**31 January 2019**

Senator the Hon. Zed Seselja

Assistant Minister for Treasury and Finance

C/- The Treasury

Langton Crescent

PARKES ACT 2600

Dear Assistant Minister,

**2019-20 Pre-Budget Submission**

As the peak body for Australia’s $2.5 billion live performance industry, Live Performance Australia (LPA) welcomes the opportunity to make a submission to the 2019-20 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. In 2017, the industry attracted more than 23 million people to shows in capital cities, regional centres and country towns.

We understand this Government is focused on supporting economic growth and opportunity, job creation and restraining government expenditure. Our submission (attached) offers proposals on how, with the right strategic investment from government, Australia’s live performance industry can support these objectives.

**Summary of LPA Budget Requests**

1. Provide tax incentives on pre-production costs for live productions to assist Australian producers finance the staging of new productions and attract investment in an internationally competitive market;
2. Establish a major seed fund ($20 million over four years) for original Australian works of scale;
3. Provide an additional $20 million per annum over 4 years to the Australia Council
4. Provide an additional $5 million per annum over four years to Playing Australia; and
5. Rebuild industry stability by adjusting arts funding annually by CPI and removing the efficiency dividend on arts program funding.

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.

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,



**Evelyn** **Richardson**  **Kim Tran**

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**LPA SUBMISSION**

**Pre-budget Submission 2019-20**

1. **TAX INCENTIVES**

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| **Budget request 1:** Provide tax incentives on pre-production costs for live productions to assist Australian producers finance the staging of new productions and attract investment in an internationally competitive market. |

It is becoming increasingly more 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. 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 recent study (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. The benefits include:

* 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 to otherwise high-risk investments.[[1]](#footnote-1)

Australian theatrical producers also compete for investors with 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 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. 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]](#footnote-2) It has also helped maintain a thriving performing arts sector at a time where public funding is under pressure.[[3]](#footnote-3) Almost 5,000 live productions have benefited from the scheme since its introduction, saving a total of £137 million that can then be reinvested into developing more new work and supporting more jobs.[[4]](#footnote-4)

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.

Economic analysis undertaken by Ernst & Young (EY)[[5]](#footnote-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*

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| --- | --- | --- | --- |
| **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*

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| --- | --- | --- | --- |
|  | **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** |

Further details on this budget proposal can be found at Appendix A (p.7).

1. **SEED FUNDING FOR AUSTRALIAN WORKS OF SCALE**

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| **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 of high-cost development, which presents a disincentive for investors due to the significant delay in receiving a return on investments.

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 new productions 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, including the Federal Government if they were to retain an equity stake.

LPA is aware of several Australian theatrical producers that have chosen to produce new work in overseas territories, particularly the UK, due to the more competitive financing incentives those jurisdictions provide. As a result, intellectual property royalties and new jobs generated by the successful works by Australian creatives are being created overseas. To avoid more lost opportunities for Australian-owned work, the Federal Government should implement an initiative to support the creation of new work in Australia. 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;
* have potential to increase tourism; 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.

The Victorian Government has acknowledged the potential in supporting the creation of original works of scale. In 2017, it established a new program, *Creative State Commissions*, to support major new works that are “ambitious and ground-breaking, with the power to inspire others, generate widespread audience and community engagement and increase tourism.”[[6]](#footnote-6) Two performing arts organisations (Ilbijerri Theatre Company and Malthouse Theatre) are among the first recipients of funding under this program. As a state initiative the impact and benefits are limited to Victoria. A Federal Government seed funding initiative would provide greater national impact and value.

1. **AUSTRALIA COUNCIL**

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| **Budget request 3:** Provide an additional $20 million per annum over 4 years to the Australia Council |

The 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, placing pressure on the organisation to fulfil its strategic plan and limiting its capacity to support the needs of the arts sector.

LPA seeks an additional $20 million per annum over 4 years to the Australia Council to unlock Australia’s creative and cultural potential. The additional funding would allow the Australia Council to:

* Further invest in programs to support the sustainability and growth of the performing arts sector. This could be achieved through supporting more performing arts organisations and individual artists with multi-year funding.
* Address the low success rate of project grant funding applicants. In the latest Australia Council grants round, only 13% (183) of applications were successful. A further 271 projects were assessed by peers as being worthy of receiving funding but could not be funded due to the Australia Council’s constrained financial resources.[[7]](#footnote-7) Additional funding would allow the Australia Council to increase the success rate of project funding applications and further contribute to our nation’s cultural vibrancy.
* Invest in strategic initiatives, such as programs to:
	+ reach and engage new and diverse audiences
	+ equip future arts leaders with the skills they need to respond to new and emerging opportunities and challenges
	+ showcase Australian works nationally and internationally.
1. **REGIONAL TOURING & ACCESS**

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| **Budget request 4:** Provide an additional $5 million per annum 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 by helping to 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. LPA believes Playing Australia needs an additional $5 million per annum to allow a greater number of works to tour regional areas. Furthermore, 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.

Consideration should also be given to broadening the eligible expenses which Playing Australia will fund. Regional areas not only suffer from the tyranny of distance but also from lack of capability and capacity. For example, staff at regional venues are often ‘jacks of all trades’ and do not have capacity to adequately market a show. This may result in not being able to sell enough tickets to make bringing the show to the regional area viable. Bringing live productions to regional communities would be more successful if marketing and audience development capability existed in the producing company to support regional venues, or if regional venues could access a subsidy on the fees charged by the producing company to bring the work to the regional venue. The current guidelines limit eligible expenses to net touring costs and could be expanded to include audience development and a subsidy for sell-off fees or high-risk work.

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.

1. **REBUILDING INDUSTRY STABILITY**

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| **Budget request 5:** Adjust arts funding annually by CPI and remove the efficiency dividend on arts program funding |

The performing arts sector has suffered a great deal of instability and uncertainty over recent years, due to lack of new investment in the sector, cuts to arts funding and events such as the significant $105 million reduction of the Australia Council’s funding. Continued cuts to arts funding are unsustainable and will jeopardise the economic and social benefits derived from having a thriving and innovative arts sector.

Of great concern to LPA is the division the aforementioned factors have created within the performing arts sector – a sector which is generally highly collaborative – by pitting small to medium against large organisations for government funding in a fiscally constrained environment. It is unsustainable for the performing arts sector to do more with less.

Stability needs to be reinstated to the performing arts sector by fully adjusting arts funding and programs in line with the consumer price index (CPI) and removing the efficiency dividend on arts program funding.

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| **ABOUT LPA**LPA is the peak body for Australia’s live performance industry. Established 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. |

1. Screen Australia (November 2017), *Skin in the Game: The Producer Offset 10 Years On*, p.3-17 [↑](#footnote-ref-1)
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/>>. [↑](#footnote-ref-2)
3. Arts Professional (27 July 2018), *Theatre tax relief payouts rise by two thirds*, accessed online 8 January 2019 <<https://www.artsprofessional.co.uk/news/theatre-tax-relief-payouts-rise-two-thirds>> [↑](#footnote-ref-3)
4. UK HM Revenue and Customs (July 2018), *Creative Industries Statistics, July 2018, Official Statistics on Film, High-End Television, Animation, Video Games, Children’s Television, Theatre and Orchestra Tax Relief*, p.23 [↑](#footnote-ref-4)
5. Ernst and Young (2016), *Investment support for the live performance industry*, Report for Live Performance Australia [↑](#footnote-ref-5)
6. Creative Victoria (2016), *Creative State: Victoria’s First Creative Industries Strategy*, p.17 [↑](#footnote-ref-6)
7. Australia Council for the Arts (2019), *First Nations artists and ambitious projects shine in highly competitive Australia Council grants round,* Media release, 11 January 2019 [↑](#footnote-ref-7)