communities from which they are drawn (Jordan, 2009). Consistently, Jordan’s predecessor, former arts and culture minister Lulu Xingwana embraced Jordan’s vision and continued on the same path to strengthen the trajectory of establishing innovative music production entities (music hubs) that would empower all the stakeholders in the music industry.
In his budget vote speech, Mthethwa (2014) said: “South African music continues to be developed, as music is one of the most potent instruments that can contribute to poverty alleviation, job creation but solidly unify this nation as a cohesive voice of high valued content that the global world is ready to enjoy… The Department of Arts and Culture (DAC) is currently finalizing the transfer of Downtown Studios and properties to the Downtown Music Hub Board… The properties were purchased with the vision to develop the studios into something very new – a Music Hub which will be a music heritage centre as well as state-of-the-art local content music production hub that will produce high-quality content for the market place. Funds have been allocated in 2013/2014 financial year for renovation and upgrading of Downtown Music Hub.
According to Michael Mabuyakhulu (Former MEC for Economic Development and Tourism in KwaZulu-Natal), the establishment of the KZN Music House (now Music House KZN) heralded the opening of a new chapter in the history of the people of KwaZulu-Natal:

“The KZN Music House was seen as a trail blazer in the preservation of culture, tradition and heritage in the province. The recording facilities were designed to ensure that KwaZulu-Natal continues its efforts of discovering more musicians and supports local music producers who will continue to be the cultural ambassadors of the province. New Orleans, which is the home of jazz, is renowned because of its contribution to the cultural heritage of the United State of America… It is for this reason that we feel that the launch of the KZN Music House will not only entrench our province as the music hub of South Africa, but the economic spin offs that will flow of the initiative will be huge.” (www.musichousekzn.co.za, 2015)
The first respondent to the interviews was the director for Cultural Development at the Department of Arts and Culture, Glen Masokoane (now retired), interviewed on 19 January 2016, who provided a policy overview and government directives on establishment of music hubs in South Africa. According to Masokoane, the two institutions that are case studies of this research are defined as music hubs from a national policy perspective. They were established with the sole purpose of making a strategic policy intervention and strategic investment in the sector. He said “From a policy perspective, the establishment of the music hubs is in line with the National Development Plan 2030 and also part of the industrial policy development plan.” (Masokoane, 2016)
The ECAVC is located at the Buffalo City Metropolitan Municipality of the Eastern Cape Province. Buffalo City is a metropolitan municipality situated on the east coast of the Eastern Cape Province, South Africa, and includes East London, Bhisho and King William's Town, as well as the large townships of Mdantsane and Zwelitsha. The Department of Sport, Recreation, Arts and Culture and the University of Fort Hare has sourced funding of the Eastern Cape Audio Visual Centre amounting to R15.7 million through the assistance of the National Lottery Commission. Sy Ntuli, former director of the centre, confirmed that the value in rand is estimated at R15.7 million. The initial capital, which was an annual saving from government plus funding from the National Lottery Commission, was about R11 million. The ECAVC has a board of directors, management team and staff who report to the main shareholders, namely the Eastern Cape Department of Sport, Recreation, Arts and Culture; the BCMM and the University of Fort Hare:
Music House KZN is located at eThekwini Metropolitan Municipality in KwaZulu-Natal. EThekwini is the largest municipality in this province and the third largest city in the country. The estimated value of Music House KZN, according to financial records provided by the chief financial officer, Petrus Mahlangu, is R98 million for the site, building, equipment and staffing. Interestingly, programmes manager Mpendulo Ngubo, interviewed on 11 December 2015, describes his centre as a music development agency for the province. It started as a pilot project for the Department of Economic Development, managed by Committed Artists under the leadership of renowned South African playwright Mbongeni Ngema. He turned it into a provincial record label that produced a wide range of musical products which failed to break even in the music industry.
Firstly, this research confirms that there is no consistent definition and characterization of these musical institutions termed “music hubs” in this report. The use of a common definition is vital. At national level, the term “music hub” was advocated by ministers Jordan (2009), Xingwana (2010) and Mthethwa (2014) as well as national policy maker Masokoane (2016), whose definition of these musical institutions is consistent with the global definition by Allen (1990). The Eastern Cape Audio Visual Centre (ECAVC) is not comfortable with the term “music hub” because it is limiting to its other services, such as the video (visual) component of their core mandate. However, Music House KZN management seemed to be flexible about the terminology although they do not define the centre as a music hub.
Second, the case studies lacked common understanding of the challenges facing the local music industry as eloquently unpacked in the Music Industry Task Team report (2001). This research expected to find a detailed provincial local music industry diagnostic report that unpacks the provincial overview of the challenges that confront local music composers, independent record companies and music performers in the respective provinces. Such a report may form part of the strategic plan of the institution/s as a foreword and an instrument to highlight the problem identified by the national report.
Third, the music hubs’ (case studies) engineered programmes, as shown in the findings above, are focused on talent identification, recording of the artists, training of technicians and engineers, live performances, and preservation of indigenous knowledge. This research hopes that, in the future, the two case studies can adopt a central role in the music industry value chain in their respective provinces. A major challenge in the local music industry is access to the means of production and cost of sales.
It was expected that the institutions should have avoided a generalizing approach in the use of the term “artist” because the challenges facing a composer, record company owner (producer) and a performer in the music industry are not homogeneous. Thus, the lack of understanding of the challenges in the local music industry created doubt as to whether these institutions understand the demands of the music industry value chain. According to Matzukis (2003) the music industry value chain is premised on distinct roles played by creators of works, traders and performers, hence there are two fundamental rights
Both institutions demonstrated adequate plans to unearth musical talents in their respective districts but failed to demonstrate how the talent and its content is developed, manufactured, distributed and published for global competitiveness. These institutions are still experiencing teething challenges of airplay, distribution, brand building, marketing and publishing, like all small and medium-sized independent record companies, despite institutional status and financial strength.
Fourth, this impact analysis is guided by numerous factors going beyond data gathered during the interviews or collected reports. There are two fundamental theoretical concepts that were applied to evaluate whether these two case studies have made an impact in their respective provinces since inception, namely transformation of the music industry and black economic empowerment for small and medium-sized local music. This research appreciates the fact that the two provincial departments had a visionary outlook for investment in the music industry. Without prejudice, the music hubs have been the first gift for the local music industry since the dawn of democracy. However, this research hoped that the establishment of these music hubs would be guided by national apex and agenda for transformation and black economic empowerment. The economic disparities between local record companies and major record companies remains the same.
conclusion
The fatal mistake made by the two case studies was creating provincial record companies because they are creating a direct competition for small and medium-sized record companies that are struggling already, in their respective provinces. The two trade associations, namely the Association of Independent Record Companies of South Africa (Airco) and the Recording Industry of South Africa (Risa) have demonstrated beyond a reasonable doubt that South Africa has a large number of independent record companies, music composers and performers spread countrywide. This suggests that there is no shortage of record companies, music composers and music performers – but they lack access to the means of production. The establishment of provincial record companies (provincial record companies) creates an unfair competition advantage for government to enter a trade space and compete for the same talent, market stake, market penetration and market share.
Instead, the ideal would be for government (music hubs) to (a) become the convergent centres for talent identification by various local record companies, (b) serve as a production network hub that enables the small and medium enterprises in the music industry to enjoy the government-supported music value chain system to thrive, (c) become the manufacturer and distributor for local record companies’ assorted products, (d) create distribution channels at local, continental and global music markets for local retailers and users, as well as (e) build niche provincial music publishing houses that specialize in the language proficiency and cultural reservoirs from the villages.
Entertainment and media outlook: 2017 – 2021 An African perspective
South Africa’s music revenue is on a growth curve. Total music revenue was R2.2 billion in 2016, up 2.7% on the previous year. The live music sector continues to be the growth driver as recorded music sales decline. However, while the live segment is set to maintain its momentum, recorded music revenue will begin to revive as South African consumers increasingly sign up to the market’s digital services. Total music revenue is forecast to rise at a CAGR of 5.0% to reach R2.8 billion in 2021.
- **Recorded music** set to rise on the back of healthy streaming growth. As in many markets, audiences are not only turning away from owning physical music product, but they are also set to reduce their consumption of digital downloads, with downloading revenue forecast to decline for the first time in 2017 by 7%. South Africa is able to boast a wide range of music streaming services, with newcomers still coming to market with differentiated, competitive offers, further boosting consumer demand for subscription-based listening.

- **Physical recorded music** is in steep decline. Sales totalled just R463 million in 2016, down from R562 million in the previous year, and from R992 million in 2012. Physical recorded music revenue is forecast to decrease at a CAGR of -18.4% over the next five years to be worth only R168 million in 2021.

- **Live music** plays a key, and growing, role. Ticket sales and sponsorship revenue will continue to rise at a pace that will see live music take an increasing share of total music revenue, increasing from 55% in 2016 to 62% in 2021. Live music revenue will rise from R1.2 billion in 2016 to total R1.7 billion in 2021, a CAGR of 7.4% over the forecast period.
074 754 4477

thank you