LIVE PERFORMANCE AUSTRALIA POLICY PRIORITIES:
2016 FEDERAL ELECTION

TOP PRIORITY

Safeguard sustainability of the live performance industry

- ✓ Return the funding cut of $72.8 million over 4 years to the Australia Council to provide long term stability for small to medium companies
- ✓ Maintain and improve transparency of the Catalyst program

OTHER PRIORITIES

Stimulate greater investment in live productions

- ✓ Provide tax incentives on pre-production costs for live productions
- ✓ Establish a major seed fund for original Australian works of scale

Raise our industry's global profile

- ✓ Increase investment in international touring of Australian productions
- ✓ Continue to fund Sounds Australia to advance Australia's live music exports

Build knowledge and data about creative industries

- ✓ Enable the ABS to regularly collect data about the creative industries
- ✓ Establish and collect economic and social metrics for the creative industries

Demonstrate government leadership for creative industries

- ✓ Develop a creative industries strategic plan
- ✓ Create a cross-cutting 21st century government agency for the creative industries
- ✓ Incorporate arts in the government's innovation and STEM agenda
- ✓ Renew funding of the Live Music Office to foster audience development and drive regulatory reform

Increase access to live productions in regional and rural Australia

- ✓ Increase the level of funding and expand the eligibility criteria of Playing Australia
- ✓ Double the number of companies with National Touring Status
- ✓ Introduce a funding mechanism to assist commercial producers to undertake tours throughout regional Australia
- ✓ Provide support for trialling digital initiatives for presenting live productions

Live Performance Australia (LPA) is the peak body for Australia's live performance industry. LPA represents commercial and independent producers, music promoters, major performing arts companies, small to medium companies, venues (performing arts centres, commercial theatres, stadiums and arenas), festivals, and service providers such as ticketing companies and technical suppliers.

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May 2016

Priority / Initiative	Funding over 4 years	Description
1. Safeguard sustainability of the live performance industry		
a. Return the funding cut of $72.8 million over 4 years to the Australia Council to provide long term stability for small to medium companies	$72.8m	In the 2015-16 Budget, the Federal government announced a funding cut of $104.8 million to the Australia Council. After pressure from the arts industry, $32 million was returned to the Australia Council. However, the $72.8 million shortfall means the sustainability of the small to medium sector is at risk. This will have significant flow on effects to all parts of the industry including major companies, festivals, venues and the commercial sector.
b. Maintain and improve transparency of the Catalyst program – or any other new program established outside of the Australia Council	$0m	Established in 2015, *Catalyst* was intended to complement other government investment in arts and culture. LPA supports complementary funding programs provided they are clearly defined, do not duplicate Australia Council programs, do not take funding from the Australia Council, and are consistent within a national policy framework. The existing Catalyst program needs to be transparent and could be improved by: • introducing funding rounds and comparative assessment of funding applications • providing greater detail about the assessment process, role and composition of assessment panels, panel member appointments and duration of appointment • greater transparency with respect to rationale for companies receiving Catalyst grants vs Australia Council 4-year funding grants.
2. Stimulate greater investment in new live productions		
a. Provide tax incentives on pre-production costs for live productions	$0m	Due to tax incentives offered in international jurisdictions (eg UK, USA), Australian producers must compete for investors. Tax incentives will help attract inward investment and offset some of the risks associated with pre-production. Productions that would qualify for tax incentives are those with the intent of making a profit and whose employees are paid according to an industrial award and/or agreement. All genres (except contemporary music) would be eligible for tax incentives. LPA commissioned research shows investment incentives would incentivise commercial producers and subsidised organisations to produce more work, and therefore increase economic activity – up to an additional $1,216 million in industry revenue (or total output); up to an additional $439 million in value add; and up to an additional 4,650 employees per annum.

Priority / Initiative	Funding over 4 years	Description
		Most importantly, **the EY business case shows it would be cost neutral for the Federal government to provide tax incentives on pre-production costs**. The additional tax revenue generated from additional economic activity would offset the cost of providing tax incentives for live productions.
b. Establish a major seed fund for original Australian works of scale	$20.0m	Australia has the opportunity to create and exploit intellectual property derived from original work. However, creating original work requires significant upfront capital; few original works of scale are produced due to high development costs associated with 'proving the concept' and 'pre-production'. This major seed fund would support the creation of original Australian 'works of scale' with priority given to those works that: have potential for domestic and international IP or licensing exploitation; create employment for Australian creatives, performers and technicians; and demonstrate market demand. Access to the seed fund would be open to not-for-profit and commercial companies. Criteria for seed investment in works of scale would include, for eg: venue size (600-2000); cast, creative and technicians (N=12 people min); and matched funding. The seed fund would complement the Major Festivals Initiative.
3. Demonstrate government leadership for creative industries		
a. Develop a Creative Industries Strategic Plan	Unknown	Australia needs an overarching plan that provides a framework for investment in the creative industries. The Plan should: • articulate the vision and strategic priorities for the Creative Industries • include measurable goals and articulate how funding programs complement each other to deliver increased growth and productivity • ensure that core strategies support and promote indigenous arts and culture.
b. Create a cross-cutting 21st century government agency for the creative industries	Unknown	Our 21st century economy is characterised by integrated value chain relationships. Industries and sectors are interconnected and do not operate in silos. Government needs to reorganise itself to be more reflective of the modern economy.
c. Incorporate arts in the government's innovation and STEM agenda immediately	$0m	The arts sector plays a fundamental role in creating an innovative society and economy. This role needs to be reflected as part of the government's innovation agenda. The current focus on STEM should be expanded to STEAM (science, technology, engineering, arts and mathematics).
d. Renew funding of the Live Music Office to foster audience development and drive regulatory reform	$0.75m	According to LPA research, the contemporary music sector contributes $605m pa in industry revenue (2014). Given the significance of the sector, funding for the Live Music Office should continue so that it can improve business opportunities and remove impediments for live music.

Priority / Initiative	Funding over 4 years	Description
4. Increase access to live productions in regional and rural Australia		
a. Increase the level of funding and expand the eligibility criteria of Playing Australia	$14.0m	*Playing Australia* is a critical initiative that brings live productions to regional and rural Australians. Increasing investment in this initiative will increase the number and diversity of productions that regional and rural audiences can enjoy. Eligibility for Playing Australia should: • include live music acts and professional productions for school audiences • provide greater flexibility on the requirement for "consecutive performance dates" (ie currently a production cannot return to its home base between one tour location and the next location).
b. Double the number of organisations with National Touring Status	Included in a (above).	Currently, there are only four companies with National Touring Status. Doubling the number of companies with National Touring Status will: • enable more companies to better plan for touring to regional and rural areas • provide regional and rural Australians with access to greater diversity of live productions.
c. Introduce a funding mechanism to assist commercial producers to undertake tours throughout regional Australia	$4.0m	Commercial realities mean that commercial productions do not reach regional and rural communities. Key barriers for commercial tours are: transportation/freight, accommodation, travel allowances and bump-in costs. This initiative will provide an incentive to commercial producers to bring high quality shows to regional communities. Funding from this initiative would support costs associated with travel allowances, bump in costs, accommodation and freight/transportation.
d. Provide support for trialling digital initiatives for presenting live productions	$2.0m	Regional audiences want to see mainstream productions, but it is not feasible (due to scale, cost and venue infrastructure) to bring these productions to regional and rural areas. This initiative will allow performing arts companies to bring mainstream live productions to regional audiences via digital technology. Funding will enable companies to assess technology capabilities within regional areas/venues and tailor digital solutions for specific regional contexts. The initiative would also tie in with educational outreach programs and resources eg Bell Shakespeare's education program. A recent House of Representatives (5 May 2016) Inquiry into broadcasting, online content and live productions to regional and rural Australia recommended that the government "consider funding and support for digital innovation in the delivery of the arts."

Priority / Initiative	Funding over 4 years	Description
5. Raise our industry's global profile		
a. Increase investment in international touring of Australian productions	$5.0m	Touring provides opportunities to showcase Australia's creative and artistic talent to international audiences and keeps Australian performers, creatives and technical crew employed. However, there are significant costs involved in touring internationally. This initiative will help offset the cost of international touring (freight, accommodation, travel allowances and bump-in costs) and increase the volume of productions presented on a global stage.
b. Continue to fund Sounds Australia to advance Australia's live music exports	$1.75m	Sounds Australia plays a crucial role in opening doors for Australian musicians and music companies so that they may showcase their talent internationally and export their music. Support for Sounds Australia should continue so that it can advance Australia's music exports, including its plans to extend beyond the US and Europe to South American and Asian markets.
6. Build knowledge and data about creative industries		
a. Enable the ABS to regularly collect data about the creative industries	$2.7m	The ABS requires resources to collect data about creative industries so that there is benchmarking data available to inform policy and industry development.
b. Establish and collect economic and social metrics for the creative industries	$5.0m	There are no consistent data and metrics that provide a holistic picture about the economic and social contribution of the creative industries. Support should be provided to establish and collect a consistent set of metrics and longitudinal data about the value of creative industries.
ESTIMATED TOTAL NEW FUNDING COMMITMENT	**$128 m**	**$32 m per annum over 4 years**

INVESTMENT SUPPORT FOR THE LIVE PERFORMANCE INDUSTRY: Tax incentive proposal

Rationale

The live performance industry contributes over $2.5 billion annually to the Australian economy. It employs over 34,000 people nationally, supports more than 500 performing arts companies around Australia plus hundreds of venues, producers and music promoters. It also attracts more than 18 million people to shows in capital cities, regional centres and country towns. However, it is becoming increasingly more difficult for Australian producers to stage new productions due to the high costs of pre-production and difficulties in attracting the required level of investment.

Australian producers are now competing for investors in international jurisdictions that offer significant tax incentives (e.g. UK and USA). Within Australia, live performance producers compete against other industries, notably film and TV, where a 40% producer tax offset exists. These tax incentives allow producers to offset pre-production costs on qualifying expenditure. There is an urgent need for live performance producers to access tax incentives to attract the level of investment required to produce and stage world-class shows, support more jobs and drive industry growth.

Benefits of investment incentives

Stimulating investment in new live productions =

- Stimulates direct and indirect economic activity
- Licensing and export opportunities
- Provides employment and skills development opportunities
- Improves producers' equity share and builds sustainable businesses
- Contributes to cultural vibrancy
- Improves social cohesion and wellbeing through community participation and attendance

Economic impact of investment incentives

Investment incentives will stimulate economic activity. The level of economic activity generated increases as the level of investment incentive increases.

- **↑ up to 73%** Number of new productions
- **↑ up to 54%** Additional industry output
- **↑ up to 53%** Additional industry value add
- **↑ up to 59%** Additional employment

Incremental to base case	10% tax incentive	25% tax incentive	40% tax incentive
New productions	22	347	555
Industry output (industry turnover)	$229.5m	$760.6m	$1,216.9m
Industry value add (wealth generation)	$100.1m	$337.2m	$540.1m
Employment (FTE)	863	2,906	4,650

Source: EY (2016), Investment support for the live performance industry, Draft Report for Live Performance Australia, April 2016

Government return on investment – cost neutral

There is a small net positive return on investment to government by providing investment incentives on pre-production costs for live productions.

	10% tax incentive	25% tax incentive	40% tax incentive
Investment incentive outlay by government (Incentives provided to producers)	$37.7m	$94.3m	$150.9m
Additional tax revenue received by government	$28.5m	$95.9m	$153.4m
Net (cost)/revenue to government	**($9.3m)**	**$1.6m**	**$2.5m**

Source: EY (2016), Investment support for the live performance industry, Draft Report for Live Performance Australia, April 2016

Live Performance Australia®

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Economic analysis on the impact of investment incentives was undertaken by Ernst & Young (EY) for LPA.

Tax incentive schemes

UK Theatre Tax Relief

20% Tax relief for non-touring productions

25% Tax relief for touring productions

- Following the economic and cultural success of creative sector tax relief in the UK, particularly in film, TV and video games, the Theatre Tax Relief (TTR) scheme was introduced as part of the Finance Act 2014 ("Act") and came into effect on 1 September 2014.
- The TTR is intended to encourage and support investment in the production and touring of UK live dramatic works (including plays, operas, musicals, ballets and circus), with the objective of maintaining the sustainability of live performance in the UK.
- This model provides a clear policy precedent for the extension of tax-based incentives into the live performance industry.
- The TTR entitles production companies to claim 20% of its total qualifying pre-production costs for non-touring productions, and 25% for touring productions.
- Both commercial and publicly-funded (subsidised) productions are eligible and can benefit from the scheme, as trading subsidiary arrangements effectively enable not-for-profit organisations to access the scheme.
- Return on costs can be re-invested into new works, or passed on to investors.
- It is estimated that the TTR benefits around 325 UK production companies a year in support of a wide variety of theatrical productions.

USA Tax Relief for live theatrical productions

100% Federal deduction for investment

20 – 35% State based tax relief

- The UK Government is not the only country to have recognised the need to remain globally competitive. The US has a legacy of state-based tax incentives for theatrical productions. These apply in Illinois, Louisiana, New York State (not including New York City), and Rhode Island.
- The provisions range from 20% - 35% tax credits for qualifying expenditure by production companies.
- The common purpose of these incentives is primarily to increase jobs and economic outputs by increasing the State's competitive position for incentivising theatrical producers to bring productions to their state.
- In December 2015, the US government passed federal legislation that establishes equal tax treatment for live theatrical productions as is provided for film and TV.
- It allows a 100% deduction for investment in live performance by the investor from their income in the year of the investment.
- The legislation allows investors to immediately recoup their investments prior to taxes being assessed on profits earned. This is intended to deepen the pool of interested investors in commercial theatrical productions.

Film and TV Producer Offset

40% Tax relief for feature films

25% Tax relief for non-feature films (TV, mini-series, documentaries)

- In 2007 the Producer Offset was introduced as part of the Australian Screen Production Incentive (ASPI), a package of measures to boost support for the Australian film and television industry.
- It provides a refundable tax offset (rebate) for producers of Australian feature films, television and other projects.
- Feature films are eligible for a 40% rebate of qualifying expenditure, and other programs such as TV, mini-series and documentaries are eligible for a 20% rebate.
- Screen Australia conducted a review of the Producer Offset in 2012, five years after it was introduced. The report found that the Producer Offset "unquestionably" provided financial support for addressing the challenges of raising revenue to meet production budgets.
- Additionally, the report found that the Producer Offset improved the equity share retained by producers in their film and television projects.
- Improved equity share has allowed producers enhanced leverage to attract private investment from new and existing sources. This directly supports producers building sustainable production businesses.

Source: Screen Australia (Nov 2012), *Getting down to business: the Producer Offset five years on*