29 October 2020

Standing Committee on Communications and the Arts
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Dear Committee,

Parliamentary Inquiry into Australia's creative and cultural industries and institutions

As the peak body for Australia's $4 billion[1] live performance industry, Live Performance Australia (LPA) welcomes the opportunity to make a submission to the Parliamentary Inquiry into Australia's creative and cultural industries and institutions.

ABOUT LPA

LPA is the peak body for Australia's live performance industry. Established over 100 years ago in 1917 and registered as an employers' organisation under the *Fair Work (Registered Organisations) Act 2009*, LPA has over 400 Members nationally. We represent commercial producers, music promoters, major performing arts companies, small to medium companies, independent producers, major performing arts centres, metropolitan and regional venues, commercial theatres, stadiums and arenas, arts festivals, music festivals, and service providers such as ticketing companies and technical suppliers. Our membership spans from small-medium and not-for-profit organisations to large commercial entities.

LPA has a clear mandate to advocate for and support policy decisions that benefit the sustainability and growth of the live performance industry in Australia.

EXECUTIVE SUMMARY

LPA's objective is to ensure Australia continues to present and establish live arts and entertainment events that create jobs; engage local and interstate audiences and attract international audiences, as part of a broader Cultural Tourism Strategy; increase patronage; and benefit all Australians.

Government investment in the industry is vital to stimulating the economy, strengthening social cohesion and the cultural vibrancy of Australia, and maintaining our nation's standing as a global leader in arts and entertainment. This is especially critical as we reopen borders in an increasingly competitive market and where the global economy is under significant stress.

[1] Bureau of Communications and Arts Research (2018), *Cultural and creative activity in Australia 2008-09 to 2016-17* (Working Paper)

Key areas of concern for the live performance industry due to the impact of COVID-19 are:

- lost revenue and job losses
- significant restructure and resizing of the industry in 2020 and 2021
- managing risk in a 'COVID Normal' world
- financing and investment issues, and
- consumer sentiment.

In order to rapidly expedite the rebuilding of the live performance industry, we urge the Federal Government to consider our industry proposals:

1. Extend JobKeeper or introduce some other form of targeted wage subsidy for workers in the live performance industry who continue to be significantly affected by the COVID-19 pandemic.

2. Establish, in partnership with industry, a Live Entertainment Business Interruption Fund. All levels of the industry could contribute a percentage of cost exposure to a centralised fund – and the government should provide underwriting.

3. Extend tax incentives from 1 July 2021 to pre-production costs for live productions (commercial theatre and subsidised companies) to assist Australian producers to attract investment in an internationally competitive market.

4. Establish quarantine and travel protocols that enable interstate and international movement of artists and tours.

5. Waive Temporary Activity (subclass 408) Entertainment Visa fees for 24 months after international travel bans are lifted, to support recovery efforts and help rebuild Australia's live performance industry.

6. Provide an additional $100 million (or $25 million per annum over four years) over four years to the Australia Council, specifically to support strategic priorities that drive economic and social recovery post COVID-19. Specifically:
   - Expanding the National Performing Arts Partnership Framework to allow new entrants and foster greater cross-sector collaboration between small to medium and larger companies;
   - Building digital capability to ensure greater community access to and engagement with arts and culture post COVID-19, particularly in regional and remote areas; and enabling embedding of First Nations arts and culture opportunities in particular; and
   - Building a Cultural Tourism Map and curating activities for local audiences and 'travel bubble' target markets i.e. New Zealand.

7. Fund 'See It Live' e-vouchers to stimulate Australians to attend live events. This could be part of a broader Cultural Tourism Strategy aimed at instilling confidence in consumers to attend live events. Initially, it could focus on the domestic economy and later be expanded to international visitors as part of a broader international Cultural Tourism Strategy.

8. Introduce a moratorium on GST on sales of tickets to live entertainment until 30 June 2021, to help to offset the increased costs the industry is incurring to make events COVID-Safe.

9. Significantly expand the RISE grant funding program, with a particular focus on ensuring that increased commercial activity is supported at the same time as not-for-profit businesses can further access capital to deliver popular live events in COVID-safe formats.

SIZE AND SCOPE OF AUSTRALIA'S LIVE PERFORMANCE INDUSTRY

In 2018, Australia's live performance industry generated $2.2 billion in ticket sales, and attracted more than 26 million people to shows in capital cities, regional centres and country towns – which is more than the combined attendance at events of our major sporting codes.[2,3] A snapshot of Australia's Creative and Cultural Industries is provided at ***Appendix A.***

Our industry is a significant economic and social contributor and a direct driver of economic activity, jobs, and cultural tourism. The cultural and creative industries have higher multiplier effects on other industries in terms of total output, value-add and employment.[4] The broader creative industries generate valuable economic activity and contributed $111.7 billion, or a 6.4 percent share of Australia's GDP, to the national economy in 2016-17.[5] In 2016, the total cultural and creative workforce (including embedded creatives working in non-creative industries) was 868,098 people, or 8.1 percent of the total Australian workforce. Within that, the cultural and creative industries employed 645,303 people, or 6 percent of the total workforce.[6] In 2016-17, the live performance industry alone contributed $4.1 billion to the Australian economy and directly employed almost 40,000 workers, plus tens of thousands of freelancers, sole traders and casuals.[7,8]

Our industry comprises a diverse range of art forms and supports more than 500 performing arts companies around Australia and a wide range of commercial businesses (i.e. producers; promoters; ticketing companies; technical suppliers, such as those that provide stage lighting, special effects, staging, audio, audio-visual and other performance technologies; venues; and other service providers, such as crewing companies). Business of all sizes (i.e. freelancers; sole traders; small to medium businesses; not-for-profit companies; and commercial entities) form an interdependent industry where all parts of the industry are needed to thrive.

THE IMPACT OF COVID-19 ON AUSTRALIA'S LIVE PERFORMANCE INDUSTRY

In the fortnight following the Prime Minister's first announcement on 13 March 2020 to ban public gatherings of more than 500 people, Australia's live performance industry was swiftly shut down. Government directives to close entertainment venues and restrict public gatherings to no more than two people had an immediate and catastrophic impact on the industry. The repercussions of this are wide-ranging and include loss of revenue, industry capability and jobs; compromised community arts access; and reduced diversity of Australian works.

Preliminary findings from *The Economic Cost of COVID-19 on Australia's Live Entertainment Industry* report prepared by EY quantify the total economic output of live entertainment in Australia, at an

[2] EY (2019), *2018 Ticket Attendance and Revenue Report*, Report for Live Performance Australia
[3] Stadiums Australia (2018), *Australian Sporting Attendances*, 2018
[4] A New Approach (2020), *Australia's cultural economy: A 21st century guide* (Working Paper)
[5] A New Approach (2019), *The Big Picture: public expenditure on artistic, cultural and creative activity in Australia*
[6] A New Approach (2020), *Australia's cultural economy: A 21st century guide* (Working Paper)
[7] Bureau of Communications and Arts Research (2018), *Cultural and creative activity in Australia 2008-09 to 2016-17* (Working Paper)
[8] Queensland University of Technology (2018), *The Creative Economy in Australia: Cultural production, creative services and income – Fact sheet*

estimated $36.4 billion in total contribution in 2019. EY estimates that COVID-19 has led to a fall of 65 percent in the economic output of the industry to $12.8 billion in 2020 if restrictions remain in place until the end of year. This equates to $23.6 billion in lost economic output. Likewise, the total value added by live entertainment is predicted to fall by 65 percent from $16.6 billion in 2019 to $5.9 billion in 2020, a fall of $10.7 billion.[9]

A continued industry shutdown or density restrictions will cost thousands of jobs and force the closure of many performing arts and commercial companies and venues for good. The flow on impact of a decimated live arts and entertainment industry is being felt across many other industries that depend on our content to generate business activity, most obviously the hospitality, tourism, and transport sectors.

Lost revenue

LPA has received consistent feedback from its Members that lost revenue and job losses are widespread in both the subsidised and commercial sectors due to COVID-19. LPA estimates a six-month closure has resulted in the industry losing more than $1 billion dollars in ticket revenue. For every subsequent month of closure, the industry will lose over $180 million dollars per month in ticket revenue. Without the ability to operate at full capacity and generate revenue, the longer-term sustainability of most arts companies and commercial businesses remains in serious jeopardy.

The situation will worsen the longer restrictions are in place and have a profound impact on Australia's live performance industry and adjacent sectors, including tourism and hospitality. According to the Australian Bureau of Statistics, 67 percent of arts and recreation services businesses reported that trading restrictions are expected to impact them to a great extent over the next two months.[10]

Individuals and businesses in the live performance industry fundamentally rely on box office income for cashflow. Venue closures, border closures and the rescheduling and cancellation of shows, festivals, tours and events has decimated the financial reserves of many companies. Indeed, many companies do not have the financial reserves to sustain operations for the remainder of this year. This presents an additional barrier for individuals and businesses in the live performance industry to access capital, reactivate and rebuild once government restrictions are lifted.

Digital content can develop valuable industry expertise and promote exposure, as well as build and maintain audience engagement, however, digital delivery does not ensure sufficient financial liquidity for Australia's live performance industry and is not a panacea for lost revenue. Digital performance cannot replace live performance as a commercially viable business model or provide a significant enough revenue stream. Every company is developing a digital strategy. Many will allow people with a disability and regional communities to access content. However, while companies and artists are presenting product and performances online, they are mostly unpaid, and there are challenges in monetising digital content when the average ticket price for digital delivery is $10-$12.

[9] EY (2020), *The Economic Cost of COVID-19 on Australia's Live Entertainment Industry*, commissioned by the Live Entertainment Industry Forum

[10] Australian Bureau of Statistics (2020), *Business Impacts of COVID-19 Survey May 2020*

Job losses

Revenue loss and associated job losses are significant in the industry. It is estimated the sector supported 122,000 full-time equivalent jobs in 2019, and *The Economic Cost of COVID-19 on Australia's Live Entertainment Industry* report forecasts that in 2020 this will fall two-thirds – or 79,000 – to just 43,000 full-time equivalent jobs if current restrictions on gatherings remain in place until the end of December this year.[11]

According to the Australian Bureau of Statistics, in June 2020, 78 percent of arts and recreation services businesses reported decreased income. Arts and recreation services businesses recorded the second-highest number of job losses after accommodation and food services with a 19 percent decline in payroll jobs in the week ending 2 May 2020.[12] This decline in employment is not surprising given 53 percent of arts and recreation services businesses had closed their doors, more than any other sector.[13]

Data collected by I Lost My Gig Australia, which has been surveying those who work in live performance, shows that more than 12,000 respondents have reported income loss of almost $340 million since March 2020, impacting almost 660,000 industry participants.[14]

The industry is currently experiencing a second wave of company restructures and job losses. Without the continuation of JobKeeper or some form of targeted wage subsidy beyond 28 March 2021, there will be considerable further contraction across the industry, as companies are limited in their ability to retain or rehire workers. If physical distancing and density restrictions remain in place into 2021, there will be an unprecedented resizing of the industry.

Challenges in reactivating

In reactivating the industry, the most significant challenge is business interruption. The industry understands the rationale for government restrictions and to curb the spread of COVID-19 within the community. However, these restrictions have a significant bearing on commercial viability to present events.

Given these restrictions, event organisers take significant commercial risks when deciding to restart or schedule new events, particularly as they may be forced to close or operate under re-imposed restrictions due to another COVID outbreak.

There are two other main restrictions impeding the industry's ability to operate:

- **Venue density & format restrictions:** At the time of writing, the restrictions in many states and territories allow for live indoor events to operate at 50 percent venue capacity or subject to the 2 or 4 sqm rule. For the majority of live events (and certainly for commercial productions, concerts, festivals and tours), it is not viable to present events with these capacity constraints. For events to be financially feasible, live entertainment venues need

[11] EY (2020), *The Economic Cost of COVID-19 on Australia's Live Entertainment Industry*, commissioned by the Live Entertainment Industry Forum

[12] Australian Bureau of Statistics (2020), *Business Impacts of COVID-19 Survey Week Commencing 30 March 2020*

[13] Australian Bureau of Statistics (2020), *Business Impacts of COVID-19 Survey April 2020*

[14] I Lost My Gig Australia (2020), *2nd Survey Reveals Extension of Financial Assistance Needed*

to operate at full capacity. Most states also restrict the operation of multi-stage events and multi-day events with onsite accommodation such as camping. Business models have been built on these formats to ensure commercial viability. Some locations also restrict food and beverage service, further impacting viable business models.

- **Interstate and international border restrictions:** Success of the live entertainment industry is dependent upon free movement between borders. Many productions, concerts, festivals and tours are only viable if they can tour nationally, and some states/territories are highly dependent upon product from other Australian jurisdictions. Therefore, the current international and interstate border restrictions make national touring challenging. While exemptions exist for workers with 'critical skills', the definition of 'critical skills' in some Australian jurisdictions do not cover workers from the live entertainment industry. In those definitions where workers from the live entertainment industry may be deemed to have 'critical skills', there are no guarantees that the relevant government will grant these exemptions.

Business interruption and lack of insurance

Prior to the COVID-19 pandemic, insurance costs for event organisers were already significant. For commercial theatre, these costs range from $50,000 to $1 million per production to cover a range of circumstances such as public liability, marine/transit, travel, medical, loss of performance, good/stock, theft, workers compensation, cyber, industrial special risks, management liability and voluntary workers. For concerts and festivals, these costs typically range from $10,000 to $750,000 per tour or festival to cover circumstances such as non-performance and extreme weather events.

Insurance costs will become a larger cost burden for the live entertainment industry. Lloyd's of London (the world's key underwriter) estimates that it will pay out up to £5 billion (AU$9.1 billion) in COVID-19 related claims to its global customers.[15] As a consequence, insurance premiums will rise and a greater range of circumstances will be excluded from insurance products; trends which were already occurring prior to the COVID-19 pandemic. On average, global commercial insurance prices increased by 14 percent in the first quarter of 2020.[16]

Not only are event organisers having to deal with the additional insurance cost burden, they are now unable to gain insurance to cover COVID-19 related cancellations, postponements or re-imposed restrictions. Now that COVID-19 is a known risk, it is no longer covered as an insurable event in insurance cover. As such, event organisers are unable to access insurance to cover losses arising from events that need to be cancelled or postponed due to COVID-19 related issues. Without access to affordable insurance to offset risks associated with COVID-19, the risks with presenting events are significantly higher for event organisers.

Financing and investment issues

Access to capital is a key challenge for commercial theatre. As markets reactivate, competition for investment funding will be fierce and markets that incentivise to attract investment in theatre will have a significant competitive advantage. Australian producers are competing for investors in other

[15] https://www.theguardian.com/business/2020/sep/10/lloyds-of-london-expects-5bn-in-covid-19-insurance-payouts
[16] https://www.insurancejournal.com/news/international/2020/05/12/568290.htm

markets where attractive investment incentives are offered, notably the UK and US. More than 80 percent of investment capital for commercial theatre in Australia comes from offshore. The big challenge for commercial theatre producers is that there is no investment pipeline for delivering product for 2022 onwards.

Producers have already lost millions of dollars in income. Disruption to the global investment pipeline is on an unprecedented scale, and the two biggest international theatre markets, Broadway and the West End, are facing similar, significant challenges. Industry investors have lost hundreds of millions of dollars across all the major markets. Loss of box office revenue, coupled with the burden of sunk costs, presents a genuine and ongoing threat to the survival of many individuals and businesses in the live performance industry.

Hundreds of arts and entertainment companies and venues were forced to immediately cease operations in March 2020, and either reschedule or cancel programmed shows, festivals, and events for the remainder of 2020. The associated sunk costs are significant for producers, promoters, artists, and live performance venues. Sunk costs include those related to content development, programming, national and international touring, marketing and promotion, visa fees, payment of deposits for artists and production services, security fees, freight and ticketing. These costs are not recoverable.

Consumer sentiment

The reactivation of live events and positive consumer sentiment are crucial to Australia's economic recovery from COVID-19. Reactivating live events will also increase confidence in other parts of the live entertainment eco-system and allied industries such as tourism, hospitality and transport.

The two major ticketing companies, Ticketek and Ticketmaster, have reported that within the limitations set by the various governments and despite Victoria's lockdown, there is still strong consumer interest and appetite to attend live events. While there are variations across art and entertainment forms, consumer interest in buying tickets remains strong, and reactivated shows are well-attended and have sold out with waiting lists. Moreover, patrons who had tickets before lockdown, by an overwhelming majority, want to keep them for rescheduled events.

Nonetheless, there is considerable concern that Australian consumers may lack confidence in purchasing tickets and may not feel safe unless some physical distancing and hygiene measures are in place. Bi-monthly research from Patternmakers and Wolf Brown reflects that variability in consumer sentiment is correlated to COVID-19 case numbers and community transmission. Promisingly, consumers have indicated they are increasingly comfortable to attend venues of all sizes, assuming they are open, following safety procedures and observing physical distancing guidelines. Phase 1 of the research was undertaken in early-mid May 2020 and found 7 percent of respondents would be very comfortable at venues seating 1,000 people or more. Only 14 percent were actively making plans to attend live shows or performances in the future.[17]

[17] Patternmakers and WolfBrown (2020), *COVID-19 Audience Outlook Monitor – Australia Snapshot Report*: May 2020

Phase 3 of the Patternmakers and Wolf Brown research was released in September 2020, and results reflected growing consumer confidence. 23 percent of respondents were actively making plans to attend a live performance. 29 percent of respondents had attended a cultural event in the last fortnight and 29 percent of respondents were ready to attend as soon as permitted.[18] When Phase 2 of the research was conducted in July 2020, 68 percent of respondents indicated they would be comfortable to attend a 100-seat venue, an increase from 44 percent in May 2020.[19]

A lack of consumer confidence, coupled with weakened economic conditions and expenditure in the aftermath of the COVID-19 pandemic, presents a unique challenge to the financial viability of Australia's live performance industry. It is possible that consumer confidence will improve once restrictions are eased and the economy improves, as overwhelmingly, audiences plan to return to arts and culture events in the future. However, while there may be an initial surge for arts and entertainment product, the risk remains that there will be a flattening of demand that means that ticket sales may be uneven during the reactivation period.

THE ROLE OF AUSTRALIA'S LIVE PERFORMANCE INDUSTRY IN ECONOMIC AND SOCIAL RECOVERY

LPA urges the Federal Government to consider our industry proposals on behalf of the live performance industry:

Reactivating the industry

Extend JobKeeper
There is no guarantee as to when companies can fully reactivate and when venues can reopen to full capacity without restrictions. Our industry will reopen gradually as venues reopen, in accordance with permitted government directives, and productions are developed and delivered over a six to twelve-month period. Continued loss of earnings potential (i.e. no box office income, no income from contracts, loss of sponsorship and philanthropy) means that live performance businesses will face challenges hiring and retaining core staff.

LPA seeks an extension of JobKeeper or some other form of targeted wage subsidy for workers in the live performance industry who continue to be significantly affected by the COVID-19 pandemic.

Establish a Live Entertainment Business Interruption Fund
There is significant commercial risk involved with confidently restarting or scheduling new events while there is potential for venue and event closures or reimposition of restrictions to deal with further outbreaks of COVID-19. It is also currently not commercially viable for most productions to resume with existing physical distancing requirements.

The Western Australian Government announced a $15 million 'Getting the Show back on the Road' shared risk package in August 2020. The package includes venue hire waivers for local performing arts companies for free access to state government venues, and up to $9 million to help underwrite COVID-19 related financial risks for live music and performance. LPA notes that Western Australia is

[18] Patternmakers and WolfBrown (2020), *COVID-19 Audience Outlook Monitor – Australia Snapshot Report*: September 2020
[19] Patternmakers and WolfBrown (2020), *COVID-19 Audience Outlook Monitor – Australia Snapshot Report*: July 2020

currently the only Australian jurisdiction that is providing funding of this nature, although the guidelines are not yet available.

The Austrian Government has recently acknowledged the risks of reactivating events by committing €300 million (approximately AU$830 million) to cover costs if an event is cancelled due to new rules or reduction in capacity limits. While full details of the scheme are yet to be released, it is envisaged the scheme will cover costs such as hotel rooms, crew wages and event technology.

A Live Entertainment Business Interruption Fund (BIF) would increase industry confidence to reactivate live events. The BIF would do this by providing indemnification for costs if, due to COVID-19 related issues, a live event in Australia is cancelled, postponed or negatively affected by the re-introduction of government restrictions (i.e. venue capacity, border closures, or someone involved in the production, concert, festival or tour tests positive for COVID-19 leading to the event shutting down).

LPA proposes that government, in partnership with industry, establish a Live Entertainment Business Interruption Fund. All levels of the industry could contribute a percentage of cost exposure to a centralised fund – and the government should provide underwriting. The fund should be managed by an independent and auditable body and would be specifically designed to assist with the cost of business interruption caused by COVID-19.

Establish protocols for interstate and international travel

The live performance industry brings many performers, artists, creatives and technical support into Australia using the Temporary Activity visa (subclass 408) Entertainment Activities stream. When the government introduced restrictions on events and gatherings as well as travel bans into Australia, all forms of live entertainment ceased.

There was limited opportunity for sponsors (i.e. event organisers) to withdraw visa applications. In addition, many 408 visas were approved and paid prior to the restrictions on public gathering and subsequent travel restrictions taking effect. Therefore, many sponsors incurred significant non-refundable costs for visas they were ultimately unable to use.

Many businesses in the live performance industry are currently experiencing significant financial pressure as they are currently not deriving revenue from events. Meeting future upfront costs will be extremely difficult. Current restrictions and border closures mean that many, if not all, productions are unable to tour interstate and internationally. This is a significant disruption to the touring circuit and further limits the number and types of productions that are financially viable. There are also many missed employment opportunities for performers, technicians and crew members.

LPA proposes development and establishment of quarantine and travel protocols that enable interstate and international movement of artists and tours (similar to the screen and sporting sectors).

LPA seeks a waiver on Temporary Activity (subclass 408) Entertainment Visa fees for 24 months after international travel bans are lifted, to support recovery efforts and help rebuild Australia's live performance industry. LPA has estimated this measure would cost $5 million ($330 per visa and 8,000 visas per annum for two years).

Introduce a moratorium on GST on sales of tickets to live entertainment
The Live Entertainment Industry Forum (LEIF) was formed by Australia's biggest promoters of entertainment and sport, venue managers, and key peak bodies. LPA is an executive member of LEIF.

LEIF has recommended industry specific initiatives that include a moratorium on GST on sales of tickets to live entertainment until 30 June 2021, to help to offset the increased costs the industry is incurring to make events COVID-Safe. This follows the precedent set in the UK. LPA supports this proposal.

Driving investment

Provide tax incentives for live theatre production
Access to government support is very important to ensure the industry can confidently reactivate and rebuild, and to mitigate the risk of further devastating financial impact. As markets reactivate, competition for investment funding will be fierce and markets that incentivise to attract investment in theatre will have a significant competitive advantage.

Australia lags international markets and Australian theatrical producers compete for investors in international jurisdictions that offer significant cultural tax incentives (e.g. UK and USA). The UK Theatre Tax Relief (TTR) scheme, in effect since September 2014, entitles live performance production companies in the UK to claim 20 percent of total qualifying pre-production costs for non-touring productions, and 25 percent for touring productions. Both commercial and publicly funded (subsidised) productions across film, high-end television, animation, video games, children's television, orchestra, and museums and galleries are eligible and can benefit from the scheme. Extension of the scheme to live music venues in the UK is currently under consideration.

Australia's live performance industry needs a similar regime of tax incentives to attract the level of investment required to produce and stage world-class shows, support more Australian jobs and drive industry growth. As previously stated, more than 80 percent of investment capital for commercial theatre in Australia comes from offshore. In this context, it will be extremely challenging for Australian producers to secure upfront capital to stage new productions, particularly as we look to beyond 2021. Typically, a commercial musical requires $10 million to $15 million to capitalise a show. Future investment in commercial theatre in Australia will be severely constrained if producers cannot offer incentives to attract capital out of larger markets.

Australia must ensure it can secure investment for both licensed properties that bring significant multiplier effects (i.e. *Harry Potter and the Cursed Child*), and capitalise on the opportunity to invest in new Australian intellectual property, which can drive local economic activity, create jobs and ultimately be exported. *Moulin Rouge! The Musical* (which is nominated for 14 Tony Awards and is coming to Melbourne in 2021 from New York) is a classic example of a show that should have been developed here but was instead developed in the US due to its tax incentives for pre-production costs.

Economic analysis undertaken by EY found that investment incentives would encourage commercial producers and subsidised organisations to produce more work, and therefore increase economic activity. Any expenses incurred by government will be recouped through taxes earned on increased economic activity. The EY economic analysis found that there is a net positive return on investment to government by providing investment incentives on pre-production costs for live productions when tax incentives are set at a level between 25 and 40 percent. ***Further information about tax incentives is provided at Appendix B.***

LPA proposes that tax incentives are extended from 1 July 2021 to pre-production costs for live theatre production (commercial theatre and not-for-profit companies) to assist Australian producers attract investment in an internationally competitive market.

Additional funding for the Australia Council
The Australia Council for the Arts (Australia Council) is the principal agency through which the Federal Government funds and supports arts and cultural activity in Australia. In recent years, funding to the Australia Council has been significantly reduced, and therefore limited its capacity to support creativity and sector development. The reduction of funding has also severely impacted the ability of the Australia Council to deliver its Strategic Plan.

There is a significant opportunity for the Australia Council and the companies and artists it funds to pay an integral part in this recovery process. Through some targeted, strategic investment priorities, the Australia Council could play a very important role in enabling new economic and community-based activities.

LPA seeks an additional $100 million (or $25 million per annum over four years) to the Australia Council to drive economic and social recovery post COVID-19, further unlocking Australia's creative and cultural potential. Specifically:

- *Expanding the National Performing Arts Partnership Framework to allow new entrants and foster greater cross-sector collaboration between small to medium and larger companies;*
- *Building digital capability to ensure greater community access to and engagement with arts and culture post COVID-19, particularly in regional and remote areas; and enabling embedding of First Nations arts and culture opportunities in particular; and*
- *Building a Cultural Tourism Map and curating activities for local audiences and 'travel bubble' target markets i.e. New Zealand.*

Significantly expand the RISE grant funding program
The $75 million Restart Investment to Sustain and Expand (RISE) Fund provides seed funding to eligible arts organisations, companies and promoters to fund new events, activities and productions that require significant capital investment.

314 applications were received for assessment in the first round of the RISE grant funding program. Decisions have not yet been announced with respect to how the grants are going to be allocated. Therefore, it is not yet clear what the breadth and the depth of the funding will be across the industry. LPA presented a $345 million industry recovery plan to the Federal and state and territory governments in June 2020, which indicated that the biggest challenge in reactivating and rebuilding our industry is access to capital. While the $75 million RISE Fund is gratefully received, it will not be enough to rebuild the industry over the next two years.

LEIF has recommended a significant expansion of the RISE grant funding program. LPA supports a significant expansion of the RISE grant funding program, with a particular focus on ensuring that increased commercial activity is supported at the same time as not-for-profit businesses can further access capital to deliver popular live events in COVID-safe formats.

Building consumer confidence

Fund "See it Live" vouchers

The industry needs assurance that audiences will have access to disposable income and demonstrate a willingness to engage with the live performance industry. "See it Live" vouchers are one form of consumer stimulus that would stimulate Australians to attend live events. This could be part of a Broader Cultural Tourism Strategy aimed at instilling confidence in consumers to attend live events, initially at the domestic level, and then later expanded to attract international visitors. Other consumer stimulus options should also be explored.

Voucher schemes are proven to be a successful means to build consumer confidence and stimulate spending. Tourism Tasmania's $7.5 million *Make Yourself at Home* voucher incentive scheme was sold-out (21,500 vouchers) within an hour of opening. The scheme was developed by Tourism Tasmania to encourage Tasmanians to holiday at home safely and support the local tourism industry while traditional interstate and international markets are not available. Tasmanians could register for a voucher that would enable them to claim back money spent on accommodation or tourism experiences during September, October or November 2020.

LPA proposes that governments fund 'See It Live' e-vouchers to stimulate Australians to attend live events. This could be part of a broader Cultural Tourism Strategy aimed at instilling confidence in consumers to attend live events. Initially, it could focus on the domestic economy and later be expanded to international visitors as part of a broader international Cultural Tourism Strategy. Other consumer stimulus options should also be explored.

A vibrant live performance industry is critical to Australia's economic, social and cultural wellbeing and we encourage Government to further support and promote investment in our industry.

Once again, we thank you for the opportunity to present this submission for consideration in the Parliamentary Inquiry into Australia's creative and cultural industries and institutions. Should you have any queries regarding the information provided, please do not hesitate to contact Kim Tran (ktran@liveperformance.com.au) via email or telephone.

Yours sincerely,

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LPA has a clear mandate to advocate for and support policy decisions that benefit the sustainability and growth of the live performance industry in Australia.

Contact

www.liveperformance.com.au

www.helpmannawards.com.au

Social Media

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Twitter: @LivePerfAust

Hall of Fame

www.liveperformance.com.au/hall-of-fame

THE CREATIVE AND CULTURAL INDUSTRIES IN AUSTRALIA

APPENDIX A

$111.7 billion
Overall contribution of the creative and cultural industries to Australia's GDP in 2016-17

$85.7 billion
Gross value add from cultural and creative industries in 2016-17

Almost 600,000
People working in the creative economy in 2016

$36.4 billion
Estimated total economic output of live entertainment in Australia in 2019

$16.6 billion
Estimated total valued added by live entertainment in Australia in 2019

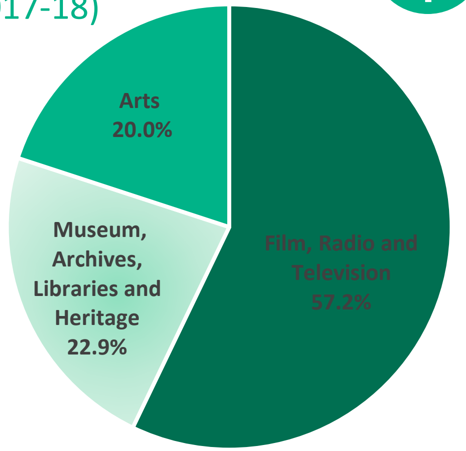
$2.2 billion
Ticket sales revenue generated by the live performance industry in 2018

Approximately 1%
Proportion of public funds committed to arts and culture across all levels of government in 2017-18

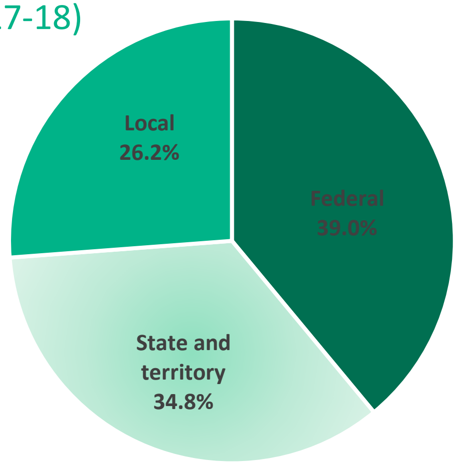
$608 million
Estimated total private sector support (cash, in-kind, donations, sponsorships, bequests, fundraising events) for the arts in Australia in 2017

9.5%
Workers employed in Australia who hold a 'creative' qualification as their highest level of qualification in 2016

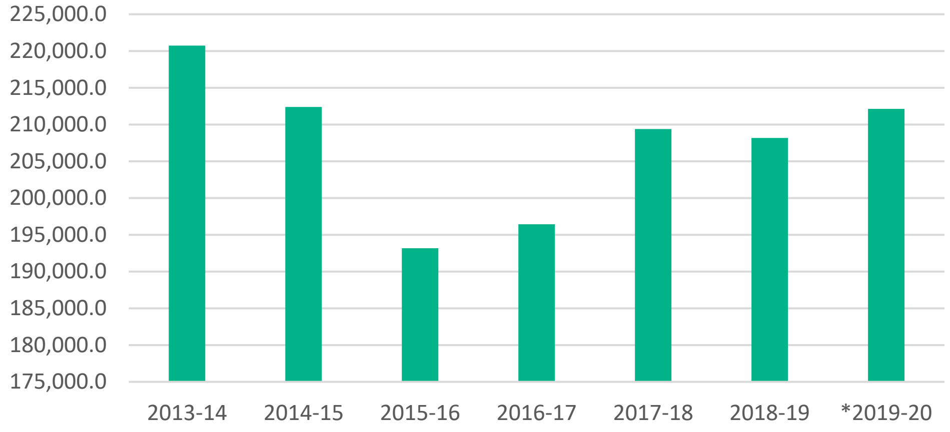
Federal government expenditure on culture (2017-18)



Proportion of cultural funding by different levels of government (2017-18)



Australia Council funding



THE CREATIVE AND CULTURAL INDUSTRIES IN AUSTRALIA

Australians are engaged in arts and entertainment

98%
Australians engaged with the arts in some way in 2019

8 in 10
Australians engaged with the arts online in 2019

82%
Proportion of Australians (15 years +) that attended at least one cultural venue or event each year in 2017-18

That's almost double the amount that attend at least one sporting event each year in 2017-18 (43%)

68%
Proportion of Australians (15 years +) that attended live events in 2019

66%
Proportion of Australians (15 years +) that attended dance/theatre events in 2019

26.2 million
People attended live performance events in Australia in 2018

That's more than the combined attendances at AFL, NRL, Cricket, Soccer, Basketball, Rugby Union, Tennis, Netball and Baseball in 2018

First Nations arts and entertainment

44,700
First Nations people (or 1 in 10) performed Indigenous music, dance or theatre in 2014-15

7,300
First Nations people earned income from arranging or participating in cultural dances or performances in 2014-2015

7 million
Australians experienced First Nations arts in 2019

Participation has grown over time from 24% in 2013 to 35% in 2016

Domestic cultural tourism

13.4 million
Overnight trips within Australia that included an 'arts' activity in 2018

$14.3 million
Overnight domestic arts tourist spend within Australia in 2018

International cultural tourism

$17 billion
International arts tourist spend in Australia in 2017

55%
Increase in international arts tourist spend in Australia between 2013-2017

3.5 million
International visitors engaged with the arts while in Australia in 2017

1.04 million
International tourists who attended festivals, fairs and cultural events in Australia in 2017

More international tourists engage with the arts than visit wineries or casinos, or attend organised sports events

TAX INCENTIVES – APPENDIX B

It is becoming increasingly challenging for Australian theatrical producers to finance the staging of new live productions due to the high costs of pre-production and difficulties in attracting the required level of investment in an internationally competitive market. As a result, opportunities for developing new ambitious Australian content with Australian-owned intellectual property and job creation are lost.

Within Australia, theatrical producers compete against other industries, notably film and TV, where the Federal Government provides tax incentives that allow screen producers to offset pre-production costs on qualifying expenditure. The Producer Offset provides:

- a 40% producer tax offset for feature film production; and
- a 20% producer tax offset for TV and other projects.

Screen Australia's study from November 2017 found that 91% of screen producers surveyed reported that the introduction of the Producer Offset has provided a range of benefits critical to their business such as:

- significantly increasing the equity stake retained by screen producers to sustain their business and consistently produce content;
- making it easier to raise finance and increasing business revenue;
- providing a measure of security and confidence to attract investors.[1]

Australian theatrical producers also compete for investors in international jurisdictions that offer significant tax incentives (e.g. UK and USA). The UK Theatre Tax Relief (TTR) scheme, in effect since September 2014, entitles live performance production companies in the UK to claim 20% of 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.

Theatrical producers in the UK reported that the TTR scheme has improved their ability to finance new productions, resulting in more investment, employment and innovative risk-taking.[2] It has also helped maintain a thriving performing arts sector at a time where public funding is under pressure.[3] Over 12,000 live productions have benefited from the scheme since its introduction, receiving back £280 million of pre-production expenditure, which was reinvested into developing more new work and supporting more jobs.

Australia's live performance industry needs a similar regime of tax incentives to attract the level of investment required to produce and stage world-class shows, support more Australian jobs and drive industry growth. Without internationally competitive tax incentives for our industry, Australian live performance risks being left behind in what is now a highly competitive global industry.

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[1] Screen Australia (November 2017), *Skin in the Game: The Producer Offset 10 Years On*, p.3-17

[2] Society of London Theatre, Media Release (11 May 2016), Ticket Relief News, accessed online: < https://uktheatre.org/theatre-industry/news/tax-relief-news/>; The Stage (21 July 2017), Theatre tax relief brings savings to nearly 2,000 shows, accessed online: < https://www.thestage.co.uk/news/2017/theatre-tax-relief-brings-savings-nearly-2000-shows/>.

[3] Arts Professional (27 July 2018), *Theatre tax relief payouts rise by two thirds*, accessed online: <https://www.artsprofessional.co.uk/news/theatre-tax-relief-payouts-rise-two-thirds>

[4] UK HM Revenue and Customs (August 2020), Creative Industries Statistics, August 2020, Official Statistics on Film, High-End Television, Animation, Video Games, Children's Television, Theatre, Orchestra and Museums & Galleries Exhibition Tax Reliefs

Economic analysis undertaken by Ernst & Young (EY)[5] found that investment incentives would encourage commercial producers and subsidised organisations to produce more work, and therefore increase economic activity. The level of economic activity generated increases as the level of investment incentive increases (see Table 1).

The EY modelling estimates that:

- a 10% tax incentive would support 22 new productions, generating an additional $229.5 million in industry turnover, an additional $100.1 million in industry value add and 863 additional jobs
- a 25% tax incentive would support 347 new productions, generating an additional $760.6 million in industry turnover, an additional $337.2 million in industry value add and 2,906 additional jobs
- a 40% tax incentive would support 555 new productions, generating an additional $1.2 billion in industry turnover, an additional $540.1 million in industry value add and 4,650 additional jobs.

Table 1: Change in economic activity (incremental to base case) resulting from tax incentives

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

While there is a cost to government in providing incentives to producers, these expenses will be recouped through taxes earned on increased economic activity. **The EY economic analysis found that there is a net positive return on investment to government by providing investment incentives on pre-production costs for live productions when tax incentives are set at a level between 25 and 40 per cent** (see Table 2).

Table 2: Government return on investment

	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**

Tax incentives for live productions should be considered as part of a holistic tax package supporting creative work. The UK, for example, offers tax relief for the creatives industries, which covers film, animation, high-end television, children's television, video games, theatre, orchestra, and museums and galleries. Further information can be found at: https://www.gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs.

The UK Government is considering extending tax relief to live music venues. We understand APRA AMCOS's Pre-Budget submission requests tax incentives for live music venues and LPA supports this proposal as part of a targeted live performance tax package.

[5] Ernst and Young (2016), *Investment support for the live performance industry*, Report for Live Performance Australia

• Extend tax incentives to pre-production costs for live productions (commercial theatre and subsidised companies that can establish commercial arms, as is the case for subsidised companies in the UK that access the Theatre Tax Relief Scheme e.g. National Theatre)
• Tax incentives are required to attract investors for Australian productions
  o The investment pipeline has evaporated locally and internationally, which makes it challenging for Australian producers to find the upfront capital to stage new productions. Typically, a commercial musical needs $10m - $15m to capitalise a show.
  o Australian producers are also competing for investors in other markets where attractive investment incentives are offered.
  o The 2 biggest markets internationally, Broadway and the West End, are facing similar, significant challenges. Disruption to the global pipeline is on a scale never seen before. Australia must ensure it can secure investment both for licensed properties that bring significant economic multiplier effects (witness *Harry Potter and the Cursed Child*, for example) plus there is an opportunity to invest in new Australian intellectual property which can drive local economic activity and jobs plus be exported. *Moulin Rouge* (coming to Melbourne in 2021 from NY) is a classic example of a show that should have been developed here but was instead developed in the US due to its tax incentives on pre-production costs.
• Investment in live productions stimulates economic activity – increasing output, value add and employment
• There is a small net positive return on investment to government by providing 25%-40% tax offset on pre-production costs
• Refer to attachment for further detail.

ADDITIONAL POINTS

• The main challenge at this time is that the small pool of investors (most are international investors) that invest in live theatre across the world are all suffering at the same time:

- all shows across the world are closed.
- all shows worldwide that were running or soon to be produced, have incurred significant debt for their investors paying out and dealing with existing contracts as a result of mandated restrictions.
- all shows will need additional capital funding to re-cast, re-rehearse, re-market, re-route tours, pay new theatre deposits and re-mount staging before they will be able to re-open.

• This means that shows will need to be both managing the incurred debt and managing the new re-start costs, in addition to covering weekly operating costs and transfer costs to each city.
• A medium size show will cost $8m -$10m to get to the first performance, and $500k-$900k per week to run. Each time a medium size musical is transferred from one city to the next it can cost $2.5m - $3.5m.
• A big show can be $18m+ to mount and $1m per week to run. A more expensive show could cost in excess of $4m to transfer between cities.
• Therefore it is not financially viable for theatres to re-open with social distancing - there just isn’t enough audience in mandated restricted numbers to have any hope of covering these kinds of costs.
• Re-start costs can range from 30%-75% of the initial capitalisation and, because there is no tax incentive in Australia, there are not the investors in Australia to capitalise to this extent.
• Now more than ever, it is critical for the industry in Australia to revive and survive. Australia is not the priority for international investors if they are being requested for funding across multiple productions across multiple countries at the same time. Broadway and the West End will always be their priority.
• A tax incentive for Australian investors to invest in Australian live entertainment would in turn deliver significant economic benefits back to the Australian economy.

INVESTMENT SUPPORT FOR THE LIVE PERFORMANCE INDUSTRY: Tax incentive proposal

Rationale

The live performance industry contributes over $4 billion annually to the Australian economy. It employs almost 40,000 people nationally, supports more than 500 performing arts companies around Australia plus hundreds of venues, producers and music promoters. It also attracts more than 25 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 for film and 20% tax offset for TV production 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, Report for Live Performance Australia, August 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, Report for Live Performance Australia, August 2016

LIVE PERFORMANCE AUSTRALIA

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.
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 scheme 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 scheme 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.
- In 2019-20, a total of £71 million of theatre tax relief was granted in relation to 1,115 claims.
- Since the introduction of the TTR scheme in 2014, over 12,000 live productions have benefited, receiving back £280 million of pre-production expenditure.

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

20% 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 2017, ten years after it was introduced. The report found that the Producer Offset "unquestionably" provided critical 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 2017), *Skin in the Game: The Producer Offset Ten Years On*