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19 January 2017

The Hon Michael McCormack MP
Minister for Small Business
C/- The Treasury
Langton Crescent
PARKES ACT 2600

Dear Minister

2017-18 Pre-Budget Submission

As the peak body for Australia's \$2.5 billion live performance industry, Live Performance Australia welcomes the opportunity to make a submission to the 2017-18 Budget.

The live performance industry employs over 34,000 people nationally; supports more than 500 performing arts companies around Australia plus hundreds of venues, producers and music promoters. It supports the development of world-class talent both on stage and in production and technical areas. The industry attracts more than 18 million people to shows in capital cities, regional centres and country towns.

We understand the forthcoming Budget is focused on supporting economic growth, job creation and restraining government expenditure. Our submission offers proposals on how Australia's live performance industry can support these objectives.

We also urge the Government to restore funding stability to the arts sector. Over the last two years, this sector has been through a period of significant uncertainty as a result of funding cuts to the Australia Council and changes to funding mechanisms. These changes have had a detrimental impact on a number of small to medium performing arts groups who are the engine room of our industry.

1. TAX INCENTIVES

Budget request 1:

Provide tax incentives on pre-production costs for live productions

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 compete for investors with international jurisdictions that offer significant tax incentives (e.g. UK and USA). Within Australia, live performance producers compete against other

industries, notably film and TV, where a 40% producer tax offset exists. These tax incentives allow producers to offset pre-production costs on qualifying expenditure.

Our live performance industry should have 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.

Economic analysis undertaken by Ernst & Young (EY)¹ 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 incentives 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

¹ Ernst and Young (2016), *Investment support for the live performance industry*, Report for Live Performance Australia, 5 August 2016

2. SEED FUND

Budget request 2:

Establish a major seed fund (\$20 million over four years) for original Australian works of scale

Australia has the opportunity to create and exploit intellectual property derived from original work. However, creating original work is risky and requires significant upfront capital to bring an idea to life. Few original works of scale are produced in Australia due to high development costs associated with 'proving the concept' and 'pre-production'. Creative teams will firstly develop an idea into a script and then conduct a series of workshops to prove the concept. If the idea passes the proof of concept stage, it continues to be developed in a pre-production phase. It is then typically tested with audiences and revised based on test audience feedback before the final product is presented. This entire process typically takes several years.

A seed fund to support the creation of more original 'works of scale' by Australians could give priority to those works that:

- have potential for domestic and international IP or licensing exploitation;
- create employment for Australian creatives, performers and technicians; and
- demonstrate market demand.

Access to the seed fund would be open to not-for-profit and commercial companies. Criteria for seed investment in works of scale would include, for example: venue size (600-2000); cast, creative and technicians (minimum of 12 employees); and matched funding.

There are a variety of benefits resulting from the creation of original Australian work. For Australian creatives and professionals, it provides opportunities to work on a new production that significantly enhances their skills and career prospects. New original works result in Australian-owned creative intellectual property. This provides opportunities for new works to be licensed overseas, resulting in royalties flowing back to Australian copyright owners and investors.

3. AUSTRALIA COUNCIL FUNDING

Budget request 3:

Return the funding cut of \$72.8 million over four years to the Australia Council

The 2015-16 Budget announced a \$104.8 million reduction to the Australia Council's budget. Some funding (\$32 million) has subsequently been returned to the Australia Council, however a significant shortfall remains.

In August 2014, the Australia Council launched its *Strategic Plan 2014-2019* to make Australia 'a culturally ambitious nation'. However, Australia risks becoming a culturally insipid nation without adequate resources provided to the Australia Council to deliver on this government-endorsed Strategic Plan.

The funding cut has also jeopardised the long term stability of the arts sector, in particular small to medium companies. Small to medium companies are the lifeblood of the arts sector. The Australia Council funding cuts have meant that the multi-year organisational funding program for small to medium arts companies was reduced from six to four years. Organisational funding provides stability allowing companies to focus on long term business planning and artistic and creative excellence.

The restoration of funding to the Australia Council was a significant focus of the live performance industry during the 2016 federal election, and attracted substantial industry and community support.

4. INTERNATIONAL TOURING

Budget request 4:

Provide an additional \$5 million over four years for international touring of Australian productions

Showcasing Australian productions on the world stage helps to build new audiences for Australian creative talent, strengthen Australia's brand as a creative nation and boost inbound tourism. It also plays a significant role in cultural diplomacy, allowing us to build stronger connections with other countries and cultures, and improve international relations. For Australian creatives, performers and technicians, international touring provides them with new and challenging professional experiences, which they can then feed back into the industry on return.

The costs to tour productions internationally are expensive. While the Australian Cultural Diplomacy Grants Program exists to support Australian arts and culture being showcased, the current level of funding (approximately \$500,000 per annum) means that only a very limited number of projects can be supported and there are missed opportunities to showcase Australia's creative talent. The additional funding request of \$5 million over four years would support international touring costs such as transport, freight, international airfares and travel allowances. Funding would be open to festivals, performing arts companies and commercial producers.

5. REGIONAL TOURING

Budget request 5:

Provide an additional \$14 million over four years to Playing Australia

Australians living in regional areas deserve access to quality live productions. Unfortunately, Australia's geographical size and the costs associated with touring (e.g. accommodation, transport, freight, allowances) are barriers to bringing more live productions to regional areas.

The Australia Council, through its Playing Australia grants program, supports performing arts companies help meet the high costs associated with touring to regional locations. However, this program is oversubscribed each year, resulting in many missed opportunities for regional Australians to experience live productions in their local community.

Historically, the total value of grants awarded through Playing Australia has been \$6-7 million per annum. The additional funding request represents at least a 50 per cent increase in funds. The additional funding request equates to \$3.5 million per annum. A proportion of the additional funding could be allocated to increasing the number of companies with National Touring Status (companies that receive multi-year funding to enable touring in regional and remote Australia), so that deeper relationships may be developed with regional audiences.

This proposal is supported by the findings of the House of Representatives Standing Committee on Communication and the Arts inquiry into broadcasting, online content and live production in regional and rural Australia. The final report (released in May 2016) acknowledged the importance of Playing Australia and recommended that there be adequate levels of funding for the program and that the National Touring Status arrangements be extended to include additional companies.

Support should also be considered for commercial producers to tour productions throughout regional Australia.

Summary

In summary, LPA believes that with the right investment from government the live performance industry can support the Government's goals for jobs and growth. Our proposed budget initiatives:

- support the sustainability and growth of the live performance industry;
- stimulate investment in live productions; and
- increase access to live performance in regional Australia.

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

Finally, we would also like to endorse the recommendations submitted by the Australian Major Performing Arts Group (AMPAG) to this 2017-18 Budget process.

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 me or Kim Tran (ktran@liveperformance.com.au) via email or telephone.

Yours sincerely,



Evelyn Richardson

Chief Executive

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cc: Minister for the Arts, Senator the Hon Mitch Fifield

ABOUT LPA

LPA is the peak body for Australia's live performance industry. Established 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.

LPA EXECUTIVE COUNCIL

Andrew Kay (President)

Producer
Andrew Kay & Associates

Michael Coppel

President/CEO
Live Nation Australasia

Rod Pilbeam

Executive Director
AEG Ogden

John Kotzas (Vice-President)

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Zealand

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Adelaide Festival Centre

Judy Vince

General Manager Events &
Entertainment
Crown Perth

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Managing Director
Louise Withers & Associates
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Executive Producer
Ambassador Theatre Group
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Jon Nicholls HA Exec
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Jo Porter Back to Back
Theatre

Bruce Carmichael

Director
Canberra Theatre Centre

Tim McGregor

Group Managing Director
Dainty Group

Patrick McIntyre

Executive Director
Sydney Theatre Company

Michael Cassel

Director
Cameron Mackintosh
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Group

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Director
Tinderbox Productions