28 January 2022

The Hon Michael Sukkar MP
Assistant Treasurer and Minister for Housing
C/- The Treasury
Langton Crescent
PARKES ACT 2600

Dear Assistant Treasurer,

2022-23 Pre-Budget Submission

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 2022-23 Budget.

Our live performance industry and creative workforce is ready to rebuild following two years of disruption caused by COVID-19. A vibrant live performance industry is critical to Australia's economic recovery and our social and cultural wellbeing. The repercussions of COVID-19, which will continue for some time, have been wide-ranging and include significant loss of revenue, diminished industry capability and jobs; significant restructure and resizing of the industry; compromised community arts access; and reduced diversity of Australian works.

Despite these challenges, our performing arts companies and organisations have persisted, with important support provided through the Government's COVID-19 relief measures. We have led the way in establishing COVID-safe workplaces and venues, and have strongly supported campaigns to promote vaccination (the national industry-funded #VaxTheNation advertising campaign reached an estimated 22 million Australians). However, there remains much to do in the short-term and long-term to restart and return to pre-COVID levels of activity, and to encourage both industry and consumer confidence in presenting and attending events. Targeted government support will be crucial in this rebuilding phase.

Our submission proposes targeted initiatives that will support the live performance industry to rebuild. Our objective is to ensure sustainable funding levels so that companies can be self-reliant as quickly as possible.

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

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INDUSTRY CONTEXT – THE FUTURE

LPA recognises the need for government structures, public investment models and government-led initiatives that further unlock Australia's creative and cultural potential and support twenty-first century creative and cultural objectives in a global context. Specifically, priority should be given to:

- Developing a **National Creative Industries Plan/National Creative Economy Plan**, a comprehensive plan which includes a strong vision and framework for investment in creativity and culture[2]
- Repurposing The Australia Council for the Arts to form **Creative Australia**, as the frontline new national agency responsible for developing, investing in, and advocating for the development of sustainable creative and cultural industries
- Establishing a **stand-alone Department of Creative and Cultural Industries/Department of Creative Economy** to inform whole of government policy and programs to support the growth of our creative and cultural industries.

SUMMARY OF LPA BUDGET REQUESTS – REBUILDING THE ARTS AND ENTERTAINMENT INDUSTRY

LPA urges the Government to support the rebuild of the arts and entertainment industry as follows:

INITIATIVE	**BUDGET IMPACT**
1. Establish, in partnership with states and territories, a **temporary Live Entertainment Events Insurance Scheme** to rebuild industry confidence to invest in reactivating live events.	**$130m-$200m to May 2023**
2. Invest in skills development to rebuild capacity across the commercial and subsidised sectors in metropolitan and regional areas by: • Funding **traineeships to address critical skills shortages** across the Australian arts and entertainment industry: - technicians (i.e. lighting, sound) - company managers - event managers (i.e. festival management, programming, and production) - stage managers	**$3.5m p.a. for 3 years**
• Funding a **grants program for venues and companies to access short courses** for retraining and re-skilling established technicians.	**$500,000 over 18 months**

[2] As recommended in *Sculpting a National Cultural Plan*, the report from the Parliamentary Inquiry into Creative Industries and Institutions.

3. **Waive Temporary Activity visa (subclass 408) Entertainment Activities fees** to support industry recovery.	**$5m over 2 years**
4. **Extend tax incentives** from 1 July 2022 to pre-production costs of live theatre to assist Australian producers (commercial theatre and subsidised companies) to attract investment in an internationally competitive market.	**Cost neutral when tax incentives are set between 25%-40%.**
5. Provide Creative Australia/The Australia Council for the Arts with additional funding to: • Extend the **National Performing Arts Partnership Framework**, which would enable an additional 25-30 companies to be supported and would further build critical infrastructure nationally and allow for additional investment in areas that have not benefited as much in the past, e.g. Queensland, Western Australia and the regions • Increase the **investment for the four-year funding program** to enhance the small to medium development pipeline • Establish a **Reserves Rebuild Fund** to enable companies to rebuild their reserves. This would be matched by the states and territories (i.e. $50m over 2 years) and would enable companies to move quickly to sustainable financial settings.	**$30m p.a. for 4 years** **$10m p.a. for 4 years** **$25m over 2 years**
6. Support self-determined First Nations arts and culture, which includes: • Establishment of a **First Nations Performing Arts Fund**, recommended to be administered by the Australia Council for the Arts/Creative Australia • Development of a 10-year national **First Nations Arts Skills & Workforce Plan**.	**$20m p.a. for 3 years** **$500,000**
7. Further invest in the cultural and creative industries in regional, rural, and remote Australia through: • Establishing a **Regional Strategic Framework**, which includes three new funding programs and an extension to the Regional Arts Fund, to support investment and innovation and a revitalisation of regional Australia • Providing additional funding for **Playing Australia** to support regional touring and market development.	**$20m p.a. for 4 years** **$5m p.a. for 4 years**
8. Fund a Live Music Package that includes: • **LPA's Budget requests 1,2 and 3** which would benefit the live music industry as well as the theatre sector • **Tax incentives for live music venues**. This incentive would be a combination of a cash offset for new live music venues and offset against expenses for existing live music venues* • Additional funding for **Support Act*** • Invest in **Sounds Australia** to bolster Australia's music export activity and support the industry as they return to global stages*	**Refer Budget requests 1, 2, 3 above** **Increased revenue to Government $40m** **$20m** **$4m p.a. for 4 years**

• **Investment in the self-determination of First Nations music creators, artists and industry***	**$1m p.a. for 4 years**
• Supporting the continuation of the **Live Music Office**.*	**$500,000 p.a. for 4 years**
* Refer APRA AMCOS submission for detail regarding these initiatives	

We also note submissions made by key peak bodies, such as APRA AMCOS, Ausdance, First Nations performing arts group, Performing Arts Connections, Regional Arts Australia, Diversity Arts Australia, Symphony Services and Theatre Network Australia, and broadly support many of the proposals canvassed in those submissions.

Once again, we thank you for the opportunity to present this submission for consideration in the Budget process. 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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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 350 Members nationally. We represent commercial and independent producers, music promoters, performing arts companies, venues (performing arts centres, 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.

LPA 2022-23 PRE-BUDGET SUBMISSION

REACTIVATING THE INDUSTRY POST-COVID-19

1. LIVE ENTERTAINMENT EVENTS INSURANCE SCHEME

Budget request 1:
Establish, in partnership with states and territories, a **temporary Live Entertainment Events Insurance Scheme** to rebuild industry confidence to invest in reactivating live events.
($130m-$200m to May 2023)

There is significant commercial risk involved with confidently restarting or scheduling new events across Australia. The financial risk of delivering any event falls squarely on presenters, promoters, or artists. For many, this is an insurmountable risk in 2022-23, given the significant financial losses already incurred in 2020 and 2021.

Appetite for risk is very low and, in reactivating the live performance industry, the most significant challenge is business interruption. The industry understands the rationale for government restrictions and recommendations to curb the spread of COVID-19 within the community. However, these have a significant bearing on the lead-time and commercial viability to program and present events, which is exacerbated by the potential for venue and event closures or reimposition of restrictions to deal with outbreaks of COVID-19. Many major productions and live events also remain at serious risk of being shut down due to the highly infectious nature of the Omicron variant, and outbreaks among cast, crew and employees have already closed productions and significantly impacted staffing levels and operations across venues.

Event organisers are unable to access business interruption insurance to cover losses arising from COVID-19 related cancellations, postponements, or re-imposed restrictions. This is a significant market failure, where governments have a role in addressing a key barrier to safe reactivation of the live performance industry. Various state and territory governments have introduced schemes to offset risk. However, these are limited in their applicability and, unlike the $50 million Temporary Interruption Fund made available by the Government for Australian film and TV productions, do not cover for cancellation or interruption due to a nominated key individual (performer or worker) contracting COVID-19 or having to isolate due to COVID-19. The industry urgently needs a temporary Live Entertainment Events Insurance Scheme that both operates in partnership with states and territories and complements existing state and territory government schemes.

LPA urges Government to lead an urgent discussion with the states and territories and establish a coordinated national insurance scheme that runs until May 2023. The Federal Government component of the scheme could provide underwriting for COVID-19 transmission among cast and crew, and the states and territories could cover for business interruption due to imposition of density restrictions and/or border closures.

Many European governments have already acknowledged the risks of reactivating events. In August 2021, the United Kingdom Government announced it would partner with the Lloyd's insurance market to offer at least £750 million (approximately AU$1.4 billion) worth of support to the events sector through a Live Events Reinsurance Scheme. The Live Events Reinsurance Scheme is a cost indemnification scheme which makes cover available against the cancellation, postponement, relocation, or abandonment of live events (such as music festivals, conferences, and business events) due to new government COVID-19 restrictions until 30 September 2022.

In December 2020, the German Government announced a €2.5 billion (approximately AU$3.9 billion) cancellation fund, for events in the second half of 2021 which cannot be realised due to COVID-19 restrictions. The Austrian Government has also committed €300 million (approximately AU$470 million) to cover costs if an event is cancelled due to new rules or if more than 30 percent of the participants cannot take part in the event due to COVID-19. The scheme covers the event organiser's direct personnel costs, as well as any costs in the value chain for third-party services that are related to planning and holding the event.

A temporary Live Entertainment Events Insurance Scheme, established in partnership with states and territories, would increase industry confidence to invest in reactivating or producing new live events and offset risks of COVID transmission interruption, future lockdowns, or re-imposed restrictions. The Scheme should provide indemnification for costs if, due to COVID-19 related issues, a live event is cancelled, postponed, or negatively affected by the re-introduction of government restrictions (i.e. venue capacity, border closures, or anyone involved in the production, concert, festival or tour testing positive for COVID-19 leading to an event shutting down) or government restrictions ease slower than anticipated.

In November 2020, LPA presented the Federal, state and territory governments with a detailed proposal for a Live Entertainment Business Interruption Fund, estimated at $100-$500 million based on six risk scenarios. LPA reviewed costings for a three-year period (2021-2023) based on two risk scenarios with an estimated range of $130-$200 million **(Attachment A)**.

2. SKILLS AND TRAINING

Budget request 2:
Invest in skills development to rebuild capacity across the commercial and subsidised sectors in metropolitan and regional areas by:

- Funding **traineeships to address critical skills shortages** across the Australian arts and entertainment industry:
  ($3.5m per annum for three years)
  - technicians (i.e. lighting, sound)
  - company managers
  - event managers (i.e. festival management, programming, and production)
  - stage managers

- Funding a **grants program for venues and companies to access short courses** for retraining and re-skilling established technicians.
  ($500,000 over 18 months)

Existing skills shortages throughout the live performance industry, including in both metropolitan and regional areas, have become more acute during the COVID-19 pandemic. Testing and isolation requirements have sometimes resulted in events being cancelled when venues are unable to source replacement workers with the appropriate expertise. In some instances, technical staff are “all-rounders” across each of the technical disciplines and are shared across regions, travelling to different venues to support them in fulfilling operational and touring requirements.

Due to periods of inactivity during the COVID-19 pandemic, many professionals have lost key skills or departed the industry with no intention to return and, in doing so, have left significant capability gaps. Others moved internationally to pursue opportunities in larger markets which reopened before those in Australia. In both cases, this has resulted in companies losing core talent and many bearing the cost of importing skills to work on productions, when they are already operating on very streamlined budgets.

The skills that are particularly sought-after are:

- technicians (i.e. lighting, sound)
- company managers
- event managers (i.e. festival management, programming, and production)
- stage managers.

It is paramount that specialised industry traineeships are supported to supply highly skilled workers for the industry pipeline. Venue-based industry traineeships offer trainees structured mentorship and 12 months of formalised learning, which is developed by accredited National Registered Training Organisations (RTOs) such as Arts Centre Melbourne. Across Australia, demand for industry traineeships vastly outstrips supply, and there are hundreds of applicants for every opportunity. There is an abundance of industry expertise and goodwill to support “by industry, for industry" training and mentoring delivered by skilled supervisors and educators.

Industry traineeships are considered gold-standard due to their strong focus on industry safety and compliance. They are a recoverable cost and offer a mutual benefit, where experienced professionals pass down invaluable hands-on expertise and graduates gain a Nationally Accredited Qualification (Certificate III or IV) and are transitioned into employment. Intensive regionally based programs, such as Arts Centre Melbourne’s Tech Connect, are also hugely successful in helping remove barriers to specialised training, enhancing sector networks and consolidating technical capabilities in regional and remote areas.

A lack of consistent, long-term funding to engage trainees in venues for a 12-month period has hindered the live performance industry's capacity to foster talent, and ultimately train a new generation of skilled workers. The COVID-19 pandemic has exacerbated this critical undersupply of industry-relevant training and mentorship ten-fold. The industry now needs to significantly invest in skills development and re-skilling over the next 3-5 years to rebuild capacity across the commercial and subsidised sectors of the industry in metropolitan and regional areas. This is a major plank of the rebuild phase.

With targeted investment, the Australian arts and entertainment industry can develop and nurture local talent, as well as support succession planning and broader economic and social goals, such as jobs, inclusion, and accessibility. LPA notes that First Nations companies are seeking funding for their own First Nations Arts Skills & Workforce Plan separate from this recommendation (**please see Budget request 6**) and acknowledges the importance of increasing diversity and inclusion with respect to traineeships and employment in the live performance industry.

LPA urges Government to invest in skills development to rebuild capacity across the commercial and subsidised sectors in metropolitan and regional areas by:

- Funding **12-month industry traineeships that address skills shortages** and help rebuild Australia's arts and entertainment industry. This measure is estimated to cost $3.5 million per annum for three years ($35,000 for 100 part-time industry traineeships across Australia).
- Funding a **grants program for venues and companies to access RTO-run short courses** for retraining and re-skilling established technicians across Australia. This measure is estimated to cost $500,000 over 18 months ($1000 per person for 500 established technicians).

3. SUBCLASS 408 VISA WAIVER

Budget request 3:
Waive Temporary Activity visa (subclass 408) Entertainment Activities fees to support industry recovery. **($5m over two years)**

The arts and entertainment 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. Meeting future upfront costs continues to be extremely difficult as businesses in the live performance industry remain under significant financial pressure. Ongoing restrictions and border closures have meant that many, if not all, productions have been unable to tour interstate and internationally for nearly two years.

LPA notes the Government's recent announcement to incentivise fully vaccinated Student and Working Holiday Maker visa holders to return to Australia by refunding their Visa Application Charge – valued at between $495 and $630. LPA proposes a similar waiver to apply for 24 months to Temporary Activity visa (subclass 408) Entertainment Activities fees to support recovery efforts and help rebuild Australia's live performance industry. This measure is estimated to cost $5 million ($315 per visa and 8,000 visas per annum for two years).

DRIVING INVESTMENT

4. TAX INCENTIVES

Budget request 4:
From 1 July 2022, **extend tax incentives** to pre-production costs for live theatre productions to assist Australian producers (commercial theatre and not-for-profit companies) attract investment in an internationally competitive market.

This proposal is cost neutral to government when tax incentives are set between 25%-40%.

Access to government support is very important to ensure the industry can confidently reactivate and rebuild, and to drive future investment activities. As markets reactivate, we are operating in an increasingly competitive market for investment funding and markets that incentivise to attract investment in theatre 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). **In October 2021, the UK Government announced a temporary increase to the current relief rates for the UK Theatre Tax Relief (TTR) scheme, to benefit the sector as it recovers from COVID-19**. The TTR scheme has been in effect since September 2014, and now enables live performance production companies in the UK to claim 45 percent (previously 20 percent) of total qualifying pre-production costs for non-touring productions, and 50 percent (previously 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.

There is widespread recognition that Broadway is a key driver of employment, tourism, and economic impact in New York City. New York State's $100 million Musical and Theatrical Production Tax Credit commenced in 2021 and is a two-year program helping to reactivate the entertainment industry and New York's economy in the aftermath of COVID-19. Shows staging their first public performance can receive tax credits (capped at $3 million) to cover up to 25 percent of qualified production expenditures. As a condition of the credit, shows must have a state-approved diversity and arts job training program and take steps to make their productions accessible to low-income New Yorkers. Early indications are that interest is high among producers, particularly as Broadway's recovery will be slower than originally anticipated. The Governor of New York is proposing to increase the budget for the Musical and Theatrical Production Tax Credit to $200 million and extend the initial application deadline, from 31 December 2022 to 30 June 2023.

As Australia commences its economic recovery from COVID-19, our 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. 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 2022. 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. Investors will prioritise investment in markets where incentives are offered (i.e. UK and USA).

Australia must ensure it can secure investment for both licensed properties that bring significant multiplier effects (i.e. *Harry Potter and the Cursed Child*, *Moulin Rouge! The Musical*, *Hamilton*), 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 won 10 Tony Awards and opened in Melbourne in November 2021 after coming from New York City) 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 the tax incentive proposal is provided at Appendix B**.

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 here.

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

5. CREATIVE AUSTRALIA/THE AUSTRALIA COUNCIL FOR THE ARTS

Budget request 5:
Provide Creative Australia/The Australia Council for the Arts with additional funding to:

- Extend the **National Performing Arts Partnership Framework ($30m per annum for the next four years)**
- Increase the **investment for the four-year funding program** to enhance the small to medium development pipeline

($10m per annum for the next four years)

- Establish a **Reserves Rebuild Fund** to enable companies to rebuild their reserves.
($25m over two years)

The creative and cultural industries play a crucial role in our society – they make us healthier, strengthen our economy and foster inclusive and vibrant communities – and are a significant economic and social contributor. The cultural and creative industries are a direct driver of economic activity, jobs, and cultural tourism and have higher multiplier effects on other industries in terms of total output, value-add and employment. This is more important than ever in the aftermath of COVID-19 where the global economy is under significant stress.

LPA seeks additional funding for Creative Australia/The Australia Council for the Arts to enable new economic and community-based activities among small to medium cultural organisations and help drive economic and social recovery by:

- Extending the **National Performing Arts Partnership Framework** ($30m per annum for the next four years). This represents a 25 percent increase per annum and could enable an additional 25-30 companies to be supported and would further build critical infrastructure nationally and allow for an additional investment in areas that have not benefited as much in the past, e.g. Queensland, Western Australia and the regions
- Increasing the **investment for the four-year funding program** to enhance the small to medium development pipeline ($10m per annum for the next four years). In the spirit of building a national ecology, this targeted additional funding would rebuild and broaden critical infrastructure across the country, and diversify the sector
- Establishing a **Reserves Rebuild Fund** to enable companies to rebuild their reserves ($25m over two years). This would be matched by states and territories to total $50m and would enable companies to move quickly to sustainable financial settings.

6. FIRST NATIONS ARTS AND CULTURE

Budget request 6:
Support self-determined First Nations arts and culture, which includes:

- Establishment of a **First Nations Performing Arts Fund**, recommended to be administered by the Australia Council for the Arts
($20m per annum for three years)
- Development of a 10-year national **First Nations Arts Skills & Workforce Plan**.
($500,000)

Our First Nations people have a rich history of arts and culture and make an invaluable contribution to Australia's diverse contemporary culture and national identity. LPA support calls from our First Nations people for a self-determined approach to further build a strong and diverse Indigenous arts and cultural sector. **LPA refers the Government to submissions made by the First Nations performing arts group**.

There is a growing body of evidence showing participation in arts and culture supports outcomes across the Closing the Gap framework. Culturally based solutions are integral to Indigenous disadvantage, and for the healing and strengthening of individuals and communities. It is important First Nations people are empowered to use their cultural authority and cultural agency to build on their unique strengths and lead a national and coordinated approach.

Initiatives to support this, which are detailed in the First Nations performing arts group submission, include:

- Establishing a First Nations **Self Determined Performing Arts Fund**. This Fund would be open to self-determined First Nations artists or organisations only, and it is recommended that the Fund is administered by the Australia Council for the Arts ($20m per annum for three years).

- Developing a 10-year national **First Nations Arts Skills & Workforce Plan**. This initiative recognises that the First Nations workforce, from technicians and designers to producers, General Managers and Chief Executives, is particularly vulnerable in terms of attrition within the live performance industry. This requires additional resources to determine strategies for capacity building, workforce development and retention ($500,000 for consultation and scoping, mapping, costing and feasibility testing).

7. REGIONAL INVESTMENT

Budget request 7:

Further invest in the cultural and creative industries in regional, rural, and remote Australia through:

- Establishing a **Regional Strategic Framework**, which includes an extension to the Regional Arts Fund, to support investment and innovation and a revitalisation of regional Australia
  ($20m per annum for four years)

- Providing additional funding for **Playing Australia** to support regional touring and market development.
  ($5m per annum for four years)

The creative and cultural industries play a critical role in regional, rural, and remote Australia. Sustainable and vibrant creative and cultural industries deliver tangible short, medium, and long-term social and economic benefits for all regions and their communities. Place-based, local multi-artform projects and programs diversify audience engagement, enhance social cohesion, and support economic growth and employment in the live performance industry and other industries, such as hospitality and tourism.

Regional Arts Australia manages a range of national grant programs that have measurable impacts for artists, arts organisations, audiences, and communities across regional Australia. Regional Arts Australia has reported that all its programs, particularly the Regional Arts Fund, are oversubscribed and demand will only continue to grow. Investment in regional creative and cultural industries are more relevant and necessary than ever as regions recover from natural disasters and the COVID-19 pandemic.

The Playing Australia grants program, administered by the Australia Council for the Arts, supports performing arts companies by helping to meet the high costs associated with touring live productions to regional and remote locations. Regional touring allows presenters to access new audiences and offers numerous employment opportunities, as well as ensuring regional audience engagement with a diverse range of touring product.

LPA calls on Government to further invest in the cultural and creative industries in regional, rural, and remote Australia through:

- Establishing **Regional Strategic Framework**, which includes an extension to the Regional Arts Fund, to support investment and innovation and a revitalisation of regional Australia ($20m per annum for four years)
- Providing additional funding for **Playing Australia** ($5m per annum for four years) to support regional touring and market development.

8. LIVE MUSIC PACKAGE

Budget request 8:

Fund a Live Music Package that includes:

- **LPA's Budget requests 1,2 and 3** which would benefit the live music industry as well as the theatre sector
  (Refer Budget requests 1,2,3 above)
- **Tax incentives for live music venues**. This incentive would be a combination of a cash offset for new live music venues and offset against expenses for existing live music venues*
  (Increased revenue to Government $40m)
- Additional funding for **Support Act***
  ($20m)
- Invest in **Sounds Australia** to bolster Australia's music export activity and support the industry as they return to global stages*
  ($4m per annum for four years)
- **Investment in the self-determination of First Nations music creators, artists and industry***
  ($1m per annum for four years)
- Supporting the continuation of the **Live Music Office***
  ($500,000 per annum for four years).

* Refer APRA AMCOS submission for detail regarding these initiatives.

Our Budget recommendations 1,2 and 3 would support the live music industry as well as the theatre sector nationally.

APRA AMCOS has provided a detailed Pre-Budget submission. LPA strongly supports the above initiatives as priorities.

ATTACHMENT A

ESTIMATED COST TO GOVERNMENT, ASSUMING STRONG & GRADUAL RETURN OF LIVE ACTIVITY, & DECLINING PROBABILITY OF COVID INCIDENT

	$m	
Total Direct Output of the Live Performance Industry and the Venue Based Live Music Industry	5,586	Refer Note (a)
Estimated average event costs as a percentage of revenue	85%	Refer Note (b)
Estimated costs of delivering live music and major event program 2019	**4,748**	

SCENARIO: Strong return of live activity; declining probability of COVID incident	**2021**	**2022**	**2023**	**Total**	
Estimated % of market size vs. 2019	50%	75%	100%		
Estimated costs of delivering live music and major event program	2,374	3,561	4,748		
Estimated non-recoverable portion of cost	70%	70%	70%		
Potential maximum payout	1,662	2,493	3,323		
Probability of vaccine that eliminates COVID risk	50%	95%	95%		Refer Note (c)
Probability of COVID-related incident in any given event (before benefit of vaccine)	30%	20%	10%		
Probability of payout	15%	1%	1%		
Estimated payout	249	25	17	291	
Premium rate	1%	1%	1%		
Estimated premiums collected	(16.6)	(24.9)	(33.2)	(74.8)	
Total estimated funding required	**233**	-	(16.6)	**216**	
	$m				

SCENARIO: Gradual return of live activity; declining probability of COVID incident	**2021**	**2022**	**2023**	**Total**	
Estimated % of market size vs. 2019	33%	66%	100%		
Estimated costs of delivering live music and major event program	1,567	3,134	4,748		
Estimated non-recoverable portion of cost	70%	70%	70%		
Potential maximum payout	1,097	2,194	3,323		
Probability of vaccine that eliminates COVID risk	50%	95%	95%		Refer Note (c)
Probability of COVID-related incident in any given event (before benefit of vaccine)	30%	20%	10%		
Probability of payout	15%	1%	1%		
Estimated payout	165	22	17	203	
Premium rate	1%	1%	1%		
Estimated premiums collected	(11.0)	(21.9)	(33.2)	(66.1)	
Total estimated funding required	**154**	-	(16.6)	**137**	

Note:

(a) Direct output used as a proxy for industry revenue; Source: EY Preliminary Findings for LEIF on economic cost of COVID-19 on Australia's Live Entertainment Industry.

(b) Rough estimate across all business types (0-30% margin typically, therefore take average at 15% profit margin)

(c) Probability estimates based on feedback from medical professionals. 2021 probability estimate adjusted to account for roll out of vaccine

INVESTMENT SUPPORT FOR THE LIVE PERFORMANCE INDUSTRY: Tax incentive proposal

ATTACHMENT B

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

45%	Tax relief for non-touring productions
50%	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 currently entitles production companies to claim 45% of its total qualifying pre-production costs for non-touring productions, and 50% 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 2020-21, a total of £74 million of theatre tax relief was granted in relation to 1,070 claims.
- Since the introduction of the TTR scheme in 2014, over 15,000 live productions have benefited, receiving back £354 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*