

Senedd Cymru / Welsh Parliament

Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / Culture, Welsh Language and Communications Committee

Ymchwiliad i'r achosion o COVID-19 ac effaith y feirws ar ddiwylliant, y diwydiannau creadigol, treftadaeth, cyfathrebu a chwaraeon / Inquiry into the COVID-19 outbreak and its impact on culture, creative industries, heritage, communications and sport

CWLC COV33

Ymateb gan Institute of Theatre Consultants/ Response from Institute of Theatre Consultants



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Evidence offered on the effects of Covid-19.

1.0 The Institute of Theatre Consultants is the international professional body accrediting, training and sustaining the professional development of Theatre Consultants. Whilst based in the UK it has members in several European countries, the United States of America and Australia whilst members' practices have offices on every continent. Members of the Institute are elected on the basis of individual proven experience and ability but often join together to form larger practices with a wide range of experience.

Theatre Consultants are specialists in the creation of buildings for the live performing arts, theatre, dance, opera, music and arenas. Their primary functions are assisting the client to create a considered design brief for a building design team and to assist that team in realising a convenient and satisfactory building for the client's needs. Our website (www.theatreconsultants.org.uk) describes the services offered by members more fully.

1.1 By the nature of their work members are involved in capital expenditure projects, usually buildings but sometimes in the preparation of large productions and their ability to tour. Many members continue to undertake short engagements in production management, stage set and costume design, stage lighting, sound and video as a means of maintaining a currency in live performance practice.

2.0 The effect of Covid-19 on Theatre Consultancy in the UK

The effect of the pandemic has been to undermine confidence in the future of live performance and as a result in the provision of capital works. Productions have been deferred and cancelled, new buildings and refurbishments postponed, placed in abeyance or cancelled. The proportions are difficult to assess at this time as some deferred projects will be re-activated and some eventually cancelled. For our members there has been a sudden change in cash flow to practices in the UK. We are receiving reports of as much as 70% immediate drop in income.

3.0 Ability to continue live performance in the future

The committee will have received evidence from many other organisations of the severe financial impact suffered by the UK live performance industry and the difficulty of sustaining buildings, staff and freelance creative teams during the time that the venues cannot operate. You will also have heard evidence that the industry, with very few exceptions, could not sustain a significant debt burden to continue in an operation where the operating surplus returns are rarely substantial.

3.1 The industry anticipates a slow return of audiences. Whilst there are some regular theatregoers who will welcome the return of performances, the vast majority of the population is likely to await a general removal of the threat of infection before returning to previous attendance levels. Few will wish to take a loved-one or their children to the theatre whilst there is any perception of risk. Party and celebratory theatre bookings are similarly going to suffer.

3.2 Social distancing within the auditorium reduces the capacity very considerably. Mathematically in a conventional seating layout only 21% can be occupied to achieve full 2 metre social distancing, assuming two people from a single household sitting together. Even at 1 metre social distancing less than 50% of seats can be offered for sale, and that only in generously spaced theatre seating, the proportion will be lower in older, more compact, seating layouts. This is far below practical operating levels where 60% can be a minimum required attendance to break-even on direct operating costs even before recovery of capital. Furthermore, the separation of audience members (even sitting as couples or more in a household grouping) would be such as to deaden the audience's reactions and enjoyment of the experience. A theatre audience forms a closely interrelated and inter-reactive community, without that the ability to bond with the performance is severely diminished. Even in sparsely attended performances, theatres are adept at ensuring audiences form coherent close groupings to ensure communal enjoyment of the performance.

3.3 The anticipated loss of audience confidence to assemble in an indoor space, until the virus is perceived to be conquered or completely absent, is likely to make the industry unsustainable in the short term, even after the re-opening of venues is permitted. It follows that the industry will not only be affected by Covid-19 for longer than other sectors but that its re-opening will be slower and prone to greater financial risk.

4.0 The importance of Live Performance

You will have received evidence on the importance of live performance to the creative industries at large. Live performance is often the seedbed for ideas and techniques that inform television, film and the video gaming industry. It is a training ground for actors and

creative teams that carries the benefit of immediate response to the work and thus the most immediate learning experience.

4.1 The live performance industry is a significant contributor to the mental and physical wellbeing of the population. The benefit of sport to physical wellbeing is acknowledged, though largely unquantified. The live performance sector includes physical expression in dance, acrobatics and circus skills and this does lead people to personal physical recreation. Of far greater importance is the intellectual and emotional exercise offered in live performance by fictional demonstrations of conflicts and their resolution. These benefits are also difficult to quantify. We occasionally see demonstrable benefit, the Royal Philharmonic Orchestra's work with stroke patients in Hull has shown considerable improvements in recovery times. In the welfare sector participation in music and storytelling has beneficial impacts on dementia and these too are measurable. The benefit to society in marriage stability, understanding of child behaviour, social and personal interrelationships which is the stuff of dramatic performance is impossible to measure. We note a small bias towards women in drama audiences which may be indicative of a greater role in social cohesion.

4.2 The Institute would also like to emphasise the importance of live performances to the tourism and hospitality industry. There is considerable benefit to restaurants and hotels from a thriving performance venue nearby, the opportunity of a live performance being taken as an opportunity to visit relatives or more general tourism.

4.3 Many live performance venues now anticipate earning a high proportion of their operating costs in catering and in the meeting market. For a receiving theatre, where the venue's margin on ticket sales is modest, as much as half of operating costs may be met from such hospitality activity. We suggest therefore that theatre venues have a beneficial effect on surrounding hospitality activity.

4.4 Whilst statistical identification of their importance is difficult to isolate it is clear that the performing arts are deeply embedded in the social fabric of the UK. A 2018 survey by the Institute identified 1,233 venues advertising themselves as available to present public performances, operating 1,430 auditoria with 788,183 seats. Of course, many of these venues host performances intermittently, but at one seat for every 59 persons in the UK, live performance is clearly of great importance in the social fabric of our communities. In addition, there were 36 arenas offering 334,278 seats. The importance of the live performing arts is greater in Wales where there are 80 venue with 88 auditoria offering 49,496 seats or 1 per 50.7 people in the population. There was one arena in Wales.

5.0 Tools for recovery

For the immediate short-term task of retaining the staff and creative freelancers and for the

standing costs of theatres we defer to the information provided by managements and unions. With small margins in the industry and its dependence on a large and multi-talented workforce that must be sustained, it is certain that the industry will need financial assistance for a considerable period through and beyond the period where social distancing is required. Furlough schemes and self-employed support rightly emphasise the importance in supporting the individual's sudden loss of income. The retention of these skills and experience is essential to the continuance of the live performance industry. The consensus in the UK industry is that audiences will take some time to rebuild and this might take as long as a year after Covid-19 has been practically eliminated.

5.1 When performances can recommence any grant aid must, by its nature, be difficult to justify in the commercial sector and may have to be restrictive in essence to meet such justification. Investment participation may be a way forward. In the non-profit-distributing sector and local authority operated venues justification of grant aid may be easier but the range of needs and levels and types of operation to be supported in this sector is very wide.

5.2 We recommend to the committee that they consider the possibility of advising a zero (or very substantially reduced) rate VAT on live performance ticket sales. In this way venues of all types and sizes and their productions can benefit from a 20% increased margin in operation that they can variously apply according to individual circumstance. This may be by supporting operating losses as audiences rebuild, reducing ticket prices to tempt audiences back more quickly, or improved venue facilities or in more substantially financed productions, all with a view to rebuilding audiences. A VAT based support is responsive both to activity levels in the venues and to the many different needs each will identify. We acknowledge that there would be a loss of income to the Treasury, much of the first year of which is already lost. We submit that this loss is likely to be less than the loss of other tax streams flowing from employment and venue operation should a substantial number of venues fail or productions become too high a risk level for producers to attract capital.

5.3 The committee will know that all the UK Theatres Acts until 1968 included, in their description of a theatre business, the term 'publishing'. Even the 1968 act determines that the core element of the performance is the written script, which shall be deemed to be the given performance unless it can be shown that the artist varied from that script. We suggest that this dependence on the written publication is akin to that of book publication which enjoys zero rate VAT.

5.4 The EU has always maintained a high level of VAT on live performance ticket sales but from January 2021 we assume that the UK will be able to set its own rates. EU and UK law has provided for an Exempt rate for some non-profit distributing organisations but this has rarely been taken-up as it denies the opportunity to recover input VAT without

providing for passing any of this cost to the consumer, except in unexplained increased ticket costs. Exemption is often the worst possible solution, even in an industry so dependent on the services of people, as these services are generally supplied through VAT registered companies.

5.5 We submit that in an industry where there is already a substantial support funding from central and local government the taxation of operating turnover by VAT is counterproductive and may threaten or inhibit other taxation streams from employment and production.

6.0 Post Covid-19: Social and townscape impacts

Current surveys, reported in the press, show that fewer people anticipate returning to personal retail shopping following the prolonged period of dependence on buying via the world wide web. This will further impair the life of our high streets, already suffering from declining levels of personal shopping. To this retail concern one must couple the parallel experience of prolonged working from home for many people. Daily participation in a fuller family life will attract many who can, to continue working from home in the future. The resultant reduction in demand for office space will also impact town centre activity by releasing office property to lie empty and by reducing the footfall of office workers. Whilst many offices can be converted to residential accommodation, to the benefit of town centres and their footfall, the density of people in the high street will inevitably be lower.

6.1 For the property owner and developer, the problem of the 'ground floor' in town centre property (unusable for residential and not desired for commercial use) will be exacerbated by the sheer quantity of such accommodation that must be filled. The arts, including the performing arts can help to address this issue and draw people into town centres. The Bridge Theatre in London provides an excellent example of this use of ground floor accommodation in a residential development.

6.2 A doctoral study by one of our members examines the development, initially in Northern Ireland, of the use of shops as important places for community and small-scale arts because they present no cultural or social barrier to entry. Here a variety of arts activities have been generated in unused shops ranging from visual arts to young persons' drama and music participation. The shop window literally provides a window on the possibility of finding a creative outlet, without any preconditions. At present a small movement, we suggest that it has potential for improving wellbeing in the population at large and appears to be a particularly accessible outlet for young people's creativity and entrepreneurial skills.

6.3 It follows that there is potential benefit in assisting building owners and developers to build or reconfigure some of their high street property for this new purpose. Again, VAT

has a part to play. If rents are to avoid a VAT surcharge, then the building cost VAT cannot be recovered. Similarly, educational charities and some arts trusts are incapable of recovering the VAT cost of building works. As spaces for the arts generally support low rentals there is a larger property deficit incurred in the construction or refurbishment of property for the arts as it therefore enjoys a lower balance sheet valuation. A reduction or zero rating of VAT on building works for the provision of spaces for live and visual arts during the period of economic recovery would, we submit, assist in generating vitality in our high streets when they will be under considerable economic pressure.

6.4 Speculative research by a member of the Institute has identified retail shopping malls that have lost major department stores whose accommodation could be re-developed for live performance venues. This marriage of retail and evening activity in a performance venue can benefit both enterprises. The New Victoria Theatre within the Peacocks Centre in Woking is an example. As in the high street the rentals to be derived from a performance venue cannot match those of a department store and thus the property valuation will diminish but it may be that the enhanced retail returns will at least sustain rental values in the remaining parts of the centre. Zero rating VAT on such conversions would encourage property owners to undertake the repurposing of empty premises.

7.0 Economic rebalancing for the future

Theatre and other live performing arts are a supply led industry. An Arts Council commissioned report in 2016 *Analysis of theatre in England*, identified the close parallel of supply and use of theatre. Some 29% of the UK population are noted in DCMS Taking Part survey (4th Q 2019), as attending theatre at least once a year, and 33% of these, three or more times.

7.1 A study by Imperial Chemical Industries in the last century, when planning to move large sections of its management to the North East of England, sought to establish what might influence managers' willingness to move to the new centres. The document was never released by ICI but is reported to have found that, after the quality of schooling available, theatre and the arts were a major factor. The currency of this cultural appeal is borne out today in the ACE 2019 report *The Value of Arts and Culture in Place-shaping*.

7.2 We know too that from a survey of tourists in cities that the perception of the prerequisites of a 'City' were firstly a cathedral and secondly a theatre. The ability of a significant performing or arts venue to re-image a town is evidenced by Mold. On a far smaller scale Builth Wells benefits considerably from the existence of an historic theatre open to the public for heritage exhibition as well as performance.

7.3 Whilst it would be implausible to suggest that a performing arts venue can be a primary driver in rebalancing the economies of less economically buoyant towns it can be a significant factor in the public perception of a town and thus its ability to attract growth to the local economy.

8.0 Summation

The live performing arts are notably strong in the UK. UK members of the Institute are working on overseas projects worth about £20 billion at any one time. As a service industry UK members bring fee income into the UK and often lead to other UK service suppliers and manufacturers' exports to these projects.

8.1 Tourism surveys show theatre as a principal secondary reason for a business visit and for general international and internal tourism. Music including opera and particularly dance are internationally accessible. The live performing arts are a leading element of our tourism and hospitality industry.

8.3 Theatres add to the wellbeing of the audience by addressing matters of current concern, by exploring interpersonal tensions and can provoke a cathartic release. In participation they can provide a release of personal stresses and all live performance encourages imaginative development and creative skills.

8.4 Without considerable short term direct financial support there is a very real chance that the industry will be eviscerated.

8.5 Longer term support through the period needed to rebuild audiences and production confidence must be flexible and reactive to each individual circumstance. It should also encourage self-recovery by way of incentive on performance rather than by passive grant. Relief of VAT can be a responsive way of providing such support.

8.6 Properly encouraged the live performing arts can be a tool to propagate growth in local economies and help to retain town centres as the heart of otherwise formless urban areas.

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