



The economic contribution of Australia's Live Entertainment Industry

How has COVID-19 impacted the industry?

December 2020



Building a better
working world

RELEASE NOTICE

Ernst & Young was engaged on the instructions of the Live Entertainment Industry Forum ("Client") to estimate the economic contribution of Australia's live entertainment industry, in accordance with the terms of our engagement agreement.

The results of Ernst & Young's work, including the assumptions and qualifications made in preparing the report, are set out in Ernst & Young's report dated 16 December 2020 ("Report"). The Report should be read in its entirety including this notice, the transmittal letter, the applicable scope of the work and any limitations. A reference to the Report includes any part of the Report.

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Our conclusions are based, in part, on the assumptions stated and on information provided by the Client and other information sources used during the course of the engagement. The modelled outcomes are contingent on the collection of assumptions as agreed with the Client and no consideration of the collection of assumptions as agreed with the Client and no consideration of other market events, announcements or other changing circumstances are reflected in this Report.

We highlight that our analysis and Report do not constitute investment advice or a recommendation to you on a future course of action.



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Mr James Sutherland
Chair - Live Entertainment Industry Forum
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The economic contribution of Australia's Live Entertainment Industry

Dear James

We are pleased to present the Live Entertainment Industry Forum with our Final Report ("Report"), 'the economic contribution of Australia's Live Entertainment Industry', in relation to the procedures set out in our engagement agreement.

This Report may be relied upon by Live Entertainment Industry Forum only for the purpose of understanding the economic contribution of Australia's Live Entertainment Industry in 2019 and the estimated impact of COVID-19 on the Australian Live Entertainment Industry in 2020. It should not be relied upon for any other purpose or by any other parties.

Thank you to you and your team for assisting us during the delivery of our work. If you would like to clarify any aspect of this study or discuss other related matters then please do not hesitate to contact me on 0402 093 800.

Yours sincerely

Matt Colston

Associate Partner

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About this report

The economic contribution of Australia’s Live Entertainment Industry

EY was commissioned by the Live Entertainment Industry Forum to assess the economic contribution of the Live Entertainment Industry on Australia’s economy and estimate the impact of COVID-19 on the industry.



Matt Colston
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1. Executive summary

The Live Entertainment Industry contributed an estimated \$36.5bn to Australia's economy in 2019. It is estimated that this contribution will fall by approximately 64% to \$12.8bn in 2020 as a result of COVID-19 restrictions.

The Live Entertainment Industry in Australia is defined as live entertainment events in the four key sectors of live performance; venue based live music; major event and major professional sports.

In 2019, the Live Entertainment Industry contributed an estimated \$36.5 billion to Australia's economy in direct and indirect output and supported an estimated 122,647 Full Time Equivalent (FTE) jobs. The industry also contributed an estimated \$16.7 billion in direct and indirect value add.¹

From March 2020, COVID-19 restrictions such as bans on mass gatherings, venue closures and patron limits caused significant disruption to the Live Entertainment Industry across Australia. A significant number of

major sporting events, concerts, music festivals and performances ranging from local acts to major international stadium concerts were cancelled or postponed. Unlike other industries, such as retail, the value created by the Live Entertainment Industry cannot easily be replicated online or through a socially-distanced setting.

In 2020, the economic contribution of the industry is estimated to constrict by approximately \$23.7bn (or 65%) due to COVID-19. Full Time Equivalent (FTE) jobs are projected to fall by over 79,500 and industry value added to reduce by \$10.8bn.²

	Value of the Live Entertainment Industry in 2019	Estimated value of the Live Entertainment Industry in 2020	Estimated Reduction 2019 to 2020
Economic Output	\$36.5bn	\$12.8bn	- \$23.7bn
Value Add	\$16.7bn	\$5.8bn	- \$10.8bn
Jobs (FTE)	122,647 jobs	43,129 jobs	- 79,519 jobs

¹ Findings as per this study

² Findings as per this study

1. Executive summary

Deeper dive – the impact on live music shows and events

To further demonstrate the impact of COVID-19 on the Live Entertainment Industry, LEIF requested a deeper dive into the impact on live music shows and events (a key sub-sector of the industry). Live music shows and events include:

- ▶ Live Performance: contemporary music and contemporary music festivals
- ▶ Venue Based Live Music: all venue based live music events

Extracting live music shows and events from our analysis found that these events represented an estimated 34% of the Live Entertainment Industry total economic output in 2019, contributing approximately **\$12.5bn** to the

Australian economy. Total jobs across the sector was estimated at approximately 42,066 in 2019, with total industry value add estimated at \$5.7bn.

Impact of COVID-19

The analysis found that the total economic output from live music shows and events is estimated to fall by \$10.8bn from 2019 to the end of 2020. Total jobs that could be lost is estimated at 36,194 by the end of 2020, with industry value add estimated to fall by \$4.9bn over the same period.

Estimated impact of COVID-19 on live music shows and events in 2020 (compared to 2019)

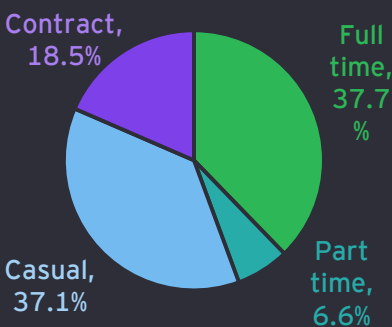
\$10.8bn fall in Economic Contribution	\$4.9bn fall in Value Add	86% fall from 2019
Over 36,194 total jobs lost	19,002 direct jobs lost and ...	17,191 indirect jobs lost

1. Executive summary

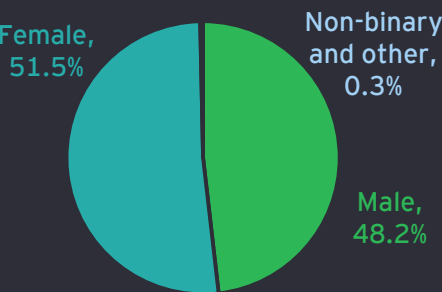
Industry workforce¹

The Live Entertainment Industry workforce is characterised by a greater number of contract, casual and part time workers (67% in total), a higher proportion of female workers (51%) and is heavily skewed towards employees under the age of 39 (65% of employees).

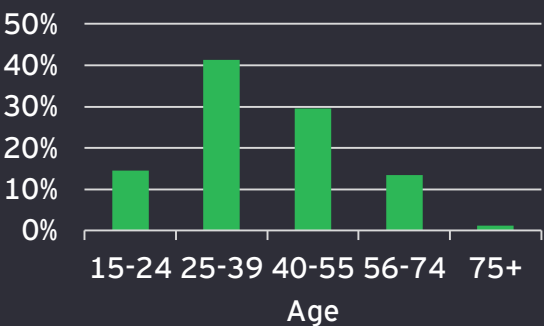
Employment type



Gender split



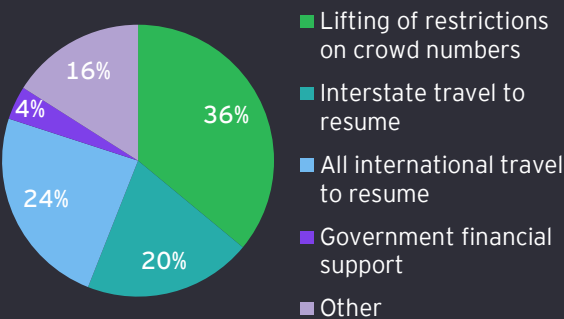
Age range



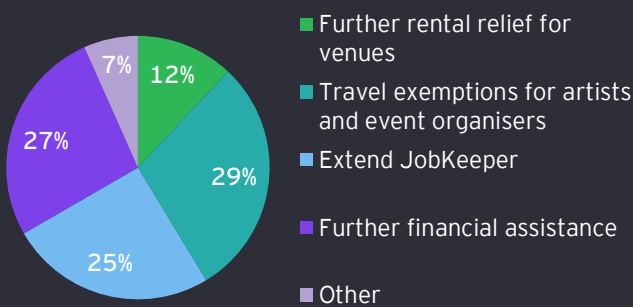
Industry support¹

The types of policy changes and support that would assist the Live Entertainment Industry to recover from the impacts of COVID-19 and commence the planning of events are depicted below.

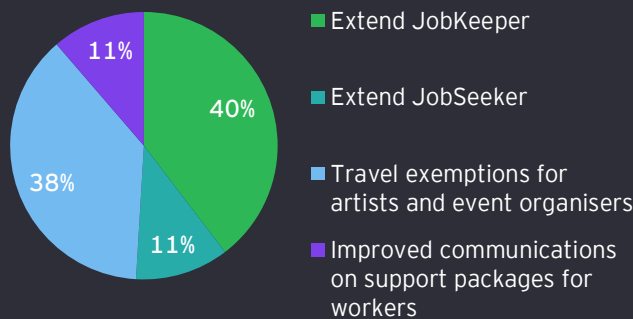
What conditions would need to change in order for you to plan events?



What support for businesses or changes would help the Live Entertainment Industry recovery from the impacts of COVID-19?



What support could be provided to industry workers to recovery from the impacts of COVID-19?



¹ LEIF, Live Entertainment Industry Survey, September 2020

2

Introduction



2. Introduction

Overview

Introduction

In September 2020, EY was commissioned by the Live Entertainment Industry Forum ('LEIF') to assess the economic contribution of the Live Entertainment Industry ('the industry') on Australia's economy and assess the impact of COVID-19 on the industry. This included an analysis of potential support that could assist the industry into recovery.

LEIF was established in 2020 to support the safe reactivation of events with live audiences across Australia as COVID-19 restrictions are eased. LEIF was formed by Australian promoters of entertainment and sport, venue managers and key peak bodies. LEIF works closely with governments, businesses and audiences to build confidence in the industry's preparedness to operate safely, flexibly and sustainably and explores how industry can be supported by the government in a gradual return.

The findings of this report are estimates only and are based on previous economic contribution assessments of the industry as well as data collated through an industry survey conducted in October 2020 by LEIF.

This report provides an overview of the study's scope, high level methodology and key findings. It proceeds as follows:

1. Introduction
2. Methodology
3. Economic contribution of the Live Entertainment Industry in Australia
4. Impact of COVID-19 on the industry
5. Industry support packages
6. General economic outlook
7. Appendix A - Notice and disclaimer

Australia's Live Entertainment Industry

The Live Entertainment Industry in Australia encompasses a vast, vibrant and diverse range of events that make up a significant part of Australia's cultural and sporting landscape. At its core, live entertainment consists of ticketed entertainment events with a live performance of sport, music, dance, and other forms of entertainment.

At every size and level, from live music in local pubs to major international sporting events, live entertainment has contributed invaluable to the Australian economy, and to the Australian way of life. The industry provides a platform to showcase Australian talent, encourages Australians to participate in sport and the performing arts, educates on Australian culture and attracts international visitors.

2. Introduction

Overview (continued)

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¹ Information available at: <https://leif.net.au/>, accessed: 13.12.2020

² Live Entertainment Industry Forum, 2020

2. Introduction

Overview (continued)

Defining the industry

For the purposes of this report, and in collaboration with the Live Entertainment Industry Forum, the Live Entertainment Industry has been defined according to four key components:

- **Live performance**
- **Venue based Live Music**
- **Major events**
- **Major professional sports.**

By defining the Live Entertainment Industry, this study was able to capture and value the whole of the industry, as well as acknowledge both the similarities and differences in the needs and circumstances of all types of live entertainment.

The Live Entertainment Industry in Australia encompasses a vast, vibrant and diverse range of events. In defining the boundaries of the industry, it is important to note the areas that are outside of the industry's scope. For example, while major events calendars include art and cultural exhibitions, such events do not typically have a live performance element and as such are excluded from this definition.

Further, there are certain duplications across the sectors. For example, regular season AFL matches fall under the major professional sports category. However, the AFL grand final is also considered as part of the major events sector as it is part of the Victorian major events calendar. Duplications such as this have been identified and adjusted for in our analysis to avoid double counting.

The following provides a detailed description of each of the key components of the Live Entertainment Industry:

Live performance

Live performance includes all ticketed live performance events through ticketing companies, self-ticketing venues, event promoters and Australian Major Performing Arts Companies. It includes ballet and dance, children and family entertainment, circus and physical theatre, classical music, comedy, contemporary music, festivals, musical theatre, opera, special events and other theatre. This is consistent with Live Performance Australia's definition of the live performance industry.



Venue based live music

Live music includes events held at Australasian Performing Right Association (APRA) licenced venues. These venues typically include hotels, bars, clubs, restaurants, cafes and nightclubs. This is consistent with APRA definition of the venue based live music industry.



Major events

Major events are defined as live events that are typically supported by State/Territory's government funded major events organisations' calendar of major events. This excludes festivals (e.g. Melbourne Food and Wine Festival) and arts and cultural exhibitions without a live component.



Major professional sports

This includes professional competitions/ leagues conducted by the national sporting organisations (NSOs) that form part of the Coalition of Major Professional and Participations Sports (COMPPS) and include AFL, Cricket, Football, Netball, Rugby League, Rugby Union and Tennis. Additionally, for the purposes of this study, the National Basketball League has also been included.



2. Introduction

2019 Industry Snapshot



¹ Conservative figures reflective of the year 2018, as per the Live Performance Australia Ticket Attendance and Revenue Report 2018, prepared by EY
² APRA data 2019
³ Data as per AUSTADIUMS, available at: <https://www.austadiums.com/>, accessed: October 2020
⁴ Major Events are defined as those typically supported through a State/Territory's government funded major events calendar

2. Introduction

Industry workforce 2019

A survey conducted by LEIF with key industry stakeholders (see Section 3), gathered high level employment data including:

- The proportion of employees under each employment type (contract, casual, part time and full time)
- The portion of employees by gender identity
- The portion of employees under specified age ranges.

The data outlined the following:

- The industry employs a greater number of contract, casual and part time workers (67% in total) than full-time workers (38%). This is due to the high level of short term work in the industry
- The industry is female dominated with 51% of employees identifying as female.
- The industry is heavily skewed towards employees under the age of 39 (55% of employees).

The high proportion of casual and contract workers potentially reflects the low uptake of JobKeeper across the industry. Approximately 40% of industry organisations surveyed as part of this study did not access JobKeeper. All organisation surveyed stated they experienced a reduction in revenue as a result of COVID-19.

Figure 2.1: Employment type¹

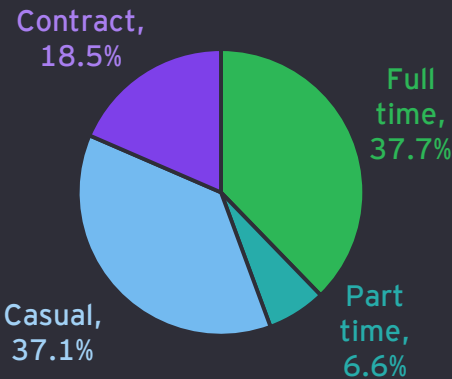


Figure 2.2: Gender split¹

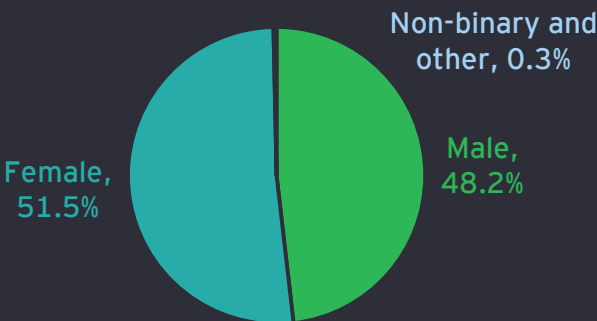
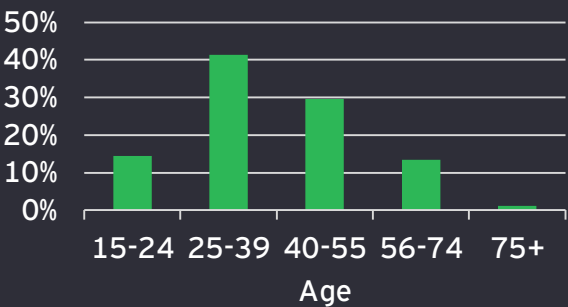
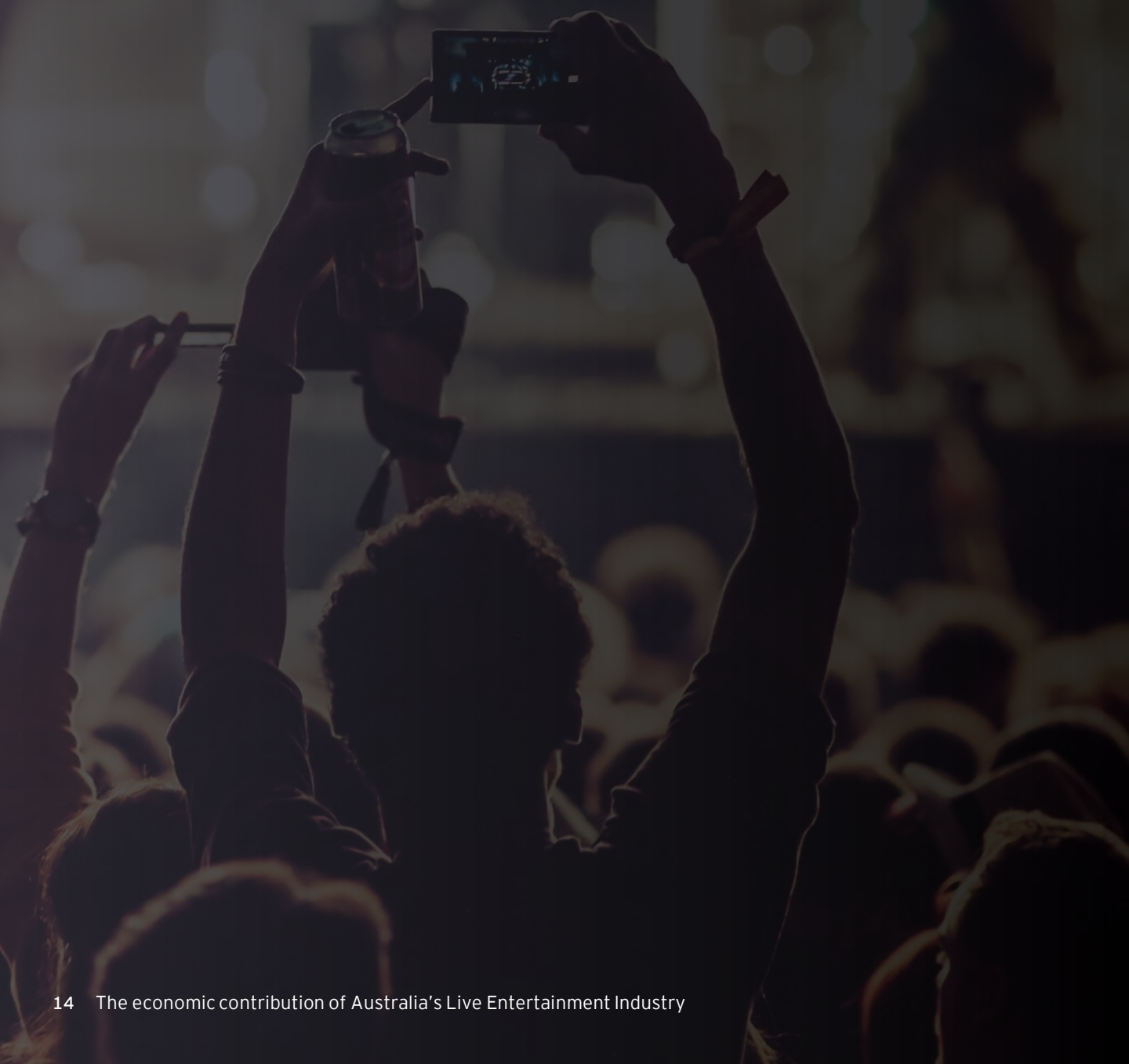


Figure 2.3: Age range¹



¹ LEIF, Live Entertainment Industry Survey, September 2020

3 Methodology



3. Methodology

Approach

A. Estimating the economic contribution of the Live Entertainment Industry

Economic contribution is an economic accounting exercise that seeks to measure all market-related expenditure flows for specified industries or activities. Economic contribution studies are used to measure the gross economic activity in terms of direct and flow-on economic expenditure.

The starting point to estimating the economic contribution of the Live Entertainment Industry is to understand all the industry revenues and associated visitor spending generated by the industry. For the purposes of this study, this includes:

- **Industry ticket sales revenue** - The revenue from ticket sales captures the contribution to all support industries (e.g. promoters, venue operators, artists etc.)
- **Government funding** - Funding provided by government to support an organisations operations (typically in the not for profit sector of the industry) and host events (e.g. funding to bid for and deliver international events)
- **Corporate sponsorship and support**
- **Broadcast revenue** - Revenue from broadcast rights for professional sporting leagues and competition
- **Other commercial revenue** - additional revenue received by organisations as a direct result of hosting live events (e.g. advertisement revenue, merchandise etc.)
- All expenditures by locals and visitors to an event. The expenditure of spectators attending events, both in the venue (e.g. food and beverage) and outside of the venue during their trip for the event (e.g. accommodation, food and retail)

The typical approach to estimating these industry revenues is to use a bottom up approach, which involves collecting extensive data from the various wide ranging industry participants. However, given the nature of this engagement and the limited time available to estimate the contribution of the industry under this approach, EY has estimated the contribution based on existing market/industry studies previously conducted.

This included existing EY studies undertaken on various components of the industry (Live Performance Industry, Venue Based Live Music Industry), studies undertaken by members of the Live Entertainment Industry Forum executive committee (e.g. the economic contribution of the AFL) and other publicly available studies or media releases (e.g. The Intergenerational Review of Australian Sport, Valuing Australia's Creative Industries, media releases and/or publicly available studies on the economic impact of various major events, etc).





Where key industry metrics were available for the 2019 calendar, these key metrics were used to update these previous studies where they were conducted prior to 2019. This process was undertaken to ensure that, where possible, that all outputs were reflective of the size of the industry for the 2019 calendar year.

3. Methodology

Approach (continued)

The economic contribution was estimated for each separate component of the industry (i.e. Live performance, live music, major events, major professional sport) for the 2019 calendar year. A high level summary of the inputs included across each industry component is provided in the table below.

Table 3.1: Live Entertainment Industry - Economic contribution key inputs

	Industry component	Included in analysis
	Live performance	<ul style="list-style-type: none"> ▶ Revenue from ticket sales ▶ Expenditure of visitors that attend live performances (e.g. accommodation, food, transport, merchandise, retail, etc.) ▶ Other revenue (i.e. government funding, corporate sponsorship, personal donations, orchestra hires, and royalty income)
	Venue based live music	<ul style="list-style-type: none"> ▶ Revenue from ticket sales ▶ Revenue from food and beverages purchased in the venue ▶ Note that no additional visitor expenditure (i.e. over and above entrance/ticket price and in venue spend) has been included in this component as it is attendees to these types of music performances are predominately local attendees.
	Major events	<ul style="list-style-type: none"> ▶ Revenue from ticket sales ▶ Expenditure of visitors that attend major events (e.g. accommodation, food, transport, merchandise, retail, etc.) ▶ Other event related revenue (e.g. sponsorship, government funding and other commercial revenue)
	Major professional sport	<ul style="list-style-type: none"> ▶ Revenue from ticket sales ▶ Revenue associated with major professional sporting leagues / competitions e.g. (broadcast, sponsorship, commercial revenue, memberships, merchandise, food and beverage etc.)

3. Methodology

Approach (continued)

The image below shows an example of the types of revenues and expenditures that may be included when calculating the economic contribution of a concert held in Victoria.

Figure 3.1: What is included in economic contribution? - Illustrative example



3. Methodology

Approach (continued)

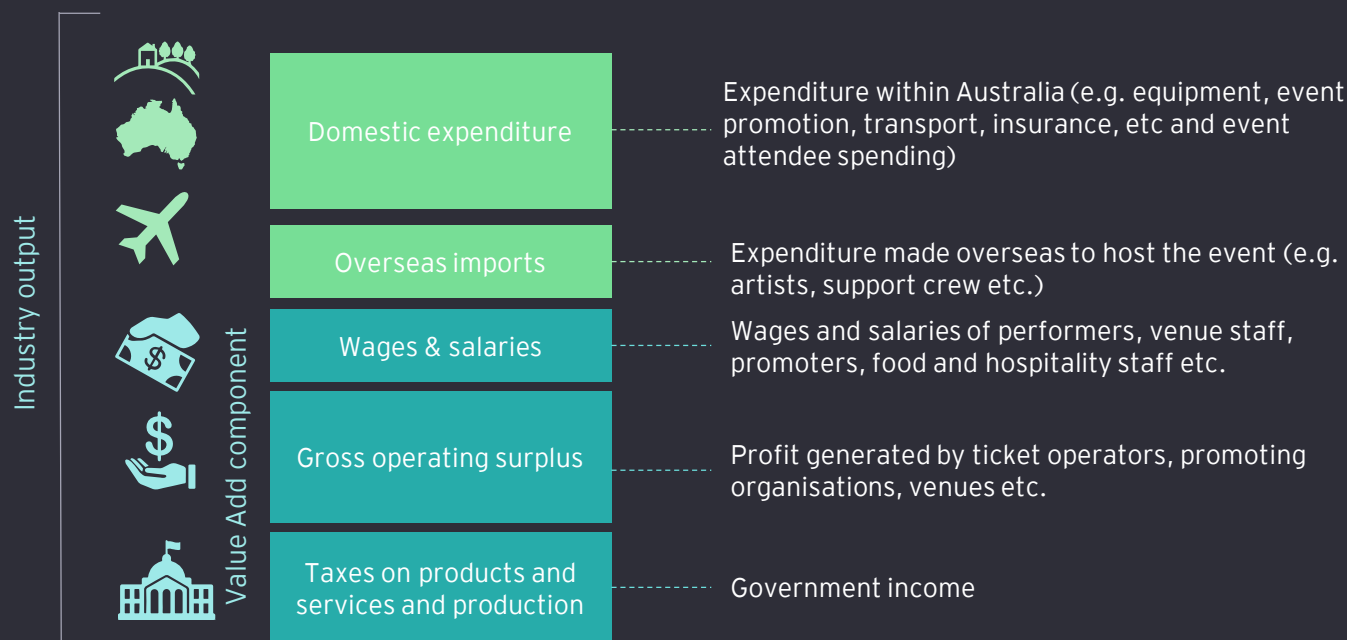
Direct economic measures

When undertaking ‘contribution’ studies of this nature three common direct indicators of economic contribution are used:

- **Industry output** – the market value of goods and services produced by an industry, often measured by industry turnover (also referred to as gross contribution)
- **Industry “value add”** – the market value of goods and services produced by an industry, after deducting the cost of goods and services used (measured by direct wages and profits generated)
- **Industry employment** – the number of workers directly employed by the industry, expressed in terms of full-time equivalent employees.

All three measures are valuable in their own right. Industry output is a measure of *production*, value add is a measure of *wealth generation*, and arguably, employment is a measure of the *distribution of income*. The value add measure is commonly put forward as the most appropriate measure of an industry’s contribution to an economy.

Figure 3.2: Direct industry output – Live Entertainment Industry example¹



¹ EY illustrative interpretative of REMPLAN 2020 Economic Output definition – REMPLAN, Back to basics, available at: <https://www.remplan.com.au/blog/2019/01/back-to-basics/>

4. Methodology

Approach (continued)

Indirect economic contribution

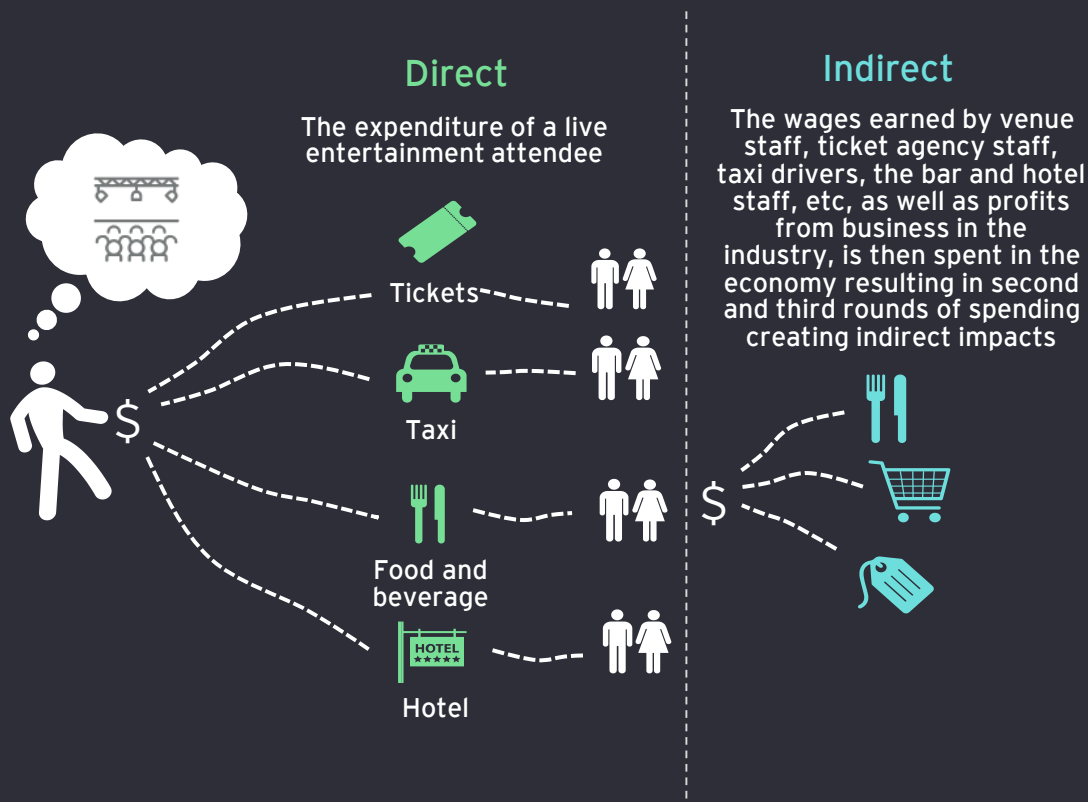
In addition to the direct contribution, this study also estimates the indirect economic contribution. The indirect contribution measures the multiplier effects of the direct expenditure throughout the economy.

The direct spending produces a second round of spending and income generation.

For example, additional money spent at restaurants by event attendees is allocated between the additional material inputs (such as food and drink), wages, and profits of the proprietor. Wages spent by the employees of the restaurant (for example, on household items) circulates the money throughout a broader section of the economy creating indirect benefits.

The multipliers used and therefore the size of the indirect impact depends on the type of direct expenditure, and the structural features of the economy. The estimated multiplier on the economy is expressed as the increase in Gross Domestic Product ("GDP"). The economic multipliers used for this study were sourced by EY using REMPLAN.

Figure 3.3: Direct versus indirect contribution - Illustrative example



3. Methodology

Approach (continued)

B. Estimating the impact of COVID-19 on the Live Entertainment Industry

At a micro level, the impact of COVID-19 on the industry varies significantly and depends on factors such as:

- The type of business in the sector
- The type of sub-sector
- The location of the business and events
- The size of the business

EY estimated the impact of COVID-19 on the industry at a macro level through collating information through an online survey ('Industry Survey') distributed to industry stakeholders by LEIF. Stakeholders included members of the Live Entertainment Industry Forum executive committee and other related organisations.

Industry survey

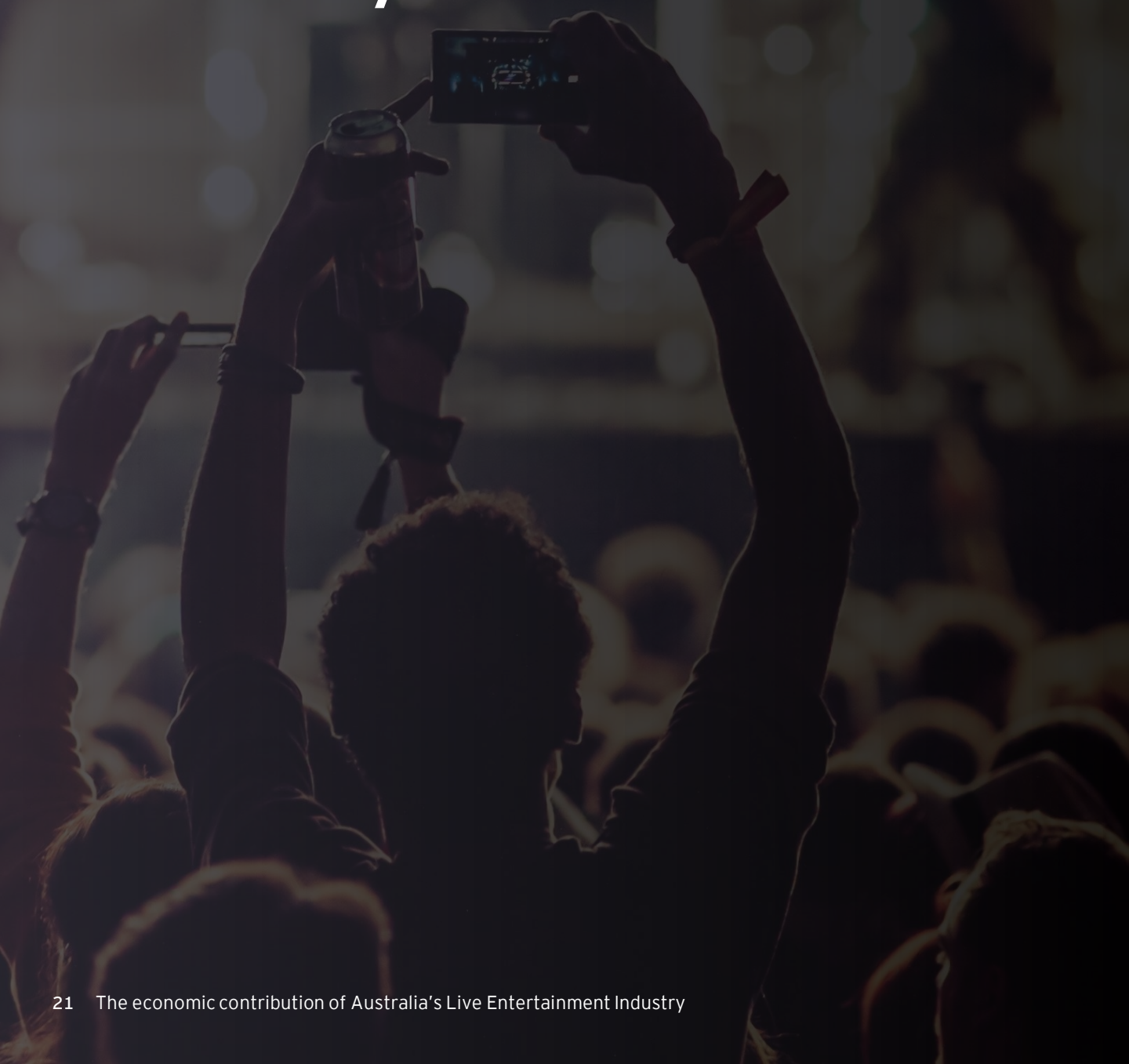
An Industry Survey was developed by EY in collaboration with LEIF and was distributed by LEIF to the industry stakeholders between the 17 September and 2 October 2020. The survey gathered data such as:

- **Organisation details** - Type and size of business, sub-sector of business and business location
- **Employment details** - A breakdown of the employment composition by gender, employment type (full time, part time, casual or contract) and age group
- **COVID-19 impact** - Estimated percentage impact of COVID-19 on organisation revenue and employment numbers
- **Industry needs** - Support required by the industry to recover from the COVID-19 impact

All responses were received in confidence and the survey responses were not distributed beyond the EY team.

EY applied the results from this survey to the estimated economic contribution of the industry for 2019 (as per part A) to estimate the quantitative impact of COVID-19 on the Live Entertainment Industry for the 2020 calendar year.

4 Economic contribution of the Live Entertainment Industry







4. Economic contribution of the Live Entertainment Industry in 2019

Overview of results

This study estimated that the Live Entertainment Industry contributed \$36.5 billion to Australia’s economy in direct and indirect output and supported 122,647 Full Time Equivalent (FTE) jobs in 2019. The study also estimated that the Industry contributed \$16.7 billion in direct and indirect value add in 2019. The outputs are shown in the table below.

Figure 4.1: Total Output, Total Value Add and Total FTE 2019

		Total Output (\$Billion)	Total Value Add (\$Billion)	Total FTE
		Direct and indirect	Direct and indirect	Direct and indirect
	Live Performance	\$15.6	\$7.1	52,340
	Venue based live music	\$4.3	\$2.0	14,587
	Major Events	\$7.8	\$3.6	26,349
	Major Professional Sport	\$8.7	\$4.0	29,372
Total		\$36.5	\$16.7	122,647

Note: Totals may not equate to the sum of the components in the table above due to rounding.

4. Economic contribution of the Live Entertainment Industry in 2019

Direct and indirect contribution

The direct and indirect contribution of Total Output, Value Add and Jobs (FTE) for the industry estimated by this study for 2019 are presented below.

Table 4.2: Total Output 2019

Total Output	Direct	Indirect	Total
Live Performance	5.9	9.7	15.6
Venue based live music	1.7	2.7	4.3
Major Events	3.0	4.9	7.8
Major Professional Sport	3.3	5.4	8.7
Total	13.9	22.6	36.5

Table 4.3: Value Add 2019

Value Add	Direct	Indirect	Total
Live Performance	2.5	4.6	7.1
Venue based live music	0.7	1.3	2.0
Major Events	1.3	2.3	3.6
Major Professional Sport	1.4	2.6	4.0
Total	5.9	10.8	16.7

Table 4.4: FTE 2019

Jobs (FTE)	Direct	Indirect	Total
Live Performance	27,479	24,861	52,340
Venue based live music	7,658	6,928	14,587
Major Events	13,834	12,516	26,349
Major Professional Sport	15,421	13,951	29,372
Total	64,392	58,256	122,647

Note: Totals may not equate to the sum of the components in the table above due to rounding.

5 Impact of COVID-19 on the Live Entertainment Industry

5. Impact of COVID-19 on the Industry

Overview of impact

Industry disruption

From March 2020, COVID-19 restrictions such as bans on mass gatherings, venue closures and patron limits caused significant disruption to the Live Entertainment Industry across Australia. A significant number of major sporting events, concerts, music festivals and performances ranging from local acts to major international stadium concerts were cancelled or postponed.

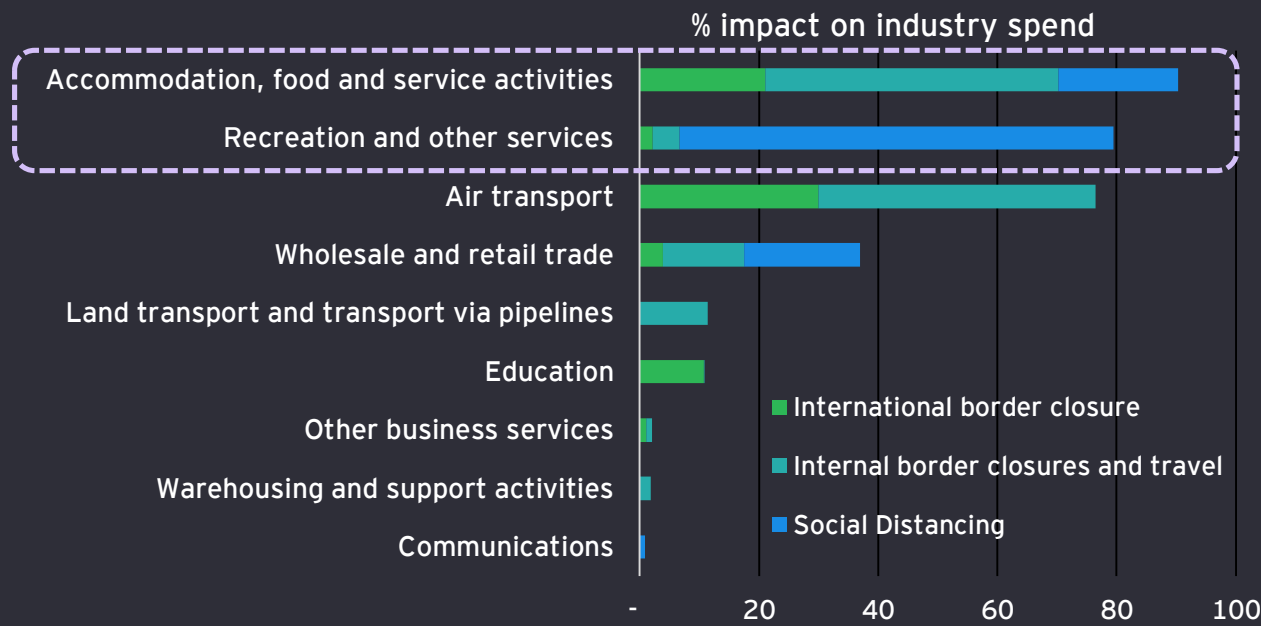
In some areas of the country, the easing of restrictions allowed parts of the industry to resume activity, albeit with limited audience numbers due to strict rules and guidelines. Major sporting leagues such as the AFL and NRL have been subject to significantly reduced stadium capacities, with venues in Queensland and Western Australia capped at 50% capacity, with similar restrictions in other states. For example, in 2019, 100,014 people attended the AFL Grand Final in Melbourne Cricket Ground in

Victoria. In October 2020, this number was reduced to 29,707 with the Grand Final being held at The Gabba in Brisbane.¹

Unlike other industries, such as retail, the value created by the Live Entertainment Industry cannot easily be replicated online or through a socially-distanced setting. The 'live' element of events is at the heart of the industries' value. While some artists and businesses have been able to adapt to this new environment, the majority have suffered significant revenue losses and have substantially reduced employee numbers.

EY analysis found that accommodation, food and service activities as well as recreational activities have been hardest hit by COVID-19 restrictions. These activities directly or indirectly relate to the Live Entertainment Industry.

Figure 5.1: Impact on industry spend of COVID-19 restrictions ²



¹ AUSTADIUMS, available at: <https://www.austadiums.com/sport/sport.php?sid=1>, accessed: 9.11.2020

² EY analysis, 2020

5. Impact of COVID-19 on the Industry

Overview of impact (continued)

Quantifying the impact

As part of Industry Survey issued by LEIF, organisations were asked questions relating to the impact of COVID-19 on revenue and employment. Specifically, respondents were asked to estimate the impact of COVID-19 on their revenue and employment numbers for 2020, assuming that current restrictions remain in place until 31 December 2020. Industry participants respondent the survey between 17 September and 2 October 2020.

Organisations provided estimates based on:

- ▶ Actual data from January 2020 to September/October 2020
- ▶ Estimated projections for October 2020 to December 2020.

By assessing these responses, EY estimated the impact of COVID-19 on the Live Entertainment Industry in 2020.

While Governments eased certain restrictions in October and November 2020, the level of planning required to host events as well as

uncertainty surrounding future restrictions has limited the ability of live entertainment organisers to schedule events in both November and December 2020. As such, organisations responding based on assumed restrictions until 31 December 2020, has been assumed to be the most accurate representation of industry activity in 2020.

By applying the results of the Industry Survey to the estimated economic contribution of the Live Entertainment Industry in 2019 (see Section 3), EY has estimated the following impact for 2020:

Direct and indirect	2019 (\$bn)	2020 (\$bn)	(\$bn)
Output	36.5	12.8	-23.7
Value Add	16.7	5.8	-10.8
Jobs (FTE)	122,647	43,129	-79,519

Figure 5.2: Impact of COVID-19 on the Live Entertainment Industry in 2020



5. Impact of COVID-19 on the Industry

Deeper dive – the impact on live music shows and events

To further demonstrate the impact of COVID-19 on the Live Entertainment Industry, LEIF requested a deeper dive into the impact on live music shows and events (a key sub-sector of the industry). Live music shows and events include:

- ▶ Live Performance: contemporary music and contemporary music festivals
- ▶ Venue Based Live Music: all venue based live music events

Extracting live music shows and events from our analysis found that these events represented an estimated 34% of the Live Entertainment Industry total economic output in 2019, contributing approximately \$12.5bn to the

Australian economy. Total jobs across the sector was estimated at approximately 42,066 in 2019, with total industry value add estimated at \$5.7bn.

Impact of COVID-19

The analysis found that the total economic output from live music shows and events is estimated to fall by \$10.8bn from 2019 to the end of 2020. Total jobs that could be lost is estimated at 36,194 by the end of 2020, with industry value add estimated to fall by \$4.9bn over the same period.

Figure 5.3: Estimated impact of COVID-19 on live music shows and events in 2020 (compared to 2019)



Australian festivals

As of August 2020, The Australian Festival Associated (AFA) noted that 35 major festivals and festival tours were cancelled across Australia.

The AFA have estimated that festivals are incurring losses in the range of \$500k to \$10m (depending on festival size) due to the cancellation of events. With such losses, the AFA anticipate that the first profitable quarter post

COVID-19 will be January - March 2020, due to the time required to recover from financial losses.

A major concern outlined by the AFA going forward is the need for international artists, with a typical line-up including 60% international acts. The AFA note that approximately 80% of ticket sales rely on international acts.

5. Impact of COVID-19 on the Industry

Industry case studies

Case study 1 - Cancelled multi-day music festival

An annual multi-day music festival was scheduled for early 2020. The event was cancelled just prior to the scheduled date.

All staging, audio, visual, lighting, camping and fencing requirements and amenities (e.g. toilets, outdoor furniture) had arrived at the greenfield site and been erected, before government directions prohibited public gatherings.

Impact

- \$3.7 million box office revenue forgone
- 8,789 event tickets and 2,940 ancillary (camping, bus, parking, VIP) tickets refunded - approximately (48%) of event ticketholders chose to retain their tickets for the following year's event, however, there is currently uncertainty about whether the 2021 event can proceed
- Approximately 1,160 crew (including security, catering, retail, bar, ticketing, production, cleaning, police, rigging, parking attendants) as well as suppliers, festival contractors and volunteers are involved in staging the festival
- Approximately \$6 million worth of contracts with service were been cancelled

Non-recoupable costs totalled \$3,054,737,

including:

- Marketing costs
- Wages
- Venue hire
- Ticketing
- Travel, accommodation and staff allowances
- Production costs
- Site and camping costs
- Artist fees
- Visas
- Insurance.

If the festival had not been able to negotiate contracts and access other government support, non-recoupable costs would have totalled approximately \$8.5 million.

\$3.1m in non on-recoupable costs

\$3.7m in box office revenue foregone

\$6m worth of contracts cancelled

Source: Australian Festival Association. Festival name and dates removed for confidentiality purposes

Case study 2 - Cancelled events at a major arena

Prior to COVID-19 restrictions, this major arena operates at a capacity in excess of 10,000.

COVID-19 square meter / person restrictions resulted in the arena being required to reduce capacity by over 60%.

The average loss per event on ticket sales is estimated at approximately \$1,154,500.

60% reduction in prohibited capacity

\$1.2m in ticket revenue foregone per event

Source: LEIF committee - major arena noted is confidential



Live Entertainment Industry support

6. Industry support

Policy and regulatory changes required

Industry Survey

The Industry Survey asked respondents about the future of their organisations and the type of policy changes and support that would enable them to recover and commence the planning of events.

To commence planning events, the majority of respondents (36%) stated that *'lifting of restrictions on crowd numbers'* is required. This was followed by the *'resumption of international travel'* (24%).

To support businesses into recovery, the majority of respondents listed that *'exemptions for interstate and international travel for artists and event organisers'* is required (29%). This was followed by *'further financial assistance for live entertainment businesses'* (27%) and the *'extension of JobKeeper'* (25%).

To support industry workers, the majority of respondents listed that *'extension of Job Keeper'* is required (40%). This was followed by *'exemptions for interstate and international travel for artists and event organisers'* (38%).

Figure 6.1: What would you need to change in order for you to plan events?

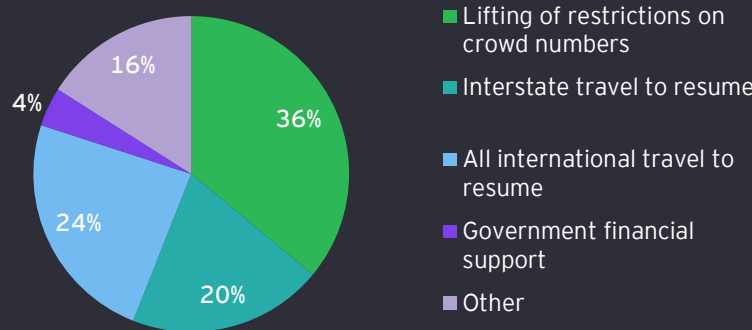


Figure 6.2: What support for businesses or changes would help the Live Entertainment Industry recovery from the impacts of COVID-19?

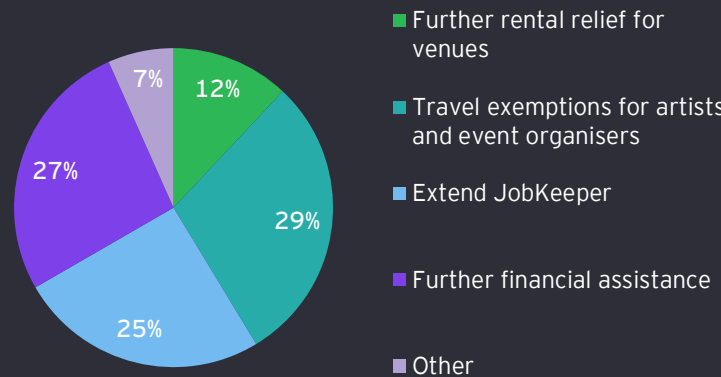
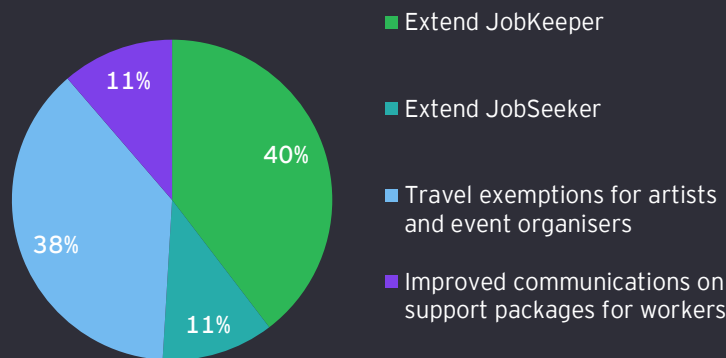


Figure 6.3: What support could be provided to industry workers to recovery from the impacts of COVID-19?





7 Economic outlook

7. Economic outlook

What does the economic outlook mean for the Live Entertainment Industry?

While consumers have redefined their values and spending habits, analysis of previous economic shocks shows that spending on live entertainment will continue to remain a priority for consumers.

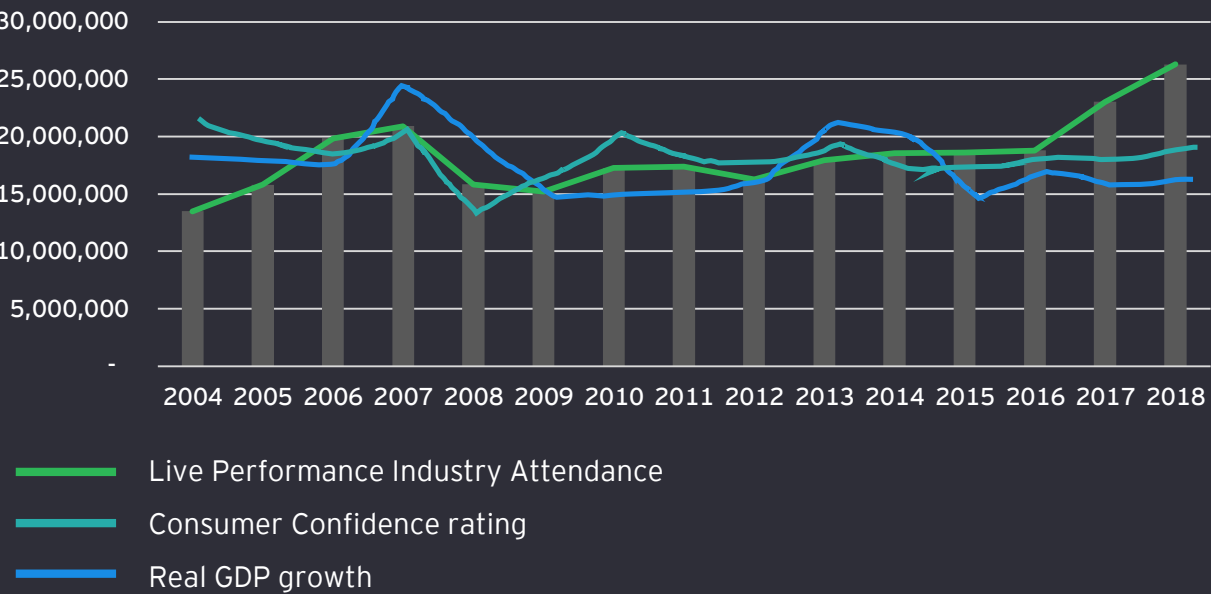
An assessment of the attendance at live performance events against global economic shocks such as the SARS pandemic (2004) and the Global Financial Crisis (2008) show that live performance attendance is closely correlated to Australian GDP and consumer confidence.

In recent years, attendance has been stronger than implied by confidence and GDP which implies a shift in household spending away from consumer goods towards services (included experiences such as events).

The graph below shows that while live performance attendance reduces in line with consumer confidence and GDP trends during economic shocks, attendance equally increases in line with GDP and consumer confidence recovery trends.

The following pages provide an overview of the broader economic outlook that may influence the recovery of the Live Entertainment Industry over the coming years.

Figure 7.1 Live Performance Industry Ticket Sales against Australian GDP and Consumer Confidence¹



¹ EY analysis based on Live Performance Australia Ticket Attendance data and Revenue Reports. Australia GDP data accessed from ABS. Consumer Confidence Index accessed from Roy Morgan,

7. Economic outlook

Economic recovery – an overview

High level impact

An economic contraction of 7% in the June quarter of 2020 marked the start of Australia's first recession in almost 30 years, and the deepest recession since the 1930's.

Recovery is however underway and the economy stabilised through the September quarter as health and social restrictions were eased, income support flowed and many businesses were able to open back up. In the September quarter, Australian GDP rose by 3.3%.¹

The recovery has however been uneven, especially in Victoria. Initially the economic impact was greater on the young, females, and sectors such as the tourism and the arts/live entertainment. But the economic scarring is becoming more broad and job losses are deepening beyond population service sectors to others such as, construction, real estate and professional services.

The Reserve Bank of Australia (RBA) remains

optimistic about the economic recovery – forecasting economic growth of 5% through 2021 following a four percent contraction through 2020.² While this may sound like a 'V' shape recovery, it's not. This strong rebound however still leaves the economy smaller at the end of 2021 than it was at the end of 2019. At EY we see a 'saw-tooth' shaped recovery, with peaks and troughs dependent on the unfolding health crisis, fiscal response, border openings, and consumer and business confidence.

The fiscal response to date has been significant, measures have been targeted but temporary, but the winding back such measures presents a risk to both the household and business recovery.

¹ ABS, Australian National Accounts: National Income, Expenditure and Product, September 2020

² Statement of Monetary Policy, November 2020, Reserve Bank of Australia

7. Economic outlook

Economic recovery – an overview (continued)

Households

The outlook for households remains challenged. Labour market conditions (discussed overleaf) are uncertain and unemployment is expected to rise further, adding to existing spare capacity and maintaining downward pressure on, already weak, wages growth,

Constrained households have benefited this year from direct support payments, early access to superannuation, the JobSeeker supplement, and loan repayment and rent deferrals. However this support has already started to taper, with most measures currently expected to end in March 2021. As this happens households will have to adjust to lower incomes, which could lead them to pare back on spending unless they access savings buffers.

Indeed September's retail trade data showed the second consecutive monthly decline in spending. Confidence on the other hand is elevated and could support spending.¹

History suggests that households quickly move to build precautionary savings but that the household savings rate takes a long time to fall back to pre-recession levels – in fact it never got there after the Global Financial Crisis.

Businesses

Septembers retail trade data also showed that to date there has been a disproportionate impact on small business, this is backed up by Payroll data which shows that businesses with fewer than 20 employees lost 7.1% of payroll jobs in the 4 weeks to 17 October, whilst

business with more than 200 employees gained 1.1% of payroll jobs.² The tapering of direct business support, such as the reduction in size and scope of the JobKeeper program, is a challenge for small business in particular, and could lead to a rise in insolvencies over the year ahead, particularly in sectors where demand for goods or services is depressed.

Employment

The strength of the labour market is key to the economic recovery. The labour market has deteriorated since the onset of COVID-19 – unemployment has risen, participation has fallen and in July 2020 the unemployment hit 7.5%.³

Overall in the economy, jobs recovery, which has been underway since May 2020, has lost momentum. Employment in September 2020 fell for the first time since May, with 36,000 jobs shed in Victoria leaving 29,500 lost nationally. Unemployment increased back up to 7.0% in October. Momentum was also lost in terms of the participation rate which fell to 65.8%.⁴

¹ Statement of Monetary Policy, November 2020, Reserve Bank of Australia

² ABS, Weekly Payroll Jobs and Wages in Australia, 28 November 2020

³ ABS, Labour Force, Australia, October 2020

⁴ ABS, Labour Force, Australia, October 2020

7. Economic outlook

Economic recovery – an overview (continued)

On the plus side, monthly hours worked rose in September, as those working picked up more hours.² None the less, hours worked are still well below pre-COVID-19 levels and 5% lower than this time last year.

The arts and recreation industry has been severely impacted by the pandemic, particularly early on as a direct result of border closures and social distancing restrictions. Jobs in the industry were recovering through August and September, however this trend reversed in October as 3.3% of payroll jobs were lost in the 4 weeks to 17 October. Payroll jobs in the arts and recreation industry are 15% lower than at the start of the crisis in mid March, the second biggest percentage loss of any industry.

Employment outlook

A. Near term

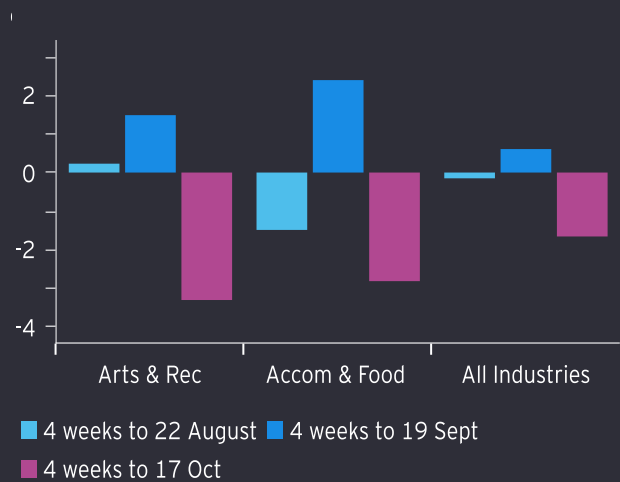
Unemployment is expected to rise further before the end of the year, with the latest forecast from the RBA expecting the unemployment rate to peak at 8% by year end. The RBA are also expecting underemployment (the number of people seeking to work additional hours) to remain high. In September 2020 the underemployment rate was at 11.4%, 3% higher than the previous year (8.3%).³

These high rates of unemployment and underemployment represent a significant level of spare capacity in the labour market, which will keep wages growth low – a key headwind facing the outlook for households.

B. Long term

Excess capacity in the labour market and weak wages growth is expected to linger for some years. It took seven years after the recession in 1992 for unemployment to fall from its peak back to pre-crisis levels.

Figure 7.2: Weekly Payroll Jobs – Selected industries, % Change⁴



¹ Australian Bureau of Statistics, Weekly Payroll Jobs and Wages, October 2020

² Australian Bureau of Statistics, November 2020

³ Australian Bureau of Statistics, September 2020

⁴ EY analysis of ABS data, Macrobond

7. Economic outlook

Consumer Confidence

The future of the industry will depend not only on industry support but also on confidence and the future habits of consumers.

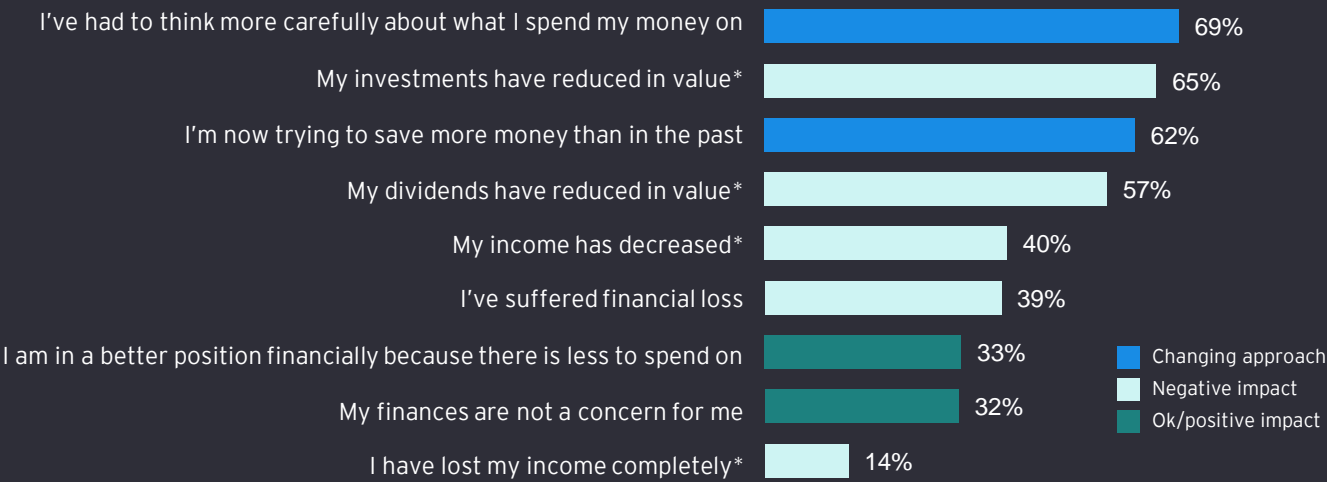
Consumer Confidence relates to the degree of optimism about the state of the economy that consumers express through activities such as saving and spending The ANZ-Roy Morgan consumer confidence index has risen for 9 consecutive weeks, rising to an index of 99.9 at the end of October.

This result is the highest level since the pandemic hit, and is close to neutral, which means there are a roughly equal number of pessimists and optimists out there. The paring back of JobKeeper and JobSeeker payments are a risk to consumer confidence, particularly for the personal financial conditions sub-index.

EY's Future Consumer Index ('the Index') has found, based on survey feedback, that values are being redefined and new priorities are consumer driving behaviour. Six in ten Australians say they are thinking more about the future and 'what matters most'. It is a function of the immediacy of the hit of COVID-19, the scale of the economic impact and the consequent emotional impact.

This plays though in terms of how people look to spend their time and money and it is also shaping how consumers think about the way they would like to live in the future. The Index found that 39% of Australians expect that the way they will live in the future will be different and 65% of those employed prior to COVID-19 say that the way they work will be different.

Figure 7.3: Thinking about the financial impact of COVID-19 on you personally, which of the following statements describe your situation?¹



¹ EY Future Consumer Index - Base: Total sample (July) - Australia (1,033); *Excludes 'Not Applicable'

7. Economic outlook

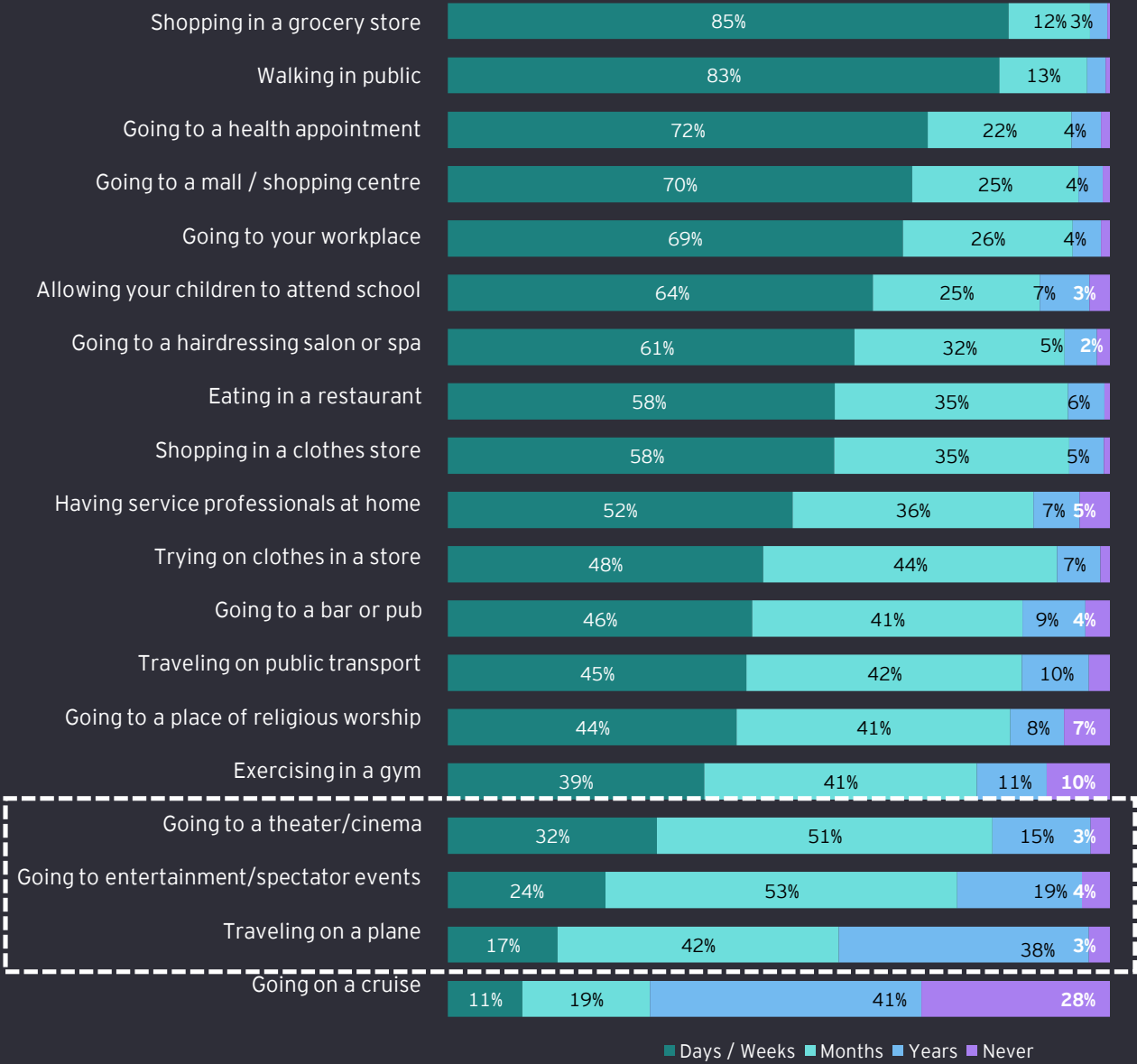
Consumer confidence (continued)

In July 2020, the EY Future Consumer Index asked consumers the time scale they would be comfortable again resuming activities.

Live entertainment activities (i.e. theatre,

spectator events, travelling) had a relative low response rate from those stating it would be ‘years’ before they would resume activity. The majority of respondents stated they would resume activity in ‘months’.

Figure 7.4: Time to feel comfortable again¹



¹ EY Future Consumer Index - Base: Total sample (July) - Australia (1,033); *Excludes 'Not Applicable'

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