COVID Inquiry

AUSTRALIA MAJOR PERFORMING ARTS GROUP
Opening statement
30 June 2020

BS AMPAG's submission focuses on the devastating impact of COVID-19 on the operations and viability of the not-for-profit performing arts sector as well as proposing policies to mitigate this impact and the challenges that lay ahead
Companies have been working hard to help themselves and the cost to the industry and workers within it have been high.

While AMPAG's immediate membership represents the larger-not-for-profit organisation, it is important to stress at the outset the interconnected nature of our sector with the small to medium organisations, independents and individuals in the performing arts.

LC: We have all been working hard to help ourselves since March.

We have worked hard to stay connected with our audiences and community via well-publicised digital broadcasts. This online distribution has helped us retain connections but is not financially sustainable.

Earned income – ticket sales - which for some of us represents more than 70% of annual income - stopped immediately in mid-March when theatres closed and our performances were cancelled. Not only has our major source of income stopped but we have had to refund advanced sales of tickets to subscribers, leading to immediate cashflow issues.

We have responded by taking immediate steps to reduce costs and shut down unnecessary activities. Staff throughout most of our companies have been stood down and/or placed on reduced pay (50 – 80%).

With cashflow a serious issue threatening solvency, companies have spent reserves and taken out loans where they can – not easy for most companies who have limited assets.

Many companies still face serious solvency challenges short term – i.e. until theatres reopen.

To survive medium term when theatres begin to reopen, all companies have been restructuring and rebuilding creative operations for 2021. We expect next year to be as financially challenging as this year and very risky. We do not know when ticket income will return to normal and we will have few capital reserves left – if any – as "insurance". It has taken companies 20 years to build these reserves which have been important protection against short term market downturns and supported innovation and risk taking.

We welcome various government interventions – of great assistance.

- **The Australia Council** has brought forward funding rounds and been flexible around funding deliverables which has helped.
- The Government's **$27million** arts package announced in April and last week's **$250m JobMaker** arts and entertainment industry package has been very welcome. We look forward to hearing details and how this

package – particularly starter loans, sustainability funding and seed investment to support new productions - will help our companies.

- Most importantly **JobKeeper** has been a lifesaver for our sector: enabling organisations to retain many permanent skilled works and ease solvency issues. We strongly support **JobKeeper** continuing beyond September for further 6 months. If not, there will be widespread job losses throughout our specialist creative workforce and Australia's arts sector will take decades to recover.

PM

PM:JobKeeper has been helpful but there are gaps. Last year STC paid 566 people; 78% were freelance casual and contracts most were creative artists. They did not qualify for JobKeeper, the results, greater limitations on our capacity to access to creative talent during lock down. We do not want them leaving the sector, "seeking other jobs" – we need to keep them in the industry

- An extension of JobKeeper for six months will offset costs of permanent payroll – meaning we can then re-engage freelance casual and contract
- <u>The **regulatory framework** is also critical- currently there is no timeline, no stages for returning to normal. Yet with lead time</u> to plan. Producers need time to rehearse, build, raise investment and to work with the sector to manage employment contracts when 14 days quarantine periods may still apply.
- Uncertainty as to **customer** confidence owing to health concerns

How long it will take to return to some sort of 'normal' is uncertain and customer confidence is weakened by both heath and economic concerns. We anticipate a long tail – into 2021.

Philanthropic support is also expected to be down buy around 12per cent next year.

<u>Contribution of sector</u>

Government investment is that- an investment. A vibrant performing arts sector leverages returns for the economy.

THE ARTS are a key driver of the night-time economy by directly increasing trade for bars, restaurants, car parks, transport services and other aligned businesses and suppliers. In 2018, the Australian night-time economy was valued at $134BN by Ingenium Research, which noted that the night time economy historically grows faster than the total economy.

The arts are also central to cultural tourism by helping to attract tourists to particular destinations, and also by enhancing the value of tourism spend. Tourism Research Australia found that in 2019 international cultural tourists stayed 25% longer and spent 20% more than other tourists.

With question marks around international borders and consumer confidence around health issues likely to persist for another 12 to 18 months, there is a very large opportunity to provide products and services within Australia that will keep this leisure spend (potential value $46 billion1) within our borders. And in providing excellent experience and

[1] The Council of Australian Tourism Operators report for 2018 estimated that Australians spent $46BN on outbound international leisure travel in that year.

value, we have an opportunity to win some Australian leisure travellers back from overseas markets over a longer period.

Timing is critical. These the arts and entertainment package and JobKeeper can help us re-emerge if calibrated to work with the pace at which the restrictions are lifted and the market recovers.

We welcome your questions.