

**27 November 2020**

Premier's Economic and Social Recovery Advisory Council

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### **LPA Submission: Premier's Economic and Social Recovery Advisory Council**

Live Performance Australia (LPA) welcomes the opportunity to make a submission to the Premier's Economic and Social Recovery Advisory Council (PESRAC) and offer strategies and initiatives to support the recovery of the live performance industry in Tasmania. We have provided our recommendations in our attached submission.

#### **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 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.

#### **SUMMARY**

In summary, we recommend that the Tasmanian Government:

1. Establish a Live Entertainment Business Interruption Fund, in partnership with the Commonwealth Government and industry OR as a state-based fund similar to WA's scheme
2. Reassess and revise venue density and format restrictions for purpose-built indoor venues as a matter of urgency.
3. Provide further targeted investment through the Arts and Cultural Support Fund through measures such as:
  - i. rental waivers or subsidies for presenting venues and producers to guarantee against loss in the short-term;
  - ii. 'funding the gap' between break-even and loss due to density restrictions;
  - iii. 'best practice' governance and business processes to ensure long-term viability;
  - iv. data analytics training to inform marketing and gain consumer insights

- v. COVIDSafe technology solutions and business practices; and
  - vi. audience development, including support for COVID Safe communications and touring to regional venues.
4. Establish a Community Engagement Fund to support regional and outer metropolitan venues to capitalise on local audiences and bring patrons back to their venues.
  5. Explore the integration of live performance, specifically live music, into non-conventional performance spaces.
  6. Fund 'See it Live' e-vouchers to incentivise Tasmanians to attend live events.

LPA notes that consultation with Tasmania's cultural and creative industries is required to provide greater clarity and lead-times and help determine key challenges and opportunities for industry survival.

Should you have any queries regarding our submission, or would like to discuss these issues further, please do not hesitate to contact LPA at any time.

Yours sincerely,



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## Premier's Economic and Social Recovery Advisory Council Submission from Live Performance Australia

### 1. INTRODUCTION

As the peak body for Australia's \$4 billion<sup>1</sup> live performance industry, Live Performance Australia (LPA) welcomes the opportunity to make a submission to the Premier's Economic and Social Recovery Advisory Council (PESRAC) and offer ideas and initiatives for the next phase of the PESRAC's recommendations.

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 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.

### 2. CONTEXT

#### The value of the 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.<sup>2,3</sup>

Our industry is a significant economic and social contributor and a direct driver of economic activity, jobs, and cultural tourism. 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.<sup>4</sup> 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.<sup>5,6</sup> Our industry comprises a diverse range of art forms and supports more than 500 performing arts companies around Australia and a range of businesses (i.e. producers, promoters, ticketing companies, technical suppliers, venues, and other service providers). 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.

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

<sup>2</sup> Ernst and Young (2019), *2018 Ticket Attendance and Revenue Report*, Report for Live Performance Australia

<sup>3</sup> Stadiums Australia (2018), *Australian Sporting Attendances*, 2018

<sup>4</sup> A New Approach (2019), *The Big Picture: public expenditure on artistic, cultural and creative activity in Australia*

<sup>5</sup> Bureau of Communications and Arts Research (2018), *Cultural and creative activity in Australia 2008-09 to 2016-17* (Working Paper)

<sup>6</sup> Queensland University of Technology (2018), *The Creative Economy in Australia: Cultural production, creative services and income – Fact sheet*

The creative industries have significant economic, social, and cultural value, deliver substantial benefits and are integral to a 21st century global economy. Arts and culture have positive impacts on health, wellbeing, and education. A strong arts and cultural sector can connect individuals and promote social cohesion, as well as support equality and greater tolerance and understanding in proudly diverse and multicultural communities. Creativity, a key feature of the arts, is an important economic driver. Indeed, research suggests that creativity is a critical skill valued within a 21st century workforce.<sup>7</sup>

LPA notes that the Tasmanian Government has accepted all 64 recommendations in the PESRAC Interim Report. Funding announced in Tasmania's 2020-21 Budget for Recommendation 39 – *"The State Government should implement and fund the Community Arts and Cultural Development strategy"* – is integral to meaningful and long-term social and economic recovery from COVID-19. LPA's objective is to ensure Australia continues to present and establish live arts and entertainment events that create jobs; foster innovation and creative talent; engage local and interstate audiences and attract international audiences; increase patronage; and benefit all Australians.

### Tasmania's cultural and creative industries

Tasmania has built a strong reputation as an attractive cultural destination and is celebrated for its popular and unique offerings, such as the annual Dark MOFO and MONA FOMA music and arts festivals, and summer's beloved Falls Music & Arts Festival. Tasmania's rich music and theatre community includes everything from the world-class Tasmanian Symphony Orchestra, to the internationally renowned Terrapin Puppet Theatre, to a thriving amateur musical theatre scene and cutting-edge underground acts and performance art.

LPA research confirms Tasmania's standing as a growing contender in the live performance industry. In 2018, Tasmania:

- recorded the highest year-on-year growth (67.1%) in national live performance attendance, with 0.7 million attendances;
- recorded the third-highest year-on-year growth in national live performance revenue (17.0%), earning \$19.0 million;
- recorded an increase of 484.5% in revenue and an increase of 342.1% in attendance for comedy; and
- recorded an increase of 253.2% in revenue and an increase of 97.8% in attendance for children's/family events.<sup>8</sup>

LPA research also shows that festivals (multi-category) and contemporary music are the top two categories in live performance revenue and attendance in Tasmania, welcoming over 600,000 patrons and contributing over \$12 million to the economy. Tasmania makes a valuable contribution to the national cultural landscape and delivers social and cultural benefit to locals and visitors alike.

## 3. THE IMPACT OF COVID-19 ON THE 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

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<sup>7</sup> Bureau of Communications and Arts Research (2019), *Creative skills for the future economy*

<sup>8</sup> EY (2018), *Live performance industry in Australia, 2017 Ticket Attendance and Revenue report*, prepared for Live Performance Australia

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.

LPA has received feedback from its Tasmanian 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 nationally. For every subsequent month of closure, nationally 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.

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 **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.<sup>9</sup>

A continued industry shutdown or density restrictions will further damage consumer confidence, 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.

We are keen to collaborate with the Tasmanian Government on the reactivation of its cultural and creative industries. We understand the Premier's Economic and Social Recovery Advisory Council is committed to providing advice to the Tasmanian Government on strategies and initiatives to support the short to medium, and the longer-term recovery from the COVID-19 pandemic. Our submission offers ideas and initiatives for how the live performance industry can support these objectives in Tasmania.

## 4. PROPOSALS

### 4.1 Business Interruption

Capacity for risk is very low and, in reactivating the industry, the most significant challenge is business interruption. The industry understands the rationale for government restrictions, such as physical distancing restrictions, to curb the spread of COVID-19 within the community. However, these restrictions 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 further outbreaks of COVID-19.

The Western Australian Government announced a \$15 million '[Getting the Show back on the Road](#)'<sup>10</sup> 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

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

<sup>10</sup> <https://www.dlgsc.wa.gov.au/funding/arts-funding/getting-the-show-back-on-the-road>

underwrite COVID-19 related financial risks for live music and performance. LPA notes that Western Australia is currently the only Australian jurisdiction that is providing funding of this nature.

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.

There is significant commercial risk involved with confidently restarting or scheduling new events. A Live Entertainment Business Interruption Fund (BIF), like the shared risk package in Western Australia, 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 Tasmania 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 has submitted a proposal to the Federal Office of the Arts for a \$100-\$500 million BIF (Attachment 1) that is currently under consideration. LPA has also compiled case studies on the financial impact on the live entertainment industry that can be provided on a commercial-in-confidence basis to the Tasmanian Government.

*LPA proposes that the Tasmanian government consider, in partnership with the Commonwealth Government and industry, establishing a Live Entertainment Business Interruption Fund. All levels of the industry could contribute a percentage of cost exposure to a centralised fund – and governments 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. Alternatively, Tasmania could consider an initiative like that announced in WA.*

**Proposal 1: Establish a Live Entertainment Business Interruption Fund, in partnership with the Commonwealth Government and industry OR as a state-based fund similar to WA's scheme**

## 4.2 Density Restrictions

Cultural and creative industries are currently experiencing a second wave of company restructures and job losses. Without the continuation of JobKeeper beyond 28 March 2021, there will be considerable further contraction across the industry, and targeted state and local government support is necessary to sustain Tasmania's cultural and creative industries.

LPA notes \$2.5 million of funding (over two years) recently announced in Tasmania's 2020-21 Budget for an Arts and Cultural Support Fund, which includes \$1 million for grants to support performers and artists, and \$1.5 million to support the arts and cultural sector to produce new work.

Our Tasmanian Members have indicated increased financial and resource strain across the sector in reactivating and creating, rehearsing, and staging live events. This is particularly evident in costs associated with venue rental and hire; induction of staff post-lockdown; and infrastructure and operating costs, such as COVIDSafe technology and business practices, WHS measures and tools, and site cleaning. There is understandably a reluctance to mitigate the impact of these costs by increasing ticket prices, which may act as a disincentive to consumer engagement.

Current venue density and format restrictions in Tasmania, where indoor venues are permitted one person per 2 square metres or 250 people per single undivided space, mean it is not viable to present events. For events to be financially feasible, live entertainment venues need to operate at full capacity, and LPA notes that indoor venues are purpose-built to specifically cater to large events and ensure crowd control. As a result of increased costs and current venue density and format restrictions, venues are nervous about low attendance, while producers, promoters, performers, and artists are reluctant to present at venues where there is a distinct risk of investing time and resources for little to no commercial gain.

*LPA proposes that the Tasmanian Government reassess and revise venue density and format restrictions for purpose-built indoor venues as a matter of urgency.*

*LPA proposes the Tasmanian Government can provide further targeted investment through the Arts and Cultural Support Fund through measures such as:*

- i) rental waivers or subsidies for presenting venues and producers to guarantee against loss in the short-term;*
- ii) 'funding the gap' between break-even and loss due to density restrictions;*
- iii) 'best practice' governance and business processes to ensure long-term viability;*
- iv) data analytics training to inform marketing and gain consumer insights*
- v) COVIDSafe technology solutions and business practices; and*
- vi) audience development, including support for COVID Safe communications and touring to regional venues.*

*LPA notes that consultation with Tasmania's cultural and creative industries is required to provide greater clarity and lead-times and help determine key challenges and opportunities for industry survival.*

**Proposal 2: Reassess and revise venue density and format restrictions for purpose-built indoor venues as a matter of urgency**

**Proposal 3: Provide further targeted investment through the Arts and Cultural Support Fund with consideration to the measures proposed above**

### 4.3 Community Engagement

Increased costs and venue density and format restrictions compromise valuable business opportunities to nurture local talent and re-engage with and expand audience reach, both of which are particularly crucial in the early stages of reactivation and in a depressed economy.

A Community Engagement Fund would support regional and outer metropolitan venues to capitalise on local audiences, assist in building resilience and bring patrons back to their venues. This could include funding or a subsidy for regional and outer metropolitan venues to support presenters (professional and amateur) to develop and/or restage work at local venues; marketing support to nimbly plan, program and communicate to a broader audience; and upgrading system

infrastructure to support the development and broadcast of digital content.

Access to active creative spaces is integral to the creative process and provides more opportunities for exposure and collaboration. As the industry reactivates, competition for performance spaces will also be fierce and established artists will have a significant competitive advantage over emerging and early career artists. Having the right infrastructure is important for emerging and early career artists to experiment and trial their work, gain performance experience and build new audiences post-COVID.

A bold aspiration would be to explore the integration of live performance, specifically live music, into non-conventional performance spaces such as bookstores, restaurants and cafes. This would not only offer emerging and early career artists an invaluable professional opportunity and guaranteed income, but also support the regeneration of local economies and transcend geographical and financial barriers to address community connection and psychosocial recovery. *LPA proposes that the Tasmanian Government establish a Community Engagement Fund to support regional and outer metropolitan venues to capitalise on local audiences and bring patrons back to their venues. Measures could include:*

- i) funding or a subsidy for regional and outer metropolitan venues to support presenters (professional and amateur) to develop and/or restage work at local venues;*
- ii) marketing support to nimbly plan, program and communicate to a broader audience, including about COVIDSafe practice; and*
- iii) upgrading system infrastructure to support the development and broadcast of digital content.*

*LPA proposes the Tasmanian Government explore the integration of live performance, specifically live music, into non-conventional performance spaces. The intent is to stimulate commercial and communal activity and encourage cultural engagement, recognition and support in Tasmania.*

**Proposal 4: Establish a Community Engagement Fund to support regional and outer metropolitan venues to capitalise on local audiences and bring patrons back to their venues**

**Proposal 5: Explore the integration of live performance, specifically live music, into non-conventional performance spaces**

#### 4.4 Consumer confidence

A lack of consumer confidence coupled with weakened economic conditions, and loss in income and expenditure in the aftermath of the COVID-19 pandemic, presents a unique challenge to the financial viability of the live performance industry. Tasmanian Members have indicated that there is interest and demand among consumers to attend arts and culture events, but audiences remain cautious, and this level of caution will rise once borders are open to all Australian states and territories. Therefore, 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 industry needs assurance that audiences will have access to disposable income and demonstrate a willingness to attend live events. 'See it Live' vouchers are one form of consumer



stimulus that would support Tasmanians to afford and attend live events. Consistent with Recommendation 38 – “*The State Government should build on the current intrastate and interstate marketing campaign by developing additional cost-effective practical initiatives to drive spending*” – 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 innovative consumer stimulus promotions and initiatives should also be explored.

Voucher schemes are proven to be a successful means to build consumer confidence and stimulate spending. The New South Wales Government recently announced \$500 million for the Out & About program<sup>11</sup>, providing residents with \$100 worth of digital vouchers for use at eateries and on arts and tourism attractions across New South Wales. Tourism Tasmania’s \$7.5 million *Make Yourself at Home* voucher incentive scheme was sold-out (21,500 vouchers) within an hour of opening. Tasmanians could register for a voucher that would enable them to claim back money spent on live events and live entertainment experiences. A ‘See it Live’ voucher, like the one announced in New South Wales, would increase consumer confidence to attend live events.

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.

*LPA proposes that the Tasmanian Government fund ‘See It Live’ e-vouchers to incentivise Tasmanians 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 promotions and initiatives should also be explored.*

#### **Proposal 6: Fund ‘See it Live’ e-vouchers to incentivise Tasmanians to attend live events**

## **5. CONCLUSION**

We acknowledge the Tasmanian Government’s targeted investment in its creative industries in the 2020-21 Budget. Tasmania needs to have a bold vision for short, medium, and longer-term recovery from COVID-19 that capitalises on existing strengths. Tasmania also needs to take advantage of opportunities to encourage cultural engagement, recognition and support, improve the liveability of communities and adequately support all parts of the arts ecosystem to ensure that it can remain sustainable and flourish. Our Tasmanian Members stand ready to work with the Tasmanian Government on implementing strategies and initiatives to reactivate its cultural and creative industries.

<sup>11</sup> <https://www.budget.nsw.gov.au/system/files/budget-2020-11/PERROTTET%20-%20NSW%20launches%20out%20%26%20about%20voucher%20scheme%20to%20help%20local%20businesses%20recover%20from%20COVID-19.pdf>

# LIVE ENTERTAINMENT BUSINESS INTERRUPTION FUND

## PROPOSAL FOR CONSIDERATION

### 1. Purpose

To outline a proposal for a \$100-\$500 million Business Interruption Fund (BIF) which will support reactivation of the live entertainment industry and a pipeline of events for Australians to enjoy. The BIF will offset risks associated with event cancellations or postponements due to a COVID-19 outbreak or re-introduction of COVID-19 related government restrictions, with industry contributing a percentage of cost exposure to the fund.

### 2. Background and context

The Australian live performance industry has been devastated by the COVID-19 pandemic and associated government directives to close entertainment venues and restrict the number of people at gatherings. Gatherings of more than 500 people were banned from 16 March 2020. Four days later, this was reduced to 100 people and by the end of March 2020, no more than two people could gather. At the same time, government introduced bans on international visitors (including performance artists) entering Australia. In a matter of weeks, every live event in Australia could not proceed, resulting in tens of thousands of events being cancelled or postponed.

Government restrictions have persisted for the last six months and, at times, have become more restrictive – e.g. rolling closures of interstate borders and re-imposition of restrictions in Victoria to contain outbreaks. The prolonged nature of these restrictions means live events are unlikely to return to pre-COVID levels for a very long time. The live entertainment industry has no certainty about when and how it can re-commence activity, with government providing limited guidance to date.

These restrictions have resulted in catastrophic losses across the entire industry. It is estimated that in 2020 the live entertainment industry has lost:

- \$23.6 billion in economic output (down 65%)
- \$10.7 billion in industry value add (down 65%)
- 79,000 jobs (or two thirds of the workforce).<sup>1</sup>

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<sup>1</sup> EY (2020), *The Economic Cost of COVID-19 on Australia's Live Entertainment Industry*, Preliminary Report, for the Live Entertainment Industry Forum

The industry has also lost billions of dollars in revenue (due to lost ticket sales and refunds on cancelled and postponed events), while having to incur significant costs. For cancelled events, these costs cannot be recouped, while for postponed events, some costs may be recouped. Non-recoupable costs have included:

- paying audio, visual and staging companies for equipment that has been brought onsite that could not be used due to bans on gatherings
- paying out employment contracts
- paying ticketing companies cancellation fees to process refunds
- sunk costs such as marketing and freight
- non-refundable costs for visas allowing international artists, crew and creatives to work in Australia that could not be used
- deposits (e.g. suppliers, artists/performance fees, venue hire)
- consultants (e.g. used to prepare event plans).

Refer to **Attachment A** for case studies on the financial impact on the live entertainment industry.

### 3. Key issues

#### HIGH COMMERCIAL RISK

There is very significant commercial risk involved with confidently restarting or scheduling new events. Given the high levels of uncertainty, some event organisers are not willing to take this risk. The commercial risk associated with mounting a show, which may then be forced to operate under re-imposed restrictions or close due to another outbreak, is too great a risk for event organisers to take. Many event organisers and other businesses in the live entertainment ecosystem (e.g. suppliers) have little financial reserves to survive another forced closure. As a consequence, there will be fewer events for Australians to attend and enjoy; a vibrant events pipeline is unlikely to return to normal levels until the commercial risks can be appropriately mitigated.

The Austrian Government has recently acknowledged this risk 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.<sup>2</sup>

#### LACK OF INSURANCE

Prior to the COVID-19 pandemic, insurance costs for event organisers were already significant. For commercial theatre, these costs typically 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.

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<sup>2</sup> <https://www.iq-mag.net/2020/10/e300m-umbrella-for-austrian-promoters/#.X5ile9BLiUl>  
<https://www.culturalpolicies.net/covid-19/country-reports/austria/>

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.<sup>3</sup> 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% in the first quarter of 2020.<sup>4</sup>

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 (or other communicable diseases). Without access to affordable insurance to offset risks associated with COVID-19 and other communicable diseases, the risks with presenting events are significantly higher for event organisers.

## CHANGING GOVERNMENT RESTRICTIONS

The live entertainment 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.

There are two 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% 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 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.

Given these restrictions, event organisers take significant commercial risks when deciding to restart or schedule new events. If event organisers decide to proceed with plans within the current

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<sup>3</sup> <https://www.theguardian.com/business/2020/sep/10/lloyds-of-london-expects-5bn-in-covid-19-insurance-payouts>

<sup>4</sup> <https://www.insurancejournal.com/news/international/2020/05/12/568290.htm>

government restrictions or with expectations that restrictions will be eased, a key risk is that the restrictions will not ease as expected or even change for the worse – e.g. lower capacity limits, bans on all gatherings at entertainment venues, tighter restrictions on movements across interstate/international borders.

This may result in the following outcomes:

Scenario	Consequence
Anticipated easing of restrictions does not occur	<ul style="list-style-type: none"> <li>• Event proceeds at lower capacity, OR</li> <li>• Event proceeds with considerable operational change, OR</li> <li>• Event cancelled or postponed</li> </ul>
All gatherings banned / venues closed	<ul style="list-style-type: none"> <li>• Event cancelled or postponed</li> </ul>
Lower venue capacity imposed	<ul style="list-style-type: none"> <li>• Event proceeds at lower capacity, OR</li> <li>• Event cancelled or postponed</li> </ul>
Format restrictions imposed - for example: <ul style="list-style-type: none"> <li>• multi-stage not permitted (single stage only);</li> <li>• multi-day not permitted (single day only)</li> <li>• camping not permitted</li> <li>• indoor events not permitted (outdoor only)</li> <li>• food and beverage service restrictions</li> </ul>	<ul style="list-style-type: none"> <li>• Event proceeds with format restrictions, OR</li> <li>• Event cancelled or postponed</li> </ul>
Tighter interstate border restrictions imposed	<ul style="list-style-type: none"> <li>• Unless an exemption is granted, event cancelled or postponed. Potentially, entire national tour cancelled or postponed.</li> <li>• Depending in the type of event, it may be able to proceed if a suitable local replacement can be found.</li> </ul>
Tighter international border restrictions imposed	<ul style="list-style-type: none"> <li>• Unless an exemption is granted, event cancelled or postponed. Potentially, entire national tour cancelled or postponed.</li> <li>• Depending in the type of event, it may be able to proceed if a suitable local replacement can be found.</li> </ul>

The financial impact of each of these scenarios will vary depending upon when government announces the changing restrictions. For concerts and festivals, the financial cost will be higher the closer announcements are made to the event date, as the majority of costs are incurred in the weeks leading up to the event. For theatre and musical theatre productions, the majority of the impact is split between the costs associated with cancelling/rescheduling performances and the cost of associated with remounting the production including rehearsal, salary subsidies in standdown, additional venue rental and additional marketing.

Some costs can be mitigated through force majeure clauses, but not all. Non-recoverable costs will vary from event to event, whether the event is rescheduled or cancelled, and proximity to event day. It is estimated that:

- 10-30% of costs are non-recoverable when an event goes on sale
- 20-50% of costs are non-recoverable 30 days prior to the event
- 45-70% of costs are non-recoverable on the day of the event or in season.

Refer to **Attachment B** for estimated cancellation costs at critical cancellation points of a concert tour.

### COVID-19 OUTBREAK

If an event is mounted, there is a risk it may need to close (temporarily or permanently) or be rescheduled due to a performer, artist, creative, crew member, touring personnel, venue staff member or visitor to the venue testing positive for COVID-19. The table below outlines some possible scenarios and likely consequences.

Scenario	Consequence
Recent visitor to the venue confirmed as having COVID-19	<ul style="list-style-type: none"> <li>• Venue closed for deep cleaning (1-2 days)</li> <li>• Performances in a long running season cancelled (rescheduled, if possible)</li> <li>• One-off events or performances in a short running season cancelled (rescheduled, if possible)</li> </ul>
Performer, artist, creative, crew, touring personnel or venue staff member identified as a close contact with a confirmed case and required to quarantine for 14 days	<ul style="list-style-type: none"> <li>• If worker can be replaced, the event/performances can continue</li> <li>• If worker cannot be replaced:               <ul style="list-style-type: none"> <li>○ Performances in a long running season cancelled for 2 weeks (rescheduled, if possible)</li> <li>○ One-off events or performances in a short running season cancelled (rescheduled, if possible)</li> </ul> </li> </ul>
Performer, artist, creative, crew, touring personnel or venue staff member tests positive for COVID-19 <ul style="list-style-type: none"> <li>• Confirmed case cannot return to work until symptoms are no longer present and has received medical clearance</li> <li>• All close contacts identified among performers, artists, creatives, crew, touring personnel or venue staff need to quarantine for 14 days</li> </ul>	<ul style="list-style-type: none"> <li>• If a small number of workers are identified as close contacts and can be replaced, the event/performances can continue</li> <li>• If many workers are identified as close contacts:               <ul style="list-style-type: none"> <li>○ Performances in a long running season cancelled for at least 2 weeks (rescheduled if possible). Replacements may need to be recruited to fill roles if a key performer, crew member or venue staff member remains infectious or displays COVID-19 symptoms</li> <li>○ One-off events or performances in a short running season cancelled (rescheduled, if possible)</li> </ul> </li> </ul>

## 4. Live Entertainment Business Interruption Fund

### WHAT IS THE PURPOSE OF THE FUND?

The purpose of the Business Interruption Fund (BIF) is to increase industry confidence to reactivate live events. The BIF will do this by providing 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 someone involved in the production, concert, festival or tour tests positive for COVID-19 leading to the event shutting down) or a slower than anticipated easing of government restrictions.<sup>5</sup>

Reactivating live events will also increase confidence in other parts of the live entertainment ecosystem (e.g. suppliers) and allied industries (i.e. tourism, hospitality, transport).

### WHO IS THE TARGET MARKET FOR THE FUND?

Access to the BIF should be open to:

- any presenter (i.e. producer, promoter or venue) of a professional production, concert, festival or tour in Australia that cannot access insurance to cover losses arising from COVID-19 related issues (i.e. cancellation, postponement or introduction of stricter government restrictions after going on sale)
- commercial producers, promoters and venues; local/state government, as well as producing companies that receive government multi-year or project grant funding (e.g. national performing arts partnership organisations).

### WHAT IS THE SCOPE?

The BIF would be limited to cover live events presented in Australia that are cancelled, postponed or forced to operate under stricter government restrictions due to COVID-19.

The BIF would cover any of the following circumstances that result in an event being cancelled or postponed, or forced to operate under stricter conditions:

- A performer, artist, creative, crew, touring personnel or venue staff member has tested positive with COVID-19<sup>6</sup>
- A performer, artist, creative, crew, touring personnel or venue staff member is a close contact of someone who has tested positive with COVID-19<sup>5</sup>
- A close relative, spouse, defacto or dependent of a principal performer/artist has:
  - died from COVID-19; or
  - tested positive for COVID-19 and requires care or support from the principal performer/artist<sup>5</sup>
- A visitor to the venue (e.g. patron, contractor) has tested positive with COVID-19

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<sup>5</sup> While this proposal is written in the context of COVID-19, there is a growing trend for insurance cover to exclude communicable diseases. Therefore consideration may need to be given to expanding the scope of the BIF to cover communicable diseases more broadly.

<sup>6</sup> Also applies to situations where principal performer/artist is based overseas at the time the circumstance arises.

- A government directive, due to increased COVID-19 cases in the community, to:
  - close the production, concert, festival, tour or venue;
  - reduce venue capacity (from the capacity permitted at the time of going on sale);
  - restrict or prevent international performers, artists, creatives, touring personnel and crew from entering Australia;
  - restrict travel across Australian borders; or
  - impose financially impractical requirements.
- A change in the timetable of easing of restrictions from previously made government directives.

The BIF would solely cover costs/losses (inclusive of all costs associated with bringing about the process of event cancellation/postponement or delivering the event in a modified way) arising from COVID-related issues, such as:

- ‘sunk’ costs (e.g. production costs; supplier costs; performance/artist fees; venue hire; infrastructure (i.e. sound, lighting, audio); travel; freight; marketing; consultants/plan writing; advance licensing and royalties); and
- additional costs incurred directly because of any aforementioned circumstance (e.g. wages for performers, artists, creatives, crew and touring personnel, accommodation, rehearsals, additional marketing).

The BIF would not cover any of the following circumstances:

- lost profit
- cancelled events due to lack of audience demand
- losses that can be recouped by other means
- insurable circumstances.

A cap could be placed on the level of cover. Industry feedback suggests that the ideal level of cover ranges from \$25,000 to \$10 million.

## HOW WILL THE FUND WORK?

### Contributions

If presenters seek coverage through the BIF, they should be required to pay a fee calculated at 1% of the level of coverage required.<sup>7</sup> For example, if the BIF coverage is \$4 million, the fee would be \$40,000. These contributions should be made:

- for new events: within 1 week of tickets for the event go on sale (including pre-sale)
- for events already in market: within 60 days of the BIF’s establishment

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<sup>7</sup> Screen Australia’s fee for access to the Temporary Interruption Fund is 1% of coverage required for screen production costs.



Government would contribute \$100-\$500 million to the BIF.<sup>8</sup> Both the Federal and State/Territory government could contribute to the BIF. Alternatively, the BIF could operate as a standalone Federal or State/Territory government program.

There should be no ‘excess’ if a payout is required.

### Use of contributions

The primary use of the BIF’s funds is to reimburse eligible costs if, due to COVID-19, an event is:

- cancelled or postponed;
- forced to reduce audience numbers; or
- forced to change its format.

Funds can also be used to remunerate an administrator of the BIF, and audit costs.

At the conclusion of the funding program, if funds remain, it should be diverted to a new program to support industry recovery or retained for other ‘black swan’ events.

### WHO SHOULD ADMINISTER THE FUND?

The BIF should be administered by an independent and auditable third party. This third party would be remunerated to administer the BIF, drawing on industry contributions.

The BIF administrator would need to monitor demand for coverage and not commit to coverage at any one time in excess of available funds.

### HOW LONG SHOULD THE FUND BE IN PLACE?

The BIF could be established for an initial period of 3 years and reviewed to ascertain whether it needs to be extended.

## 5. Similar Australian initiatives

Fund	Description	Fees / Presenter contribution
Screen Australia Temporary Interruption Fund <i>Current program</i>	A \$50m fund to support local film and television producers to start filming again in circumstances where new productions have been halted by insurers not providing coverage for COVID-19. <a href="#">Funding Guidelines</a>	1% of required coverage. Maximum coverage = \$4m
Getting the Show back on the Road (WA) <i>Newly announced program</i>	\$9 million to help underwrite COVID-19 related financial risks for live music and performance. Funding guidelines yet to be announced.	Unknown

<sup>8</sup> Refer to Attachment C for scenarios estimating the size of the Fund.

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Share the Risk (WA) <i>Program no longer offered</i>	A guarantee-against-loss program designed to assist remote and regional communities cover losses associated with unexpected events, such as bad weather, a change in farming schedules, or an unforeseen community occurrence.	None
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## ATTACHMENT C: ESTIMATED COST TO GOVERNMENT, ASSUMING STRONG RETURN OF LIVE ACTIVITY

	\$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)		
<b>Estimated costs of delivering live music and major event program 2019</b>	<b>4,748</b>			
<b>SCENARIO: Strong return of live activity; declining probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
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)
<b>Total estimated funding required</b>	<b>233</b>	<b>-</b>	<b>(16.6)</b>	<b>216</b>
<b>SCENARIO: Strong return of live activity; high probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
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%	
Probability of COVID-related incident in any given event (before benefit of vaccine)	50%	50%	50%	
Probability of payout	25%	3%	3%	
Estimated payout	415	62	83	561
Premium rate	1%	1%	1%	
Estimated premiums collected	(16.6)	(24.9)	(33.2)	(74.8)
<b>Total estimated funding required</b>	<b>399</b>	<b>37</b>	<b>50</b>	<b>486</b>

### 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

## ATTACHMENT C: ESTIMATED COST TO GOVERNMENT, ASSUMING GRADUAL RETURN OF LIVE ACTIVITY

	\$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)		
<b>Estimated costs of delivering live music and major event program 2019</b>	<b>4,748</b>			
<b>SCENARIO: Gradual return of live activity; declining probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
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)
<b>Total estimated funding required</b>	<b>154</b>	<b>-</b>	<b>(16.6)</b>	<b>137</b>
<b>SCENARIO: Gradual return of live activity; high probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
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%	
Probability of COVID-related incident in any given event (before benefit of vaccine)	50%	50%	50%	
Probability of payout	25%	3%	3%	
Estimated payout	274	55	83	412
Premium rate	1%	1%	1%	
Estimated premiums collected	(11.0)	(21.9)	(33.2)	(66.1)
<b>Total estimated funding required</b>	<b>263</b>	<b>33</b>	<b>50</b>	<b>346</b>

### 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

## ATTACHMENT C: ESTIMATED COST TO GOVERNMENT, ASSUMING CAUTIOUS RETURN OF LIVE ACTIVITY

	\$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)
<b>Estimated costs of delivering live music and major event program 2019</b>	<b>4,748</b>	

<b>SCENARIO: Cautious return of live activity; declining probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>	
Estimated % of market size vs. 2019	25%	50%	75%		
Estimated costs of delivering live music and major event program	1,187	2,374	3,561		
Estimated non-recoverable portion of cost	70%	70%	70%		
Potential maximum payout	831	1,662	2,493		
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	125	17	12	154	
Premium rate	1%	1%	1%		
Estimated premiums collected	(8.3)	(16.6)	(24.9)	(49.9)	
<b>Total estimated funding required</b>	<b>116</b>	<b>-</b>	<b>(12.5)</b>	<b>104</b>	

<b>SCENARIO: Cautious return of live activity; high probability of COVID incident</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>	
Estimated % of market size vs. 2019	25%	50%	75%		
Estimated costs of delivering live music and major event program	1,187	2,374	3,561		
Estimated non-recoverable portion of cost	70%	70%	70%		
Potential maximum payout	831	1,662	2,493		
Probability of vaccine that eliminates COVID risk	50%	95%	95%		
Probability of COVID-related incident in any given event (before benefit of vaccine)	50%	50%	50%		
Probability of payout	25%	3%	3%		
Estimated payout	208	42	62	312	
Premium rate	1%	1%	1%		
Estimated premiums collected	(8.3)	(16.6)	(24.9)	(49.9)	
<b>Total estimated funding required</b>	<b>199</b>	<b>25</b>	<b>37</b>	<b>262</b>	

### 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