To Scale:

Mapping Financial Inflows in Australian Arts, Culture and Creativity

A New Approach (ANA)

August 2023

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About A New Approach

A New Approach (ANA) is Australia's leading think tank focused on arts and culture.

Through credible and independent public leadership, ANA helps build an ambitious and innovative policy and investment environment for arts, culture and creativity.

We work to ensure that Australia can be a great place for creators and audiences, whoever they are and wherever they live.

ANA acknowledges the cultures of Aboriginal and Torres Strait Islander peoples in Australia and their continuing cultural and creative practices in this land.

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About this report

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A New Approach (ANA) produced this report. CEO Kate Fielding provided the overall direction; Director of Research Dr Angela Vivian led authorship; and Researcher Dr Sari Rossi led data analysis.

Grace McQuilten, RMIT, Associate Professor; Jayne Lovelock; and Ben Au provided expert advice on early drafts of this report. However, any errors are our own. If you notice any, please get in touch using the contact details provided below.

ANA thanks all the people who generously reviewed this paper for their time and feedback, including members of ANA's Board and Reference Group.

The opinions in this Insight Report do not necessarily represent the views of ANA's funding partners, the individual members involved in governance or advisory groups or others who have provided input.

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The *Insight* series

This paper is the 10th in ANA's Insight series. Our Insight Reports provide a deep dive into research and analysis of a particular arts and cultural policy topic or other area of interest.

Find all our previous work at www.newapproach.org.au.

Contact us about this work via hello@newapproach.org.au.

Executive Summary

Investment in cultural and creative activity is high on international public agendas as nations seek to harness its economic, social and cultural benefits, including more connected communities and more productive economies. Industry, policymakers, and researchers are exploring effective and efficient ways to invest over different time frames; in different populations; and through both public and private channels. These include vigorous debates about governments financing culture and a recent focus on preserving finances based on UNESCO's declaration that culture is a global public good.[1]

The *non*-governmental finance market for arts, culture and creativity in Australia – and industry's knowledge of these diverse financial options – remains under-researched. The purpose of this report is to begin to address these gaps in research and awareness by painting a fuller picture of the scope and scale of financial inflows to the cultural and creative industries and by exploring how the returns on these investments are conceptualised.

Although Australia has reasonable research on incomes generated through *direct* expenditure by governments in arts, culture and creativity, it has limited research on *indirect* government expenditures, such as tax concessions, and so these inflows were specifically calculated.

ANA refers to 'income' in this research as follows:

- The revenue listed in organisations' Statement of Comprehensive Income
- The income data reported in the Australian Bureau of Statistics Australian Industry dataset
- The income data reported in the Australian Charities Reports published by the Australian Charities and Not-for-profits Commission
- Existing research on the 'creative incomes' and 'salary incomes' of individuals

ANA refers to 'financial inflows' in this research as follows:

- All references to incomes (described above)
- All sources of public finance (e.g. direct and indirect government expenditures)
- All sources of private finance (e.g. consumption, copyright payments, crowdfunding, philanthropy, self-finance, equity finance, debt finance)

ANA refers to 'arts, culture and creativity' in this research as follows:

- Activities such as attending cultural events, visiting cultural venues, creating or performing something, and engaging with cultural and creative content in your home.

ANA refers to 'cultural and creative industries' in this research as follows:

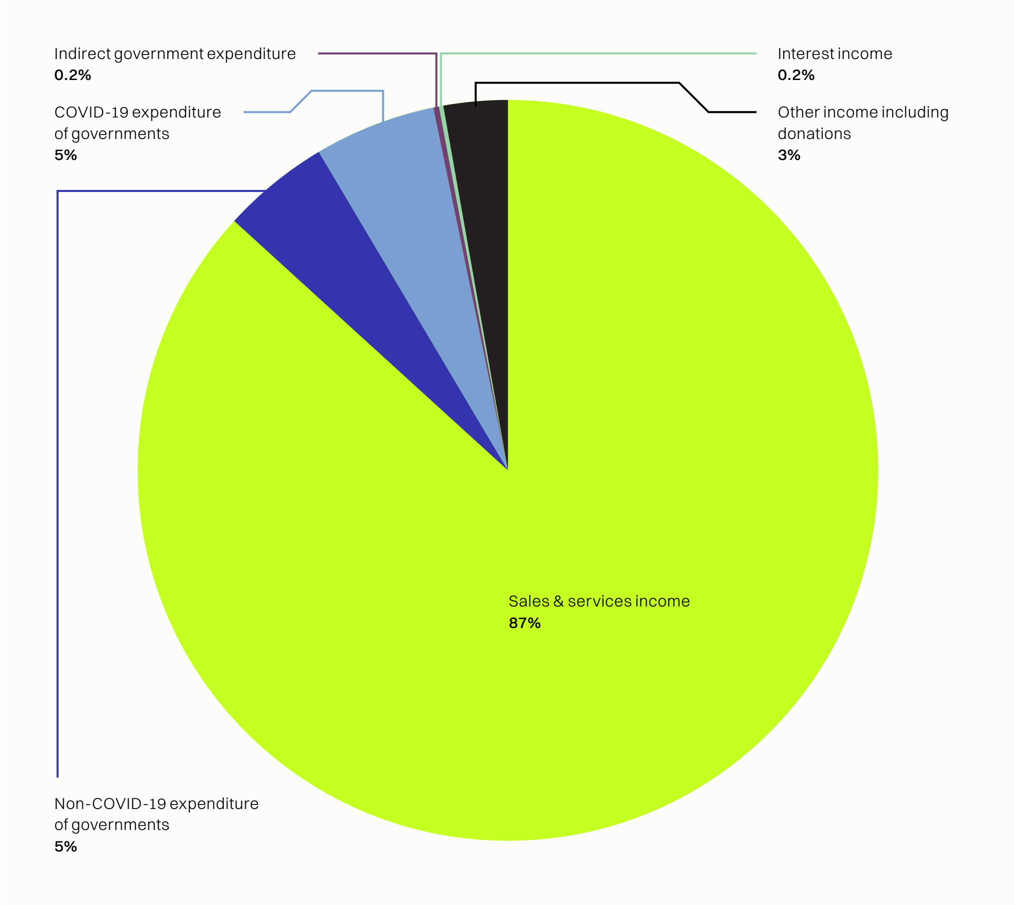
- All industries treated as 'cultural' or as 'creative' – or as both 'cultural and creative' – within the satellite accounts; based on a supply chain approach to their activities; and classified in accordance with the 2006 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC).[2]
- Example activities are found in the above definition of arts, culture and creativity, as well as activities that may be less obvious, such as advertising, computer system design, architecture, and education and training that develops performance artists.

In these areas of public interest, ANA's research dispels a view – a 'myth', even – that Australian cultural and creative industries are predominantly financed through government assistance. Instead, we found that the largest proportion of income in the overall cultural and creative industries in 2020–21 was from 'sales and services' **(Exhibit 1)** (e.g. export sales and income from goods and services provided to businesses, households, and governments). Tax concessions also represent a comparatively small share of the total income in the cultural and creative industries according to forgone revenue data.

This report emphasises that the mixture of this income – from sales and services, government expenditure or 'other' sources (e.g. philanthropy) – varies across the cultural and creative industries. For example, the sub-sector of 'computer system design and related services' earned the most sales and services income in these industries, whereas 'libraries and other services' earned the least, in 2017–18 and 2020–21. Not-for-profit organisations in these industries earned a smaller share of their incomes from sales and services in 2019–20 (27%).

These details of the research findings are crucial because they highlight areas for growth and improved financial sustainability through cross-industry collaboration such as advice, coaching and mentoring.

Exhibit 1. The largest proportion of income in the Australian cultural and creative industries in 2020–21 was from 'sales and services'.



Other unanswered public interest questions explored through this research include

1. What is the scope and scale of financial inflows in arts, culture and creativity in Australia?
2. What are the channels and instruments used?
3. How are returns on financial inflows measured and communicated?
4. What are the future challenges and opportunities for financing arts, culture and creativity (e.g. growth areas, underused vehicles, regulatory settings)?

In responding to these four key questions, this report presents a 'state-of-play' of the finances in Australian arts, culture and creativity. Cultural and creative businesses can use its insights to better understand their financial options; policymakers and investors can use them as evidence to inform their strategic decision-making; and investment specialists and brokers can use them as information and context to assist businesses to connect with investors.[3] The baseline estimates, descriptions and findings of the research include the following:

- Total reported income in the cultural and creative industries
- A description of the key 'clusters' of investors in these industries
- Comparison of the types of finance for two reference years – prior to and during the COVID-19 pandemic (2017–18 and 2020–21)
- An overview of methods for measuring and communicating returns on investment (ROI) across these industries

Our approach is ambitious, pragmatic and exploratory. We provide a data-led view that is indicative rather than exhaustive and granular. We collate publicly available data and highlight the limits in its granularity about the private sources of finance. ANA has applied a typology, developed by the European Union and the Organisation for Economic Co-operation and Development (OECD), to distil models of investment and income generation into their key differences and to identify the main investors and income sources – from consumers, to governments, to banks, to business angels and other businesses.

The report recommends a measured approach to assessing these various financial options – a mixture of realism and optimism. For instance, the report encourages optimism in an evolving financial market while providing the reality check that no *single* financial instrument can reliably underpin these industries' steady growth and sustainability. Indeed, several examples of financial inflows explored in the report have fluctuated in response to economic and social forces, including the effects of COVID-19. Debt and equity markets are volatile, and changes in technology and regulation, consumer behaviour, and employment trends reduce any certainty of growth we aspire to.

Accordingly, to diversify and assess emerging and effective models of investment in arts, culture and creativity, the report recommends a clearer line of sight on the dynamics within this environment and continuing evaluation of the ROI. Given the global context of artificial intelligence[4] and changing export and foreign investment markets, the report recommends preparing Australia's regulatory settings to preserve and balance these financial inflows, including through policies related to copyright and foreign direct investment, trade and local content.

Similarly, the research offers a conceptual ROI framework based on our best understanding of the 'ROI needs' of different types of public and private investors **(Exhibit 2)**. Using the concepts and measurement 'sites' of short-, medium- and long-term returns, we highlight that ROI methodologies could be finessed, but they remain valid and necessary.

In summary, this research offers an important update and knowledge base for people with a stake in Australia's arts, culture and creativity. We hope the research can also be used as a resource in future decisions and ongoing reform.

Exhibit 2. We recommend trialling our conceptual framework to assess and communicate the individual and cumulative effects of new investment models and partnerships.

MECHANISMS THAT SUPPORT CHANGE

- Multidecadal plan
- Partnership frameworks
- Cross portfolio approach
- Environmental scanning
- Cross-industry learning and collaboration
- International benchmarking
- Awareness of financial options

SHORT-TERM OUTPUT INVESTING: Operational activities and effects

Output examples

- Imprints of an experience
- Infrastructure;
- Non-traditional research outputs

Emerging models & partnerships

- Crisis support measures
- Individual income programs
- Demand-based crowdfunding
- Consumer rebate and voucher programs

Measurements of change

- Timely data on consumer behaviour
- Independent reviews of operational needs

MEDIUM-TERM OUTCOME INVESTING: Cumulative change resulting from outputs

Outcome examples

- Economic contributions
- Social benefits
- Increased productivity
- An enterprise or sector's growth
- Multi-jurisdictional policy drivers

Emerging models & partnerships

- Venture capital and private equity
- Tax incentives
- Employee share scheme

Measurements of change

- ROI and SROI calculations
- Satellite accounts estimates
- Business entries and exits

LONG-TERM IMPACT INVESTING: Cumulative outcomes achieved over time

Impact examples

- Sustainable development
- Locally-loved, nationally valued and globally influential creativity
- Inter-generational and lifelong participation

Emerging models & partnerships

- The investment of superannuation assets
- Community investment trusts
- Reinvestment of profits

Measurements of change

- Cultural participation and attendance surveys
- Three yearly state of culture reports
- Wellbeing frameworks

PAST INVESTMENTS & CULTURAL INHERITANCE ⟷ FUTURE INVESTMENTS

OPPORTUNITIES AND CHALLENGES

- Global competition
- Changing consumer behaviors
- Global fluctuations and volatility in financial and economic markets
- Unknown regulatory settings
- Structural changes within industries
- New and emerging technology
- Impacts of COVID-19 on employment

Summary of Findings*

Finding 1

Australian cultural and creative industries attracted $160 billion in 2020–21. In the comparison year, 2017–18, these industries attracted an estimated $141 billion, indicating 13% growth.

For context, not-for-profit organisations in these industries attracted $1.2 billion in 2019–20.

Finding 2

The vast majority of income in the cultural and creative industries is from sales and services. In 2020–21, these industries earned 87% of income from sales and services, and in 2017–18, they earned 92%. 'Computer system design and related services' earned the most sales and services income in these industries, whereas 'libraries and other services' earned the least.

For context, not-for-profit organisations in these industries earned 27% of their incomes from sales and services in 2019–20.

Finding 3

Australian consumers are significant contributors to financial inflows to arts, culture and creativity, with more than $45.6 billion in annual household expenditure being spent within the entertainment and recreation industry.

Non-residents – for example foreign markets and international travellers to Australia – are also contributors, with total exports at $1.7 billion in the 2021 calendar year for all creative goods.

Finding 4

Distinct from most other investing entities, governments typically invest in Australian arts, culture and creativity *without* the need for financial reimbursement.

In 2020–21, governments distributed an estimated $16.4 billion to the cultural and creative industries (including targeted and wider-economy COVID-19 expenditure). A total of $393 million of this was indirect, including a range of tax concessions (revenue forgone) and exemptions accessed by the film industry, not-for-profit organisations 'advancing culture' and individuals.

For 2017–18, governments invested $7.9 billion in these industries, including $362 million of indirect expenditure.

Finding 5

Other financial inflows include licence fees collected by copyright collecting societies ($849 million, 2021–22/$732 million, 2017–18) and philanthropic income ($282 million, 2021–22/$150 million, 2017–18). These estimates showed growth of 16% in copyright revenue and 88% in philanthropic support from 2017–18 to 2021–22.

Finding 6

Examples of financial inflows through other models include successful crowdfunding campaigns in Australian arts, culture and creativity; venture capital investment into Australian start-ups; and foreign media groups and financial groups in Australian media companies holding company interests.

Finding 7

Despite global interest, no single framework or methodology for returns on investments in the cultural and creative industries currently allows for consistent or systematic comparison, over time and across countries.

Finding 8

Investors aim to achieve returns over a range of different time frames. The language used to consider and describe these returns varies across the investment environment, from consideration of risks, costs and benefits; to business growth; to language grounded in social impacts, values and economic spillovers.

* All estimates in this section are adjusted for inflation up to the 2021–22 financial year. Percentages are presented as whole numbers for ease of reading, with rounding performed at the last stage of calculation for maximum accuracy.

Summary of Opportunities

Opportunity 1

To leverage new and existing finance opportunities for arts, culture and creativity, governments and industry stakeholders should

- Establish a clearer line of sight on the interdependencies and risks of the investment environment, for example, through environmental scanning
- Facilitate cross-industry learning and collaboration, such as through increased information, advice, coaching and mentoring schemes
- Draw on information about underused and emerging sources of finance held by financial brokers and investment specialists

Opportunity 2

In implementing the current National Cultural Policy, the federal government should assess the impacts and ongoing policy implications of artificial intelligence including those relating to

- Rights management through copyright collecting societies
- Overseas approaches to artificial intelligence's inputs (data and text)
- The role of 'human creativity as a major input' in definitions and measurements of cultural and creative activity

Opportunity 3

Governments and industries can use this research's estimates and descriptions of financial inflows to work through the practical implications of 'preserving' and 'strengthening' the financing of culture, which UNESCO and its membership have declared a global 'public good'.

Opportunity 4

At the next regulatory opportunity, or in developing the next National Cultural Policy, the federal government should weigh the evidence of the benefits of local content rules (e.g. economic spillovers) with the evidence of the benefits of foreign stakeholders' investment in Australia's arts, culture and creativity.

Regulators, businesses, and policymakers should together assess the impacts of these rules alongside the intersecting issues of:

- Global trade barriers
- International competition in sector-specific tax incentives
- Australia's requirements from foreign investors

Opportunity 5

To improve the measurement of returns on investment over time and across countries, researchers and policymakers should address known weaknesses in ROI methodologies and data sources, including in valuations of intellectual property and artistic merit and of '*non-use value*' in economic modelling.

Opportunity 6

To form new partnerships and to communicate individual and cumulative effects of investments, investors, industries and policymakers should trial the ROI conceptual framework outlined in this research. This includes using the framework's language of short-term outputs, medium-term outcomes and long-term impacts.

Introduction

Introducing this report

Australia can be a cultural powerhouse whose compelling creativity is locally loved, nationally valued and globally influential. This ambition drives ANA's work to help strengthen Australia's broad public policy settings, improve our arts and cultural investment environment and contribute to the vibrancy of Australia's cultural and creative industries.

ANA's ongoing research about the cultural and creative economy in Australia has led to the present study. Our previous research estimates that in 2016–17 the Australian cultural and creative economy was valued at $111.7 billion.[5] This new study deepens the understanding of the *inputs* (inflows) that these contributions to the economy partly rely upon.

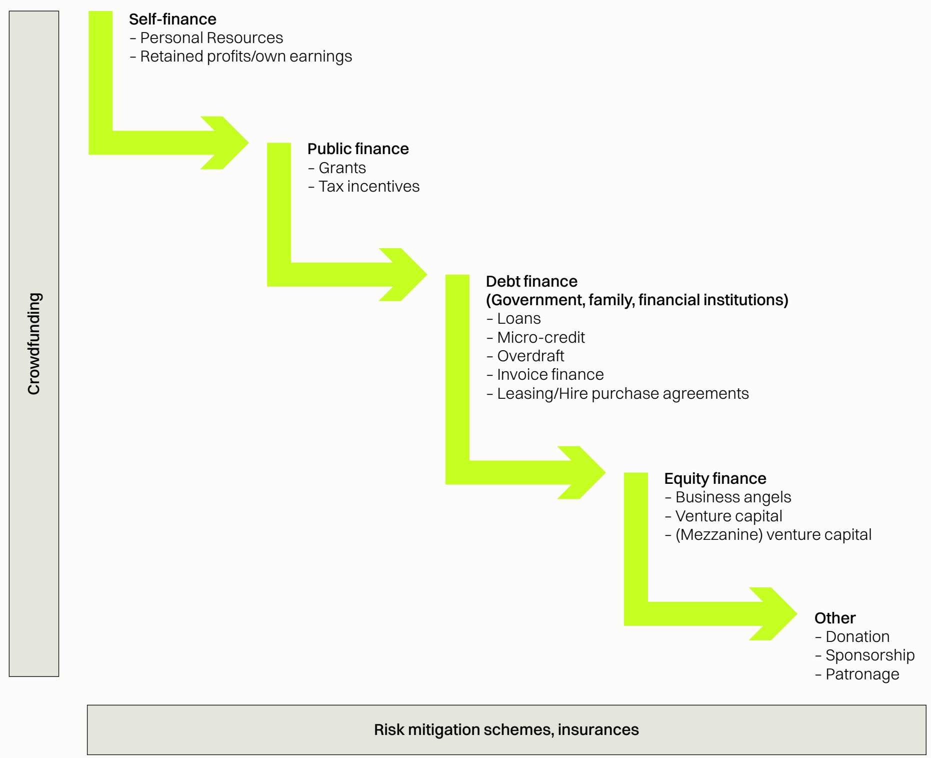
Previous ANA research[6] has also raised questions about the changing role of governments in stimulating the provision of cultural services to a larger and more diverse population, alongside other investment sources. Therefore, the present research approaches this question by mapping the investment environment and situating and quantifying governments' current roles within it.

Improving our understanding of investment in cultural and creative activity can help foster a more targeted, effective and adaptive investment environment to ensure all Australians, whoever they are and wherever they live, can participate creatively, socially and economically in the cultural life of our nation.

This report – *To Scale: Mapping Financial Inflows in Australian Arts, Culture and Creativity* – builds on other non-ANA sources of research. Most notably, it draws on a typology the European Union uses to describe and prescribe efficiencies for the financial ecosystem of the cultural and creative sector.[7] The European Union's research on this typology – and the OECD research that advances that typology for a wider number of countries, including Australia as a member of the OECD – informs the present study's definitions, scope and approach to mapping and exploring financial inflows in Australia.

The typology distinguishes five broad sources of inflow in 'cultural and creative sectors':[8] (1) self-finance; (2) public support measures; (3) debt finance; (4) equity finance; and (5) other (donations, sponsorship, patronage), as the OECD diagram of this typology shows **(Figure 1)**. ANA's research considers this typology in the Australian context.

Figure 1. OECD Culture Fix typology of funding sources.



Source/adapted from the OECD. "The Culture Fix: Creative People, Places and Industries." Local Economic and Employment Development (LEED). 2022. https://doi.org/10.1787/991bb520-en.

The specific research questions explored in this research are as follows:

1. What is the scope and scale of financial inflows in arts, culture and creativity in Australia?
2. What are the channels and instruments used?
3. How are returns on financial inflows measured and communicated?
4. What are the future challenges and opportunities for financing arts, culture and creativity?

The research is pragmatic and exploratory. This approach is reflected in the selection of data, method of analysis, and presentation of findings in four key ways.

First, the estimates throughout the report characterise the magnitude and relative scale of different inflows across the broadest definition of arts, culture and creativity. This intention and scope explain our selection of datasets (national, where possible and publicly available) and our decisions about analysing and integrating data (across data collected with different methodologies, providing low and high estimates). The scope of 'cultural and creative industries' is adopted in the report both to refer to these industries and businesses and to build consistency with other datasets and measurement frameworks, including cultural and creative satellite accounts.[9]

Second, we quantify each type of finance for two separate years, 2017–18 and 2020–21, wherever possible. These two data points improve our understanding and descriptions of the financial inflows in these industries, given the unprecedented impacts on financial markets of COVID-19. However, it is not within our scope to examine *whether* or *how* COVID-19 has changed financial inflows.

Third, throughout this report, we have adopted our own terms for certain technical concepts. For example, we use the overarching term 'inflows' to refer to incomes and investments in the cultural and creative industries through a range of private and public sources, and we explore the concept and measurement of 'ROI' as inclusive of economic, social and cultural benefits.

Finally, when describing specific inflows, we distinguish a range of inflows through an adapted set of terms including expenditure (direct and indirect), investment and finance. In this report, income-based inflows refer to the revenue listed in the Statement of Comprehensive Income; the income data reported in the Australian Bureau of Statistics (ABS) Australian Industry dataset; and the income data reported in the Australian Charities Reports published by the Australian Charities and Not-for-profits Commission (ACNC). Other types of income that we consider in this report – albeit briefly – include the creative income of individuals and the tax concessions that affect income for both industry and individuals.

More details about all these distinctions are available in the technical appendix accompanying this report.

Given the exploratory nature of the research, it may be useful for readers of this report to rely on a range of different vocabularies depending on their industry and context. In the course of conducting this research, ANA found most useful the glossary of terms provided in the OECD report,[10] on the Creative Partnerships Australia website[11] and in the information sheets Arts Law Australia developed.[12] For researchers, glossaries ABS uses in reporting financial statistics and the reports of the Productivity Commission offer additional useful definitions.

This report comprises two parts:

Part 1 presents findings from the analysis of a range of data and literature. Specifically, it presents findings about the scope and scale of financial inflows, the channels and instruments used, and the methodologies for measuring and communicating returns.

Part 2 highlights the implications of these findings and identifies specific opportunities to address the challenges of financing culture (e.g. growth areas, underused vehicles, regulatory settings) and to conceptualise ROI.

By beginning to address the gap in our understanding of the scale and market of non-government finance in Australia, we hope this report will paint a fuller picture for readers of the financial inflows to the cultural and creative industries and of how the returns on these investments are conceptualised.

How to use this report

We recommend using this report to understand the scope and scale of financial inflows in Australian arts, culture and creativity and understand how returns on these investments are conceptualised.

For elected members and policy advisers

Use this report to better understand financial options to encourage and facilitate arts, culture and creativity. This may assist you in conducting strategic discussions about effective investment, regulation and policy settings for the cultural and creative industries and in exploring new policy opportunities with your stakeholders.

For cultural and creative organisations and individuals

Use this report to better understand the expectations of various investors. This may assist you in preparing grant applications and advocacy documents as well as in participating in discussions about investment in the cultural and creative economy with your peers and your political representatives.

For philanthropists and sponsors of arts, culture and creativity

Use this report to understand the investment environment of Australia's arts, culture and creativity, which may help inform your investments and donations. It may assist you in discussions about how to strategically partner with other investors in cultural activities.

For researchers and educators

Use this report as a resource mapping and quantifying financial inflows in Australian arts, culture and creativity. This may provide you with data to add to reports, peer-reviewed research and presentations, as well as to assist you in identifying productive areas of further inquiry. It may also be valuable as an accessible introduction to this area for students in cultural and creative industries courses.

For the media, content creators and platforms for creative content

Use this report to better understand the investment environment of Australian arts, culture and creativity. Get in touch with ANA about media opportunities using the contact details on p. 2.

For international audiences

Use this report to compare Australia's arts, culture and creativity investment environment with your own country's investment environment. For international readers, this report can also be used as an example of the application of a typology of finances in arts, culture and creativity in a national context.

Part 1 Findings

The first part of this report presents key findings from our analysis of data on inflows and ROI within the cultural and creative industries.

This section is structured as follows:

Part 1.1 explores total inflows and quantifies and describes different types of income within that total.

Part 1.2 describes channels of investment and provides estimates of sources of finance.

Part 1.3 examines contemporary methodologies and understandings of ROI.

1.1 What is the scope and scale of financial inflows in arts, culture and creativity in Australia?

In this section, we analyse the scope and scale of financial inflows using data from the most recent reported year (2019–20, 2020–21 or 2021–22) and the comparison year (2017–18), drawn from three main datasets:[13]

- ABS Australian Industry dataset (excluding direct government components)
- The cultural funding by governments (CFG) dataset (as analysed through ANA's Big Picture research series)
- based on The Australian Government the Treasury data found in The Tax Benchmarks and Variations Statements.

For further context, this section includes analyses of the inflows for subsets of the cultural and creative industries, including not-for-profit organisations and digital game development businesses.[14] This section also shares existing research on incomes of individuals working within subsets of these industries.[15]

All estimates in this section are adjusted for inflation up to the 2021–22 financial year.

1.1.1 Total inflows, by type of income

Finding:

Australian cultural and creative industries attracted $160 billion in 2020-21. In the comparison year, 2017-18, these industries attracted an estimated $141 billion, indicating 13% growth.

For context, not-for-profit organisations in these industries attracted $1.2 billion in 2019-20.

Finding:

The vast majority of income in cultural and creative industries is from sales and services. In 2020-21, these industries earned 87% of their income from sales and services, and in 2017-18, they earned 92%. 'Computer system design and related services' earned the most sales and services income in the industries, whereas 'libraries and other services' earned the least in this income category.

For context, not-for-profit organisations in these industries earned 27% of their incomes from sales and services in 2019-20.

Financial inflows in the cultural and creative industries totalled $160 billion in 2020-21 and $141 billion in 2017-18, indicating a growth of 13%.[16]

At 87%, sales and services income was easily the largest part of the income mix in 2020-21, and was estimated at $138.5 billion (adjusted).[17] **Figure 2** displays the shares of each revenue source for the 2020-21 financial year.

Figure 2. Total inflows to cultural and creative industries, breakdown by type of income, 2020-21.

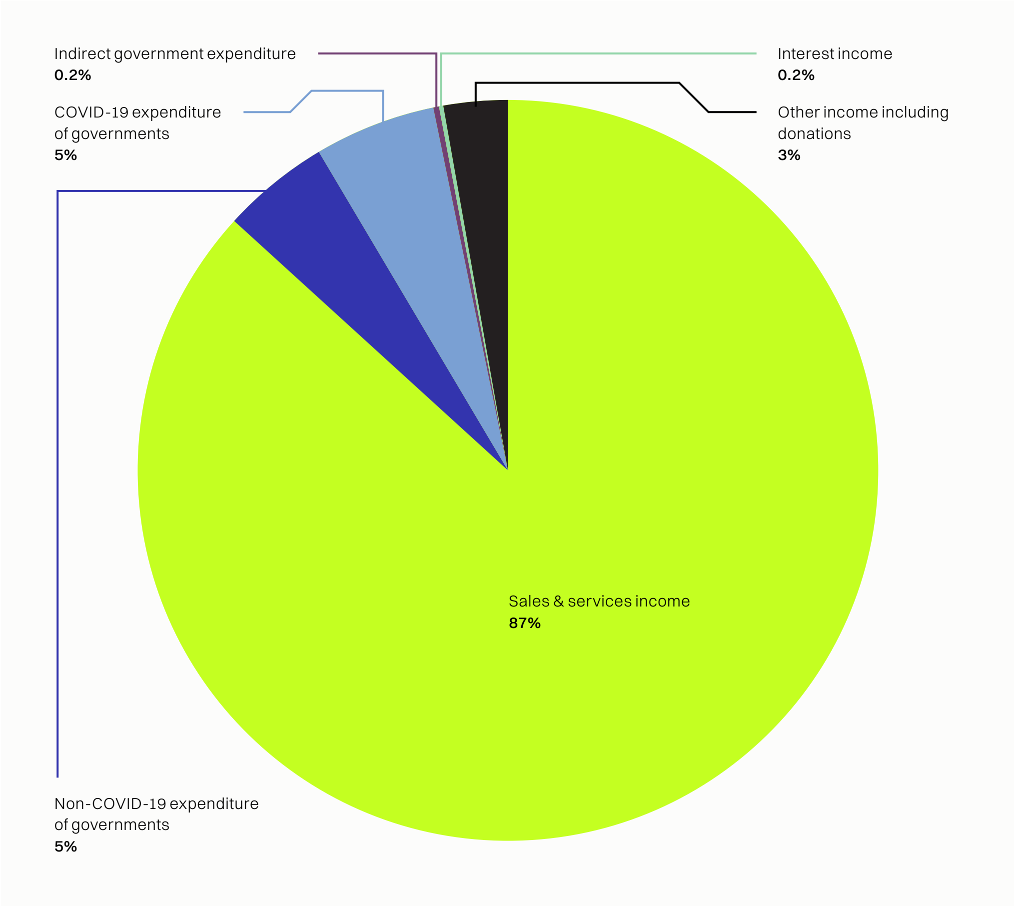


Table 1 breaks down income sources for industry (sales and services income, investment income, other income and government-relevant income), with examples of each type of income for 2017-18 and 2020-1 .[18]

Table 1. Industry sources of revenue (creative and cultural portion) 2017-18 and 2020-21 (low estimates; adjusted to $2021-22).[19, 20]

$million	**2017-18 Total**	**%**	**2020-21 Total**	**%**
Sales and services income (e.g. export sales, income from goods and services provided to businesses, households and governments)	$129,313	92%	$138,452	87%
Non-COVID-19 expenditure of governments (e.g. recurrent and capital expenditure)	$7,500	5%	$7,520	5%
COVID-19 expenditure of governments (e.g. targeted and wider economy COVID-19 financial support)	N/A	N/A	$8,459	5%
Indirect government expenditure (e.g. tax revenue forgone, lending rights schemes)	$362	0.3%	$393	0.2%
Interest income (e.g. interest received from deposits in banks and non-bank financial institutions)	$588	0.4%	$304	0.2%
Other income (e.g. dividend income, donations)	$3,446	2%	$4,460	3%
Total	**$141,209**	**100%**	**$159,588**	**100%**

Box 1: For context: Financial inflows to not-for-profits ‘advancing culture’

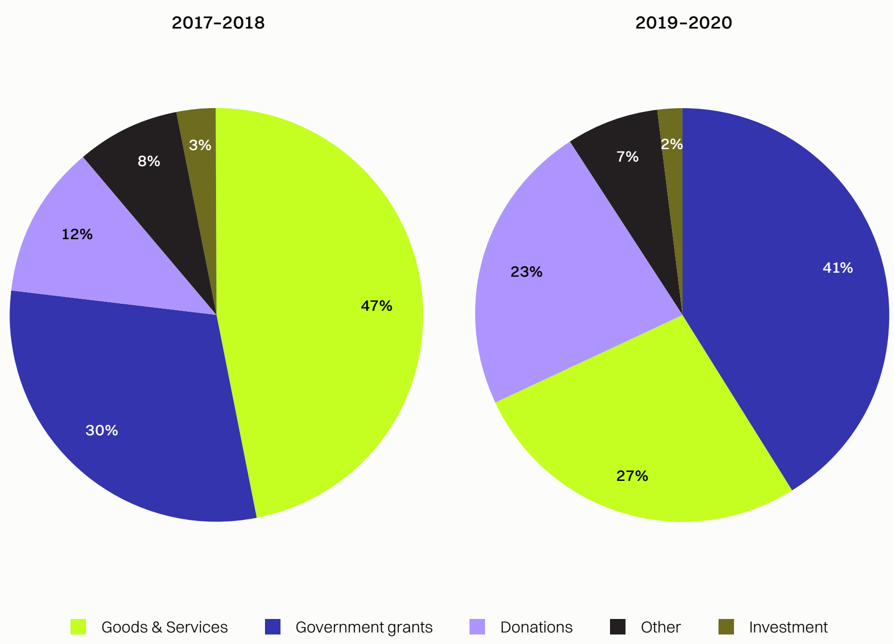
As a subset of the broader cultural and creative industries, not-for-profit (NFP) organisations classified as ‘advancing culture’ generated $1.2 billion[21] revenue in 2019–20 from donation, government, investment, sales and services and other incomes.[22]

Sales and services income accounts for 27% of the inflows for the analysed NFP parts of the industry, whereas it accounts for 87% of the cultural and creative industries’ overall income in 2020–21. Government income is a much larger share of the mix of inflows for NFPs (41%) compared with the broader industry (10% including COVID-19 related support).

The revenue generated from providing sales and services totalled $306 million in the 2019–20 financial year (27% of total revenue). In the 2017–18 financial year, this amount was $527 million (47% of total revenue). Investment income is the smallest component of the income mix. There was a slight decrease of investment income from 3% of the income mix in 2017–18 to 2% in 2019–20.

As **Figure 3** makes clear, the percentage of total revenue generated from donations and government grants incrementally increased during the analysed time frame. Income from sales and services decreased. Caution should be used with these comparisons given the significant impact of COVID-19 in 2019–20.

Figure 3. Change in percentage of revenue streams for not-for-profits, advancing culture subtype, 2017–18 and 2019–20.[23]



Source: Australian Charities Report 6th edition and 8th edition

1.1.2 Total inflows, by industry

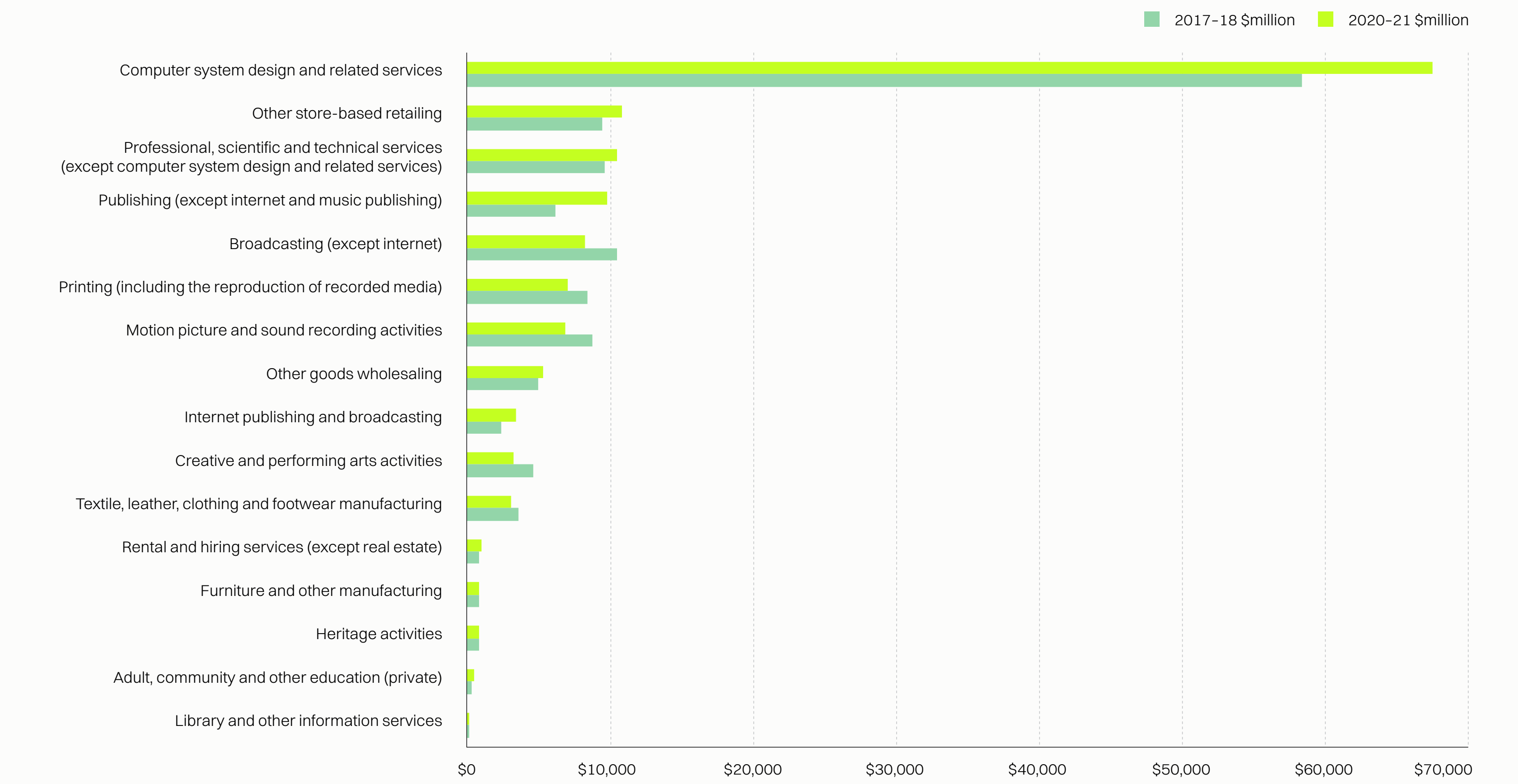
Total incomes are uneven across entities in the cultural and creative industries. This variance showed up in several ways, including through our analysis of industry subdivisions within the ABS dataset; in the data on not-for-profits (see **Box 1**, directly above); and in existing research on digital game development and individuals (see **Boxes 2** and **3**, below).

The industry subdivision with the highest amount of sales and services income for both time periods is '*Computer system design and related services*'[24] – for example, writing, modifying, testing or supporting software – with $67.4 billion in sales and services income in 2020–21 and $58.4 billion in 2017–18. This indicates a 16% increase.

Several subdivisions experienced a decrease in sales and services income. '*Creative and performing arts activities*'[25] – for example, businesses, individuals, and groups engaged in performance, writing, or the operation of arts-related venues – earned $3.2 billion from sales and services income in 2020–21 and $4.5 billion in 2017–18. This indicates a decrease of around 30%.

Figure 4 shows this, along with other industry subdivisions relating to cultural and creative activity.[26]

Figure 4. Sales and services income industry perspective (cultural and creative portions) with low estimates at the ANZSIC industry subdivision (2-digit level), 2017–18 and 2020–21 ($mil, adjusted to $2021–22).[27]



Box 2: For context: Incomes of digital games development businesses

A recent survey of Australian businesses has shed additional light on the subdivision of computer design and related services and on the incomes attracted from the development of digital games on various formats (e.g. consoles, personal computers, mobile phones and virtual reality).

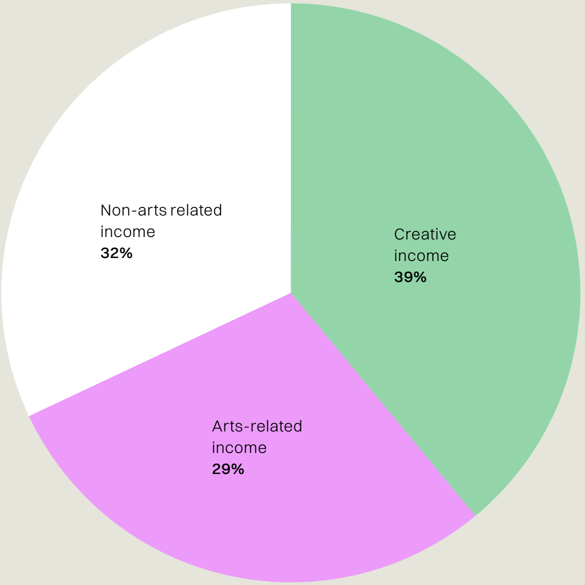
The ABS survey[28] – Film, Television and Digital Games, Australia, 2021–22 Financial Year – found that between 2015–16 and 2021–22, total income for digital game development businesses increased by 313.4% ($348.2m) to $459.3m.

Box 3: For context: Existing research on incomes of individual artists

An Australian study[29] based on a survey of individual artists[30] placed incomes in three different categories: (1) creative income, (2) arts-related income and (3) non-arts-related income.[31] Described in more detail in this footnote,[32] creative income is derived from conducting creative activities (e.g. a visual artist independently earning income from the sale of artwork), whereas both arts and non-arts-related income relate to salaried income where the individual is technically an employee.

The study found that creative income provides an average of 39% of the total income of individual artists. Salary income (both arts related and non-arts related) accounts for 61% of the total income of individual artists. **Figure 5** displays this percentage breakdown based on the mean incomes for individual artists.[33]

Figure 5. Individual (artists) percentage income breakdown.[34]



Source/adapted from: Throsby and Petetskaya

1.2 What are the channels and instruments used?

In this section, we summarise our research about the sources of income quantified in **Part 1.1**. This includes providing four key findings from our analysis of the data and literature on the channels and instruments used for finance: notably, consumption; direct vs indirect government expenditure; and 'other' types of financing (e.g. copyright fees, debt finance, equity finance).

Readers wishing to understand individual channels or instruments of finance in more detail should refer to **the technical appendix accompanying this report**. That appendix

- Describes each channel or instrument
- Provides a breakdown of the analysis and sources that supports the key findings
- Outlines key examples identified through desktop research for 'clusters' of investors

In addition to drawing on the main datasets used in **Part 1.1**, the section draws on

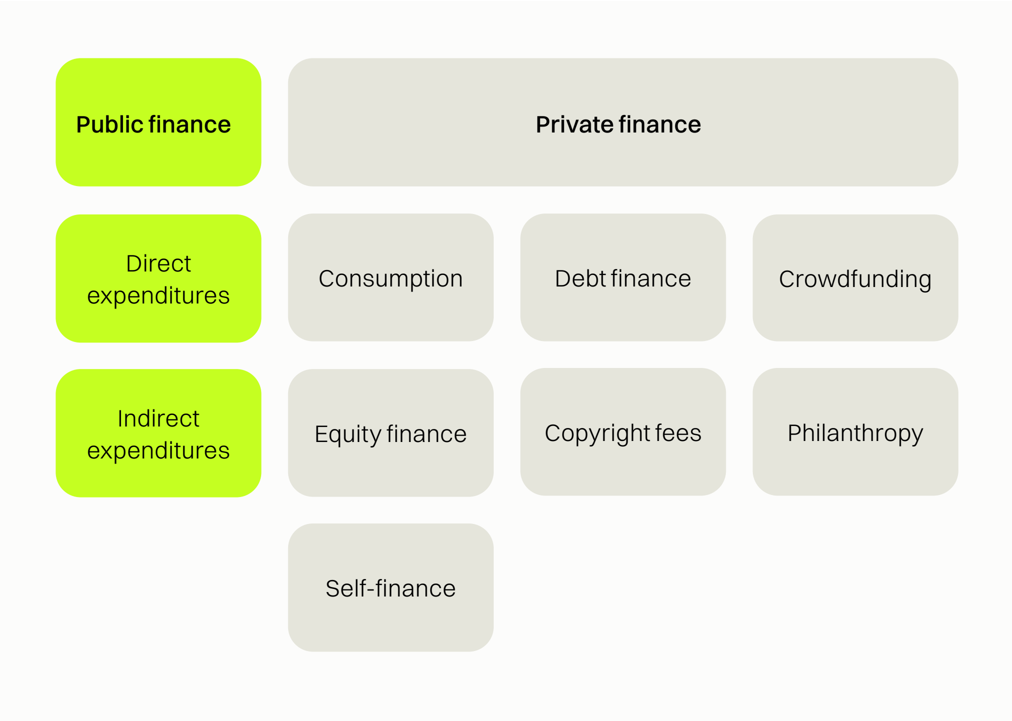
- Publicly available research reports and reviews (e.g. international organisations, the Productivity Commission)
- Media pieces (e.g. articles, opinion pieces, interviews)
- Internet sites (e.g. government information websites, financial blogs)

1.2.1. Types of finance

In Australia, we identified nine channels or instruments, which we broadly categorise as 'public finance' and 'private finance' (see **Figure 6**). These nine types are:

1. Direct government expenditures
2. Indirect government expenditures (including tax concessions and incentives and lending rights schemes)
3. Consumers and other businesses expenditures
4. Copyright revenue
5. Crowdfunding revenue
6. Philanthropy
7. Self-finance
8. Equity finance
9. Debt finance

Figure 6: Channels and instruments used to finance arts, culture and creativity.



Data on private finance in arts, culture and creativity – for example, data from equity and debt finance and consumption – are less granular when compared with data on public finance (both direct and indirect expenditures). Data on philanthropy is the exception due to the existence of an Australian national survey research series, of private sector support for not-for-profit organisations arts and cultural organisations.[35]

Based on these data, four main findings emerged about private and public sources of finance for arts, culture and creativity:

Finding:

Australian consumers are significant contributors to financial inflows to arts, culture and creativity, with more than $45.6 billion in annual household expenditure spent within the entertainment and recreation industry.

Non-residents – for example, foreign markets and international travellers to Australia – are also contributors, with total exports at $1.7 billion in the 2021 calendar year for all creative goods.

Finding:

Distinct from most other investing entities, governments typically invest in Australian arts, culture and creativity *without* the need for financial reimbursement.

In 2020–21, governments distributed an estimated $16.4 billion to cultural and creative industries (including targeted and wider-economy COVID-19 expenditure). A total of $393 million of this was indirect, including a range of tax concessions (revenue forgone) and exemptions accessed by the film industry; not-for-profit organisations 'advancing culture'; and individual authors, artists and producers.

For 2017–18, governments invested $7.9 billion in these industries, including $362 million of indirect expenditure.

Finding:

Other financial inflows include licence fees collected by copyright collecting societies ($849 million, 2021–22/$732 million, 2017–18) and philanthropic income ($282 million, 2021–22/$150 million, 2017–18). These estimates showed growth of 16% in copyright revenue and 88% in philanthropic support from 2017–18 to 2021–22.

Finding:

Examples of financial inflows through other models include successful crowdfunding campaigns in Australian arts, culture and creativity; venture capital investment into Australian start-ups; and foreign media groups and financial groups in Australian media companies holding company interests.

1.2.2. Estimates and examples of public and private finance

Tables 2 and **3** describe the instruments of public and private finance identified through this research, which provide indicative estimates for these inflows.

The estimates provided in these tables use different methodologies, definitions and divisions of industries and activities. Therefore, caution is required when comparing them for the purpose of understanding the 'scale' of different financial inflows.

There are also several overlaps and partnerships between private and public sources of finance. These include tax incentives encouraging philanthropic donations or government incentives increasing venture capital investment and rebates encouraging screen production and game development in specific locations. In these examples, government incentives may affect levels of investment into particular parts and locations of creative and cultural industries. To illustrate, a portion of copyright income (e.g. licensing for educational purposes) is derived from government sources.

Table 2. Public finance in Australian cultural and creative activities; channels, summary descriptions, indicative estimates (adjusted to $2021–22) and examples. Sources: Various, including ANA estimates.[36]

Public finance: Money that is provided without the expectation of pecuniary reimbursement			
Channel	**Summary description**	**Indicative Australian estimates** adjusted to 2021–22 (year of source data)	**Examples**
Direct government expenditures	Grants and subsidies available for carrying on a business or activity	▪ $16 billion (2020–21) (including non-COVID-19 and COVID-19-related expenditure) ▪ $7.5 billion (2017–18)	▪ Recurrent expenditures on programs, specialist areas and special projects ▪ Capital expenditures on creation of fixed assets (e.g. buildings, additions, renovations or restorations), land, buildings and intangible assets ▪ Restart Investment to Sustain and Expand Fund ▪ COVID-19 Arts Sustainability Fund ▪ JobKeeper and Boosting Cash Flow for Employers
Indirect government expenditures	Tax expenditures including concessions, offsets, schemes and incentives available for carrying on a business or activity	▪ $393 million (2020–21) (including revenue forgone and lending right payments) ▪ $362 million (2017–18) (including revenue forgone and lending right payments)	▪ Film industry tax concessions ▪ Income averaging ▪ Lending rights schemes ▪ Non-commercial losses exception rules ▪ Tax concessions for not-for-profits ▪ Other (e.g. tax concessions for research and development; venture capital; and state, territory and local government incentive initiatives)

Table 3. Private finance in Australian cultural and creative activities; channels, summary descriptions, indicative estimates (adjusted to $2021–22) and examples. Sources: Various, including ANA estimates.[37]

Private finance: Money that governments do not explicitly provide.			
Channel	**Summary description**	**Indicative Australian estimates** adjusted to 2021–22 (year of source data)	**Examples**
Consumption	Expenditures of Australian and non-resident/foreign consumers and other businesses	▪ $45.6 billion in entertainment and recreation industry (2021) ▪ $1.7 billion in total exports calendar year for all creative goods (2021) ▪ $18.6 billion spent by international arts tourists (2017)	▪ Consumer expenditure on physical and digital recorded music and live music tickets ▪ Advertising expenditure for paid search, display, classifieds and video advertising along with digital advertising in channels such as free-to-air TV channels
Copyright fees	Copyright licence fees collected on behalf of rights holders	▪ $849 million (2021–22) ▪ $732 million (2017–18)	▪ Licence fees for domestic (and in some cases, international) use of copyright works (such as literary, artistic, musical and dramatic works) and other copyright subject matter (such as sound recordings and cinematograph films)
Crowdfunding	Money directly given or invested in a project or venture by multiple actors using social media and internet channels	▪ $5 million to 'arts projects'[38] through four major crowdfunding sites (2013–14) ▪ $10 million to arts and culture projects through the Australian Cultural Fund (2021–22)	▪ Campaigns using Pozible, Kickstarter, Indiegogo and Chuffed ▪ Tax-deductible donations for Australian artists using the Australian Cultural Fund platform (established by the federal government, administered by Creative Partnerships Australia)

Private finance: Money that governments do not explicitly provide.			
Philanthropy	Money given by individuals through donations or patronage; or by organisations and trusts through donations or sponsorship deals	▪ $586 million in total to arts and culture[39] not-for-profits (NFPs) (2020) ▪ $665 million in total to arts and culture NFPs (2018) ▪ $282 million in donation-related income to NFPs 'advancing culture' (2019–20) ▪ $150 million in donation-related income to NFPS 'advancing culture' (2017–18)	▪ Cash ▪ In-kind donations ▪ Sponsorships ▪ Bequests ▪ Fundraising events
Self-finance	Money individuals and businesses raise or provide for themselves to carry on a business or activity	▪ No reliable method of estimating total self-financing in cultural and creative industries ▪ No existing estimates across Australian businesses in the literature	▪ Using personal savings ▪ Taking out a home equity loan ▪ Borrowing against investments and securities ▪ Reinvesting retained earnings back into the business
Equity finance	Money exchanged for part-ownership or company shares	▪ No reliable method of estimating total equity investments in cultural and creative industries ▪ No existing estimates across Australian businesses in the literature	▪ Foreign stakeholders with company interests in Australian media companies (i.e. media groups and financial groups concentrated in Europe and the United States) ▪ Equity share schemes
Debt finance	Money borrowed from an external lender, such as a financial institution that must be repaid	▪ No reliable method of estimating total outstanding lending by cultural and creative industries ▪ $441.8 billion in total outstanding small and medium enterprises lending in Australia (2021)	▪ Business loans ▪ Lines of credit ▪ Overdraft services ▪ Invoice financing (e.g. film offset gap finance) ▪ Equipment leases ▪ Asset financing

1.3 How do investors measure and evaluate 'returns'[40] on financial inflows?

This section uses a qualitative approach to explore how investors measure and communicate ROI. The discussion draws on various sources of literature including media, industry reports and relevant journal articles. The findings are presented in two parts:

First, this section examines the literature on ROI methodologies and frameworks and considers the contexts in which ROI is used.

Second, this section provides specific examples of expected returns for clusters of investors.

1.3.1 Measuring returns

Finding:

Despite global interest, no single framework or methodology for returns on investments in cultural and creative industries currently allows for consistent or systematic comparison, over time and across countries.

Companies have used a **financial ROI** calculation since 1914[41] to determine the various drivers for returns on equity. The ROI considers the benefits (in this case, the net profit) versus the costs (investment). A basic calculation is ROI = (Net profit/Cost of investment) x 100.

Traditionally, the ROI was relevant for shareholders who used this information to evaluate investment decisions. In the 1990s, the **social ROI (SROI)** approach was developed to measure social impacts and monetise these impacts to provide a common economic language for comparison with other investments. It uses the following calculation: SROI = Net present value of benefit/Net present value of investment.

SROI has been adapted from the social enterprise context to measure value in a variety of contexts,[42] including specific arts and cultural events.[43] Recent research on social impacts and the 'creative arts' in Australia[44] has described SROI as one of four dominant ways in which impact assessment can be understood. The other ways are as follows:

1. The **Simple Ratio model** measures 'the ratio between investment and income generated'.
2. The **Input-Output (Multiplier) Model** 'assumes economic flows in an industry are fixed and not subject to changes in market supply and demand'.
3. **Public Value Measurement Framework** is an 'attempt to measure the intrinsic, instrumental and institutional impacts of the arts [through] an audience driven measurement process'.

The OECD report provides a list of **alternative approaches** for 'measuring the impact of arts and heritage in monetary terms'.[45] The list includes indirect and induced economic impact, contingent valuation, travel cost, choice modelling, hedonic pricing, subjective well-being, quality-adjusted life years (QALYs) and disability-adjusted life years (DALYs).

Importantly, the OECD report emphasises a possible gap in some economic modelling, called 'non-use value':

> *It is important to point out that any approach to calculating value could include both use and non-use value. For example, non-use value might include the value of having the option to use a cultural institution in the future; the value to an individual for their children or family members to use a cultural institution; or the derived benefits of proximity to, or mere existence of, a cultural institution (e.g. impact on local environment, sense of pride in place or culture).*[46]

Another identified gap in these various measurements and methodologies is called valuing 'artistic merit'. It was highlighted in a recent review of the subject of valuation and ROI in the arts:

> *[...] evaluations that look to assess the social impact of an arts program tend not to assess it from an arts perspective – that is, "the evaluation does not discuss the artistic merit or quality of the work as well".*[47]

The above discussion highlights efforts to capture various understandings of arts, culture and creativity's value and the range of methodologies available to stakeholders, including investors. **Box 4** expands on these efforts and highlights weaknesses in existing methodologies and data frameworks. Crucially, the discussion raises further questions, including the following

- Who is conducting the evaluation?
- Why do they need the evaluation?

Similar questions were raised in a recent study of the arts'[48] value and impacts in diverse communities in New Zealand and Australia. Specifically, that study notes 'an understanding of *how and why* measurement is undertaken to determine impact is needed rather than debating the merits attributed to cultural evaluation that is already publicly available' (emphasis added).[49]

The next section explores the above questions by providing examples of expectations of return for various 'clusters' of investors and based around the main channels of finance identified in **Part 1.2**.

Box 4: Additional ways of evaluating impacts and returns on investment

'Language frameworks' to measure social impact are available in the academic literature. An example from the Australian literature – which 'may assist rural, regional and remote communities to identify success markers resulting from engagement in arts, culture and creativity' –[50] identifies four key frames, which are:

1. Collective well-being
2. Thriving community
3. Amplified place
4. Creative ecology

Unlike in traditional economics models, in which the amount the price of an asset can increase determines the ROI of that asset, the income that simply holding a crypto token such as a non-fungible token (NFT) can generate determines **the ROI on the token**. NFTs are said to have guaranteed ROI by merely collecting and minting them.[51]

Asset valuation techniques are also used to capture the value of arts, culture and creativity. In the literature, we find examples of reported land valuations and[52] business valuations,[53] which assume different and often confidential methodologies and calculations. Australian collecting institutions have also undertaken work to estimate the monetary value of their collections and short-term finance needs for preserving their collections.

Intellectual property (IP) valuations are scarcely publicly reported in Australia, and the methods for their calculation are singled out in the literature as being inadequate within cultural and creative sectors.[54] Although the final valuation price is decided when the IP gets sold or transferred, the value of intellectual property can be measured on a cost basis or fair value basis, with IP Australia[55] listing various valuation methods on its website.

While a standardised global framework for assessing the economic contribution of copyright industries across countries and over time is available from the World Intellectual Property Organisation, no such standardised framework exists for cultural and creative industries, specifically.[56] Instead, national, year-on-year reporting provides insights into the returns for total inflows in Australia. For example, there is reporting about National Cultural Institutions[57] against indicators such as 'engagement', 'access', 'development support' and the 'size of collections'. Data about industries are also available through economic modelling and estimates known as '**satellite accounts**'.[58]

Satellite account estimates are produced in many countries and adopt varying methodologies. The Australian satellite accounts determine value added and contribution to GDP and provide estimates for change over time. The estimates include non-market outputs.[59] In the United States, the impacts highlighted in the most recent year's estimates consider value added to selected sectors (healthcare, retail trade, transportation and warehousing, outdoor recreation, mining, agriculture, forestry, fishing and hunting) and imports and exports.[60]

1.3.2 Expected returns

The literature reviewed in this research also provides insights into the expected returns for several clusters of investors. This section provides specific examples and summaries from the literature for:

- Consumers – for example, Australian households, foreign markets and copyright licensees
- Governments – for example, all levels of the Australian government and international governments
- Debt and equity finance investors – for example, financial institutions
- Philanthropists – for example, individuals and corporates

Finding:

Investors aim to achieve returns over a range of different time frames. The language used to consider and describe these returns varies across the investment environment, from consideration of risks, costs and benefits; to business growth; to language grounded in social impacts, values and economic spillovers.

Individual consumers and other businesses

National surveys have found that Australian audiences increasingly recognise the impacts of arts, culture and creativity on child development; their sense of well-being and happiness; their ability to deal with stress, anxiety or depression; their understanding of other people and cultures; delivery of customers to local businesses; and growth of creative skills that will be necessary for the future workforce.[61]

Market research, smaller-scale surveys and focus groups have deepened understandings of the abovementioned impacts. For instance, ANA recently summarised middle Australians'[62] views on the impacts of arts, culture and creativity as follows: '[middle Australians] believe that an arts-and-culture-less world would lack colour, expression and freedom'.[63] **Box 5** provides examples from the focus group discussions.

Box 5: Quotes from ANA's Middle Australia series referencing impacts

I love sharing music on Spotify now with my grandkids. I play a song and talk about the backstory to give it context. I talk about what I was doing during the time of its release. When I reflect back on my life, music is who I am. It's my core. So, sharing this is really important.

I take my grandchildren to arts exhibitions and just seeing it through their eyes makes you feel younger.

It's something you can do at any age. Old people can share it with the young and vice versa. It's a universal language.

Although not all of these things might be things that I personally engage in in my day-to-day life, I think [preserving them] absolutely has an impact on the broader society, our economy and improving unemployment. The more diversity that we have in all of these areas, the more it's going to boost our economy, which in return boosts employment.

Non-residents – or foreign markets – also feature in the consumer cluster of investors. In existing research on trade in cultural and creative goods[64] and services[65], 'a common language, past colonial links and similar cultural tastes' have been cited as reasons developed countries are more likely to trade in cultural goods with one another.[66]

Governments

Government policies and funding agreements provide a repository of the language and the expected impacts of future and past investments. ANA research has previously explored these policy drivers, highlighting four key drivers:

1. **The collective identity driver** – The purpose of arts and culture is to help groups of otherwise disparate individuals unite around a collective identity that builds on the things they have (or can be argued to have) in common.
2. **The reputation-building driver** – The purpose of arts and culture is to help build the reputation of a country, region, organisation or individual, often by associating these entities or individuals with standards of excellence as defined by relevant stakeholders.
3. **The social improvement driver** – The purpose of arts and culture is to provide spillover benefits in areas of societal concern (such as education, health and disaster recovery) to the widest range of people.
4. **The economic contribution driver** – The purpose of arts and culture is to contribute to the nation's economic prosperity, either directly through income and/or employment generation, or indirectly by influencing innovation.

These policies exist across Australia's three levels of government and typically are attached to a timescale for implementation (see **Box 6**).

Box 6: Australia's cultural policies as of May 2023

All federal, state and territory and local governments have examined cultural policies over the last decade. The most recent public versions of their policies are

- Local Government Arts and Culture Policy Position, Australian Local Government Association 2020
- Australian Capital Territory: Canberra: Australia's Arts Capital Arts, Culture and Creative Policy 2022-2026
- New South Wales: Create in NSW: NSW Arts and Cultural Policy Framework (2015)
- Northern Territory: Creative Industries Strategy NT 2020–2024
- Queensland: Creative Together 2020–2030: A 10-Year Roadmap for Arts, Culture and Creativity in Queensland
- South Australia: Arts & Culture Plan South Australia 2019–2024 and Growth State: Creative Industries Strategy
- Tasmania: Cultural and Creative Industries Recovery Strategy: 2020 and Beyond
- Victoria: Creative State 2025
- Western Australia: Strategic Directions 2016-2031 and WA Creative Industries: An Economic Snapshot (2019)
- Federal Government: Revive: Australia's Cultural Policy for the Next Five Years

Australian local government policymakers have previously classified the expected returns from their investments as follows: short-term outputs, medium-term outcomes and long-term impacts, positing value and effects as accruing over time.[67]

Governments sometimes agree on shared areas of expected impact. For example, in 2022, 150 countries declared culture a global public good with intrinsic value 'to enable and drive sustainable development [. . .]'.[68] UNESCO's definition of global public good describes benefits as 'near-universal' in terms of geographical coverage, people (benefitting all) and generations (present and future).[69]

Debt and equity investors

Lending providers for Australian small and medium (SME) enterprises include financial institutions and an evolving market of lenders (e.g. fintech). In Australia, the Productivity Commission has observed that such 'lenders are engaging in a rational consideration of the risks, costs and benefits involved with financing each business'.[70]

The rational considerations behind these types of financial returns also emerge in statements about venture capital investors. For example, the federal government's venture capital review surveyed stakeholders in this market and noted,

> *While venture capitalists recognise that many businesses may fail in these early stages, investors hope to find at least a few highly successful businesses across a portfolio of investments, which may generate potentially significant returns to investors.*[71]

The overall ROI expected through the Arts Business Innovation Fund – an example of debt finance that is a 50/50 combination of government funding and a zero-interest loan – is 'to strengthen income generating and entrepreneurial capacity'.[72] The implied ROI of a business angel is captured in the following statement: 'The ultimate goal for the business angel is to sell its holding with a capital gain'.[73]

Although there is limited evidence of the expectations from or language of ROI of the non-resident equity investors identified in the examples provided in **Part 1.2** (e.g. media companies and finance companies), the drivers of foreign direct investment in broader Australian business activities have been summarised as follows: markets, assets, natural resources, efficiency seeking, institutions and macroeconomic stability.[74]

Philanthropy

A comprehensive exploration of philanthropic giving is being undertaken through the federal government's Productivity Commission's Review of Philanthropy. This cluster's motivations and expected returns are considered applicable to many activities and, it follows, to arts and culture. The call for submissions in the Productivity Commission inquiry notes that the motivations of individuals can be both economic and non-economic.

The motivations of philanthropic giving at the **individual** level are summarised as follows:

> *A person's motivations may be highly individual, such as personal values and life experiences, or relate to connections to family, culture or faith [. . .] The amount people give can also reflect financial incentives embedded in policies and regulations, such as personal income tax rates, which vary based on individual circumstances.*[75]

The inquiry's call for submissions also considers the reasons **companies** may engage in corporate philanthropy:

> *Companies with a focus on corporate social responsibility have used philanthropy and related community investment activities as part of their strategic approach to creating value, including for their shareholders and the public.*[76]

Self-financing

Self-finance is defined in **Part 1.2** as the 'money individuals and businesses raise or provide for themselves to carry on a business or activity'. The most relevant reference in the literature to expected returns for these (self-)investors was found the OECD report. The report proposes a spectrum of reasons for investing time and money:

> *Businesses in [cultural and creative sectors] exist on a spectrum, with some being more market-oriented and some being driven more by a motivation to create social good. Consequently, in starting up or scaling up a business, firms in this sector may choose to prioritise strategies that maximise dissemination of their work, rather than maximising profit. This does not mean that these businesses do not need to be financially sustainable, or that they are not interested in generating revenues, but rather that their growth strategies are influenced more by the desire to create social good.*[77]

In Australia, the economic and non-economic impacts of Aboriginal and Torres Strait Islander visual arts and crafts are described in a recent Productivity Commission inquiry including as the 'cultural value that artists and communities derive from the practice of art and the works themselves'; and as 'a source of economic empowerment, particularly in remote parts of Australia'.[78]

Two themes can be distilled from this brief overview of literature and examples of clusters of investors' ROI expectations and needs. They are

- **Different time frames or phases of expected return** (e.g. short-, medium- and long-term phases of a business)
- **Multidimensionality of returns** (e.g. cost/benefit considerations; market-oriented growth; financial sustainability; creation of social good)

Box 7: Examples of return on investment statements

'The research found that every $1 invested in Artist Managers returns $19.94 to stakeholders in quantified benefits, demonstrating the significant impact of artist managers to the music industry.'[79]

'For every dollar spent on live music, three dollars is returned to the community.'[80]

'Research from Olsberg SPI (2019) indicates that the number of tax incentives for the film and television industry has been steadily growing since 2017, with 97 different schemes now available globally. Moreover, it was found that the use of tax incentives had increased investment in the sector, benefiting employment and gross value added (GVA) and creating a return on investment for national governments.'[81]

'The [commercial television] industry's economic contribution to GDP was $2.3 billion in 2019. This includes both the direct value added generated by the industry and a "multiplier effect." For every $1 in value added generated directly by the industry, its purchases support another $1.20 in value added in other industries. The commercial television industry also supports around 16,300 full-time equivalent jobs, both directly (7,500 staff employed by the industry) and indirectly (8,800 supported through the supply chain).'[82]

'In late 2019, the company [Canva] was valued at $US3.2 billion. By mid-2020, its valuation had soared to $US6 billion, and in April 2021, Blackbird Ventures, Scott Farquhar and Kim Jackson's Skip Capital, T Rowe Price and Dragoneer cut cheques for the business, valuing it at a $US15 billion.'[83]

Summary of Findings*

Finding 1

Australian cultural and creative industries attracted $160 billion in 2020–21. In the comparison year, 2017–18, these industries attracted an estimated $141 billion, indicating 13% growth.

For context, not-for-profit organisations in these industries attracted $1.2 billion in 2019–20.

Finding 2

The vast majority of income in the cultural and creative industries is from sales and services. In 2020–21, these industries earned 87% of income from sales and services, and in 2017–18, they earned 92%. 'Computer system design and related services' earned the most sales and services income in these industries, whereas 'libraries and other services' earned the least.

For context, not-for-profit organisations in these industries earned 27% of their incomes from sales and services in 2019–20.

Finding 3

Australian consumers are significant contributors to financial inflows to arts, culture and creativity, with more than $45.6 billion in annual household expenditure being spent within the entertainment and recreation industry.

Non-residents – for example foreign markets and international travellers to Australia – are also contributors, with total exports at $1.7 billion in the 2021 calendar year for all creative goods.

Finding 4

Distinct from most other investing entities, governments typically invest in Australian arts, culture and creativity *without* the need for financial reimbursement.

In 2020–21, governments distributed an estimated $16.4 billion to the cultural and creative industries (including targeted and wider-economy COVID-19 expenditure). A total of $393 million of this was indirect, including a range of tax concessions (revenue forgone) and exemptions accessed by the film industry, not-for-profit organisations 'advancing culture' and individuals.

For 2017–18, governments invested $7.9 billion in these industries, including $362 million of indirect expenditure.

Finding 5

Other financial inflows include licence fees collected by copyright collecting societies ($849 million, 2021–22/$732 million, 2017–18) and philanthropic income ($282 million, 2021–22/$150 million, 2017–18). These estimates showed growth of 16% in copyright revenue and 88% in philanthropic support from 2017–18 to 2021–22.

Finding 6

Examples of financial inflows through other models include successful crowdfunding campaigns in Australian arts, culture and creativity; venture capital investment into Australian start-ups; and foreign media groups and financial groups in Australian media companies holding company interests.

Finding 7

Despite global interest, no single framework or methodology for returns on investments in the cultural and creative industries currently allows for consistent or systematic comparison, over time and across countries.

Finding 8

Investors aim to achieve returns over a range of different time frames. The language used to consider and describe these returns varies across the investment environment, from consideration of risks, costs and benefits; to business growth; to language grounded in social impacts, values and economic spillovers.

* All estimates in this section are adjusted for inflation up to the 2021–22 financial year. Percentages are presented as whole numbers for ease of reading, with rounding performed at the last stage of calculation for maximum accuracy.

Part 2

Implications

Part 1 of this report shed new light on the financial inflows of Australian arts, culture and creativity. It described the scale, scope and main sources of finance. The discussion in this part also explored the effects investors may expect in return.

Next, Part 2 identifies several opportunities from the findings of Part 1. Specifically, five opportunities are identified to enhance the effectiveness of the investment environment for arts, culture and creativity to begin future-proofing its sustainability and to support growth ambitions.

Opportunities exist in three thematic areas:

1. The preservation and diversification of these financial inflows
2. The development and assessment of regulations
3. The measurement and communication of ROI

2.1 Diverse financial options

Australian cultural and creative industries finance their activities through private and public channels. The landscape also fluctuates in response to economic and social forces. This section recommends carrying out cross-industry collaboration, improving industries' awareness of the financial options and increasing visibility of any fluctuations.

The scope of financial inflows

ANA estimates that the total income of the cultural and creative industries was $160 billion in 2020–21. The income 'mix' varies by the industry and income-reporting entity (e.g. not-for-profits, individuals). For example, not-for-profits appear more reliant than the wider industries on government and 'other' revenue (private giving) by a significant margin.

The typology of the sources of finance used in this research illuminates the scope of different types of finance. The typology, which the European Union and the OECD developed, helps situate inflows to the three levels of government in arts and culture in Australia within the context of a range of non-government financial options. Applying the typology illuminates the investment environment as a whole, its component parts and the key features of each inflow. For these reasons, the typology offers a strong baseline understanding for decision makers and researchers.

Using the typology leads to four more key observations:

1. **Omissions:** Inflows generated through copyright and consumption are additional financial inflows identified in the Australian industries that are not specifically or distinctly recognised within the typology.
2. **Terminology:** Australian datasets and industry reports use a range of different financial vocabularies depending on context and emphasis. In addition to the OECD report, useful glossaries of terms are available on the Creative Partnerships Australia website; in information sheets developed by Arts Law Australia; and it is hoped, throughout this report, which draws on these glossaries in addition to terminology ABS and the Productivity Commission use.
3. **Overlaps:** The typology is stylised, and several overlaps between the types of finance are difficult to represent. This becomes obvious when considering crowdfunding, where models bring together government and non-government investing entities. These partnerships are an important aspect of the investment environment in Australia.
4. **Expertise:** Specialist expertise in each type of finance would support comprehensive mapping and provide a better understanding of the interdependencies and dynamics of the financial market in Australia.

Crucially, data about many private sources of finance in Australia are opaque compared to information about government expenditure (both direct and indirect). This led ANA to cast our research 'net' wider for data and existing research. For example, we consider secondary research about SME businesses in broader industries to understand debt and equity finance types.[84] This approach limits the *depth* of our understanding of financial inflows in arts, culture and creativity specifically but expands our understanding of the *breadth* of financial options for Australian businesses.

Studies within other industries have characterised these opaque areas of financial statistics as a bias, recommending that any data biases be addressed.[85] More information on private finance and up-to-date market knowledge would also likely support the 'brokerage' of debt finance for businesses, as the Productivity Commission has noted.[86] Improving the visibility of private finance would also strengthen the evidence-based policymaking of government bodies across portfolios affecting these broad industries (bureaus of statistics, cultural bodies, skill development and vocational training authorities, councils, SME development authorities, planning and development boards, trade and investment boards).

In practice, future mapping would benefit from both point-in-time calculations and an assessment of the direction of trends. In the industry-specific reports in the literature review, a five-year average has been found to be a useful data point.[87]

Opportunity:

Governments and industries can use this research's estimates and descriptions of financial inflows to work through the practical implications to 'preserve' and 'strengthen' the financing of culture, which UNESCO and its membership have declared a global 'public good'.

Underused financial vehicles and growth areas

This exploratory research highlights an opportunity to increase awareness of financial options and to diversify and preserve financing of culture more broadly. Pursuing this opportunity may include awareness of underused financial vehicles such as individual tax concessions and leveraging potential growth areas.

Indirect government expenditure is an estimated $393 million in forgone revenue in the most recent year for which data is available. However, there may be more individuals working in the cultural and creative industries who can harness **specific tax concessions and their exceptions**. For example, we learn through this research the amounts claimed under the exceptions to the 'Non-Commercial Loss Rules'[88] have been in general decline since 2007-08. These exceptions apply specifically to arts professionals and primary producers and allow professional arts businesses to apply losses against other income if that income is less than $40,000. Despite inflation and changes to overall income, the $40,000 amount has not been adjusted since the commencement of the tax concession in 2000, which may be contributing to the decrease.[89]

In addition to individual and broad-based measures, this research lists tax incentives intended to promote the competitiveness of the cultural and creative industries globally, such as film production and video games. International competition is growing in this field. For example, the UK's slate of incentives is already broader than Australia's and encompasses film, animation, high-end TV, children's TV, video games, theatre orchestras, and museums and galleries.[90] **Sector-specific tax concessions** may warrant sector representatives' and policymakers' additional attention and assessment of the costs and benefits of introducing new concessions. The re-established Ministerial-level meetings between Commonwealth, state and territory cultural ministers, and the Australian Local Government Association, may also wish to consider bringing the transparency of this indirect expenditure in line with the transparency of the direct expenditure in cultural funding by government data,[91] possibly by reporting on these data together.

The income mix is uneven across industries and reporting entities. **Part 1.1** showed that the highest sales and services income for both time periods is generated from 'Computer system design and related services' (e.g. writing, modifying, testing or supporting software). This suggests the potential benefits of **cross-sectoral learning and collaboration** on this income category. Enterprises seeking to grow income through sales and services could look to the good practices of these segments. One of their known sub-sectors is digital game development.[92]

The OECD report explores mentoring as one avenue for this collaboration. More broadly, the report notes,

> *Governments can address this lack of [business] knowledge through information, advice, coaching and mentoring schemes. This type of support can be delivered directly through public agencies, through private or not-for-profit organisations, or through a combination of public and private sector actors. It can involve the development of information resources, one-to-one coaching, mentoring, businesses consultancy services or subject-specific advice centres.*[93]

Policymakers are grappling with an ambition to grow and capitalise on the economic and other benefits of arts, culture and creativity. Specific challenges to achieving growth of these activities and the industries sustaining them, through finance, are thought to include the perception of risk of these ventures and the intangible nature of assets. EU research observes that the main challenges are the '(mis)perception that [cultural and creative sector] companies [are] riskier than other types of business, the fact that many [cultural and creative sector] companies are IP-based and cannot use their intangible assets as securities and/or collateral for financing'.[94]

While investor sentiment in the cultural and creative industries is not well understood or monitored in Australia, the Productivity Commission's study of the lending market highlights key challenges and disincentives of lending to *broader* Australian SMEs (compared to mortgage lending, for instance) including higher (regulated) capital requirements, more complex credit assessments and the higher risk of default.[95] The review of the lending market for all Australian SMEs in the study notes a shift to non-bank SME lenders. Promisingly, it emphasises that there are few regulatory barriers to **new lenders** entering or to existing lenders growing and highlights the availability of **lenders that do not require collateral**. These lenders require SME owners or directors to provide them with a guarantee or security agreement that covers a particular asset, such as equipment, licences or intellectual property.[96]

Notwithstanding these new options for financing culture, the pressures facing the Australian and global economy will continue to affect incomes of the cultural and creative industries. Our research points to two important examples of these pressures.

First, the research notes the short-term targeted and wider-economy government support provided **in direct response to COVID-19.** The OECD, meanwhile, identifies an emerging medium-term impact on growth in cultural and creative employment, noting,

> *Cultural and creative employment has outpaced overall employment growth in recent years, but COVID-19 has likely left a dent. Public and private relief schemes played an important role in buffering these shocks, but were not always well-suited to the specificities of the sector or to support longer-term growth and resilience.*[97]

Medium- and potential longer-term employment effects identified in this OECD report include disruption of the training, employment and production pipeline as well as skill losses and shortages and workers exiting the industry altogether.[98] We foreground these as examples of complex, industry-specific issues that will affect cultural and creative activity but that cannot be addressed through financial inflows alone.

Second, the literature suggests pressures and risks of **macroeconomic factors** for venture capital as a financial inflow. Although we find examples of venture-capital supported 'unicorns' in Australia (e.g. Canva and Linktree) and reports of 'growth across Europe in sectors that operate at the boundaries between cultural and creative sectors (CCS) and high technology (e.g. VR/AR, gaming, advertising and marketing technology and machine learning) [. . .]',[99] the evidence about venture capital in Australia is more conservative. It shows that macroeconomic factors continue to play a role in driving the amount of available finance and that Australia's venture capital sector is 'susceptible to short term market volatility'.[100]

The literature also shows that it is not possible to quantify the direct impact of tax incentives in venture capital itself and that stakeholders generally value certainty and clarity and support incentive programs.[101]

As these examples illustrate, the interdependencies in financial markets are complex and constantly evolving. They are a critical context for the ambition of growing the cultural and creative industries and for determining what ROI is possible (see **Part 2.3**). A clearer line of sight could be achieved through environmental scanning, which ANA has previously recommended to support decision-making in cultural and creative activities, in particular during periods of uncertainty.

Opportunity:

To leverage new and existing finance opportunities for arts, culture and creativity, governments and industry stakeholders should

- Establish a clearer line of sight on the interdependencies and risks of the investment environment, for example, through environmental scanning
- Facilitate cross-industry learning and collaboration, for example, through increased information, advice, coaching and mentoring schemes
- Draw on information about underused and emerging sources of finance held by financial brokers and investment specialists

2.2 Regulation and impact assessment

Copyright licence fees and 'non-resident' consumption and investments contribute to inflows to arts, culture and creativity. The changing global regulatory environment of artificial intelligence, international trade and foreign direct investment could affect these inflows. This section therefore recommends robust assessment of the benefits and costs of any policy changes pertaining to the cultural and creative industries.

Copyright licence fees

In Australia, 'art-form specific' collecting societies administer certain licensing arrangements, collect fees and distribute royalties to their members consistent with a voluntary code of conduct.[102] **Part 1.2** estimated collecting society income of $849 million in 2021–22 and $737 million in 2017–2018 (adjusted to 2021–22). Other research has anticipated intellectual property rights becoming an increasing focus for income (or fundraising) in the near and distant future, facilitated by technology.[103]

A study by the European Commission[104] explores the intersections of copyright and new technologies and summarises intersections with artificial intelligence in particular. The study distinguishes upstream or input issues (i.e. those related to the use of protected content as inputs for an artificial intelligence application) from downstream or output issues (i.e. those related to musical, graphical, audio-visual or other cultural content that results from the use of an artificial intelligence application). In the long run, the study suggests that a cross-sector rights data network is needed, partly to carry out efficient rights data management and licensing across sectors.[105]

This study and its recommendations have implications for Australia, including Australian regulatory interventions in artificial intelligence. In March 2023, the UK government announced the development of a code of practice for artificial intelligence firms to access copyrighted work as an input to their models.[106] Although the details of this code are not yet public, the UK government committed to protections such as labelling on generated output for right holders of copyrighted work. An artificial intelligence firm that commits to the code of practice can expect to obtain a reasonable licence from a rights holder. The UK government's stated intention is to achieve balance between 'protecting rights holders and [the UK's] thriving creative industries, while supporting AI developers to access the data they need'.[107]

The rules and regulations on this topic are fast evolving in several major economies. The US Copyright Office[108] has issued a statement of policy to clarify its practices for examining and registering works containing material generated using artificial intelligence. The statement notes that 'if a work's traditional elements of authorship were produced by a machine, the work lacks human authorship and the Office will not register it. However, this is necessarily a case-by-case inquiry'.[109] Notwithstanding the statement, the Copyright Office has launched an 'agency-wide initiative' to delve into these issues.

It is unclear to ANA at the time of writing how the UK code or the policy statement in the US affects text and data mining across borders or the creative content of Australian businesses. Two pressing questions pertaining to this topic are where these technologies are developed and based and what the copyright legislation and enforcement protocols are.

In Australia, media companies have made recent, public calls for payments from artificial intelligence firms.[110] Artificial intelligence is also on the federal government's radar across portfolios. Some examples are the Department of Industry, Science and Resources' consultation on the steps Australia can take to mitigate the potential risks of artificial intelligence[111] and the inaugural Ministerial Roundtable on Copyright, which the federal Attorney-General convened.[112] The roundtable, which was conducted with copyright industry stakeholders, suggested that copyright implications of artificial intelligence in relation to text and data mining, database protection and authorship of artificial-intelligence-created works were uncertain.[113]

Finally, note the definition of cultural and creative activity that the federal government department responsible for the arts uses in its research on economic contributions (satellite accounts): 'activities involving human creativity as a major input'. [114] The research adds, 'While there is no universally accepted definition [. . .] the terms "cultural" and "creative" describe activities connected with the arts, media, heritage, design, fashion, and information technology'.[115] It is unclear from this definition whether artificial intelligence will or will not be included in satellite accounts' measurement of the economic contribution of Australian cultural and creative activity. This is a key consideration for our national assessments of value and returns, described in **Part 2.3**.

Opportunity:

In implementing the current National Cultural Policy, the federal government should assess the impacts and ongoing policy implications of artificial intelligence, including those relating to

- Rights management through copyright collecting societies
- Overseas approaches to artificial intelligence's inputs (data and text)
- The role of 'human creativity as a major input' in definitions and measurements of cultural and creative activity

'Non-resident' financial inflows

Export markets and non-resident investments (e.g. foreign direct investment) in Australian cultural and creative goods and services could become an increasing source of current and future inflows with the right regulatory settings in place. For example, the OECD report notes that the effectiveness of audio-visual production incentives in member states depends primarily on their ability to attract foreign productions.[116] A House of Lords review in the UK has highlighted the global competition in the cultural and creative industries compared with the fiscal incentives available in the UK.[117] Part 2.1 has already noted the more limited number of sector-specific tax incentives available in Australia compared to the UK.

In Australia, the National Cultural policy aims to 'take forward the Government's trade diversification agenda to strengthen and expand trade networks, including growing markets for cultural and creative exports'. There are, however, opportunities in other whole-of-government discussions worth leveraging, as highlighted in the analysis of data on non-resident investments in media and screen industries in Part 1.2.2. In relation to non-residents, reporting by Screen Australia[118] suggests that foreign investment was a major contributor to drama expenditure in Australia in 2021–22. Further, Australian Communications and Media Authority (ACMA) reporting shows 69 foreign stakeholders holding company interests of 2.5% or more in 125 Australian media companies.[119]

Non-resident investment in arts and culture is relevant to a range of Australian legislation[120] and regulations.[121] Sensitive businesses (see section 22 of the *Foreign Acquisitions and Takeovers Regulation 2015*) include media, so investments in them are subject to national interest tests.[122] Trade barriers may affect many non-resident investments – in the broader sense than what the instruments and thresholds for regulation and reporting cover – mentioned here and throughout the report.

Other research suggests policies governing non-resident investment may be relevant to the cultural and creative industries' sustainability and growth and to the broader economy. For example, the Productivity Commission's research notes an overarching benefit of foreign direct investment: it supports Australia's economic development by permitting more capital investment than domestic savings would have otherwise allowed. The research also highlights 'spillover' impacts (access to new technologies, better management practices, increased competition). At the same time, it notes the negative impacts of foreign direct investment (potentially less competition, social and environmental costs) and strong community reservations 'stirred' by foreign investment.[123] To get the balance right, the commission has pointed to opportunities for achieving improved investor certainty and transparency across industries.

Getting the balance right in Australia should also involve assessing any unique factors within the cultural and creative industries, including those that could form a part of the future cultural policy. For example, Australia is negotiating local content quotas with streaming companies to accompany free-to-air and subscription quotas. Specifically, the federal government has committed itself to introducing rules for Australian screen content on streaming platforms. It is important that the evidence of the benefits of these rules for local industries be weighed against the evidence of any possible counterproductive effects on foreign investment, given this investment's contribution to the overall inflows to local industries.

Opportunity:

At the next regulatory opportunity, or during the development of the next National Cultural Policy, the federal government should weigh the evidence of the benefits of local content rules (e.g. economic spillovers) with the evidence of the benefits of foreign stakeholders' investment in Australia's arts, culture and creativity.

Regulators, business and policymakers should assess the impacts of these rules alongside the intersecting issues of

- Global trade barriers
- International competition in sector-specific tax incentives
- Australia's requirements from foreign investors

2.3 Returns on Investment (ROI)

A strategic investment environment for Australian arts, culture and creativity – for example, one that aims to preserve and strengthen the financing of culture – demands that we continue to consider and measure the returns investors expect from these industries. The final section of this report seeks to support such measurement efforts by providing a conceptual framework.

Towards a conceptual ROI framework

There is no single effective model for achieving the desired ROI within arts, culture and creativity, and there are countless reportable effects and measurement frameworks to choose from. Effects might include the 'imprint' of a cultural and creative experience (e.g. a fan's enjoyment of their favourite concert); operational activities and outputs (e.g. repairs and make-safe measures to protect assets); outcomes achieved across the value chain (e.g. business growth reinvested elsewhere, spillovers for employment); and/or the cumulative, long-term benefits of investment (e.g. the preservation of Australia's cultural inheritance). Against this complexity, two themes summarise our understanding of this reporting and the ROI literature, namely the differing time frames and the multidimensionality of effects.

This research finds neither a holistic nor systematic framework for the comparison of ROI over time and across countries. The literature review also shows several weaknesses in existing ROI methodologies. **Part 1.3** noted that criticisms have been made about the methods for calculating the value of intellectual property and artistic merit and for modelling the 'non-use' value of cultural institutions. There are broader reservations in the academic literature about the purpose ROI and evaluation methodologies serve in the cultural and creative industries.

All told, there appear to be three strong arguments in favour of continuing to refine, measure and communicate the ROI of arts and culture:

1. To support the work of building an evidence base for, and confidence in, investment
2. To provide a common language that can accommodate changing priorities and align different investors around desired effects (e.g. outputs, outcomes and impacts)
3. To support assessments of *new* investment models and instruments (beyond existing tried-and-tested models)

Opportunity:

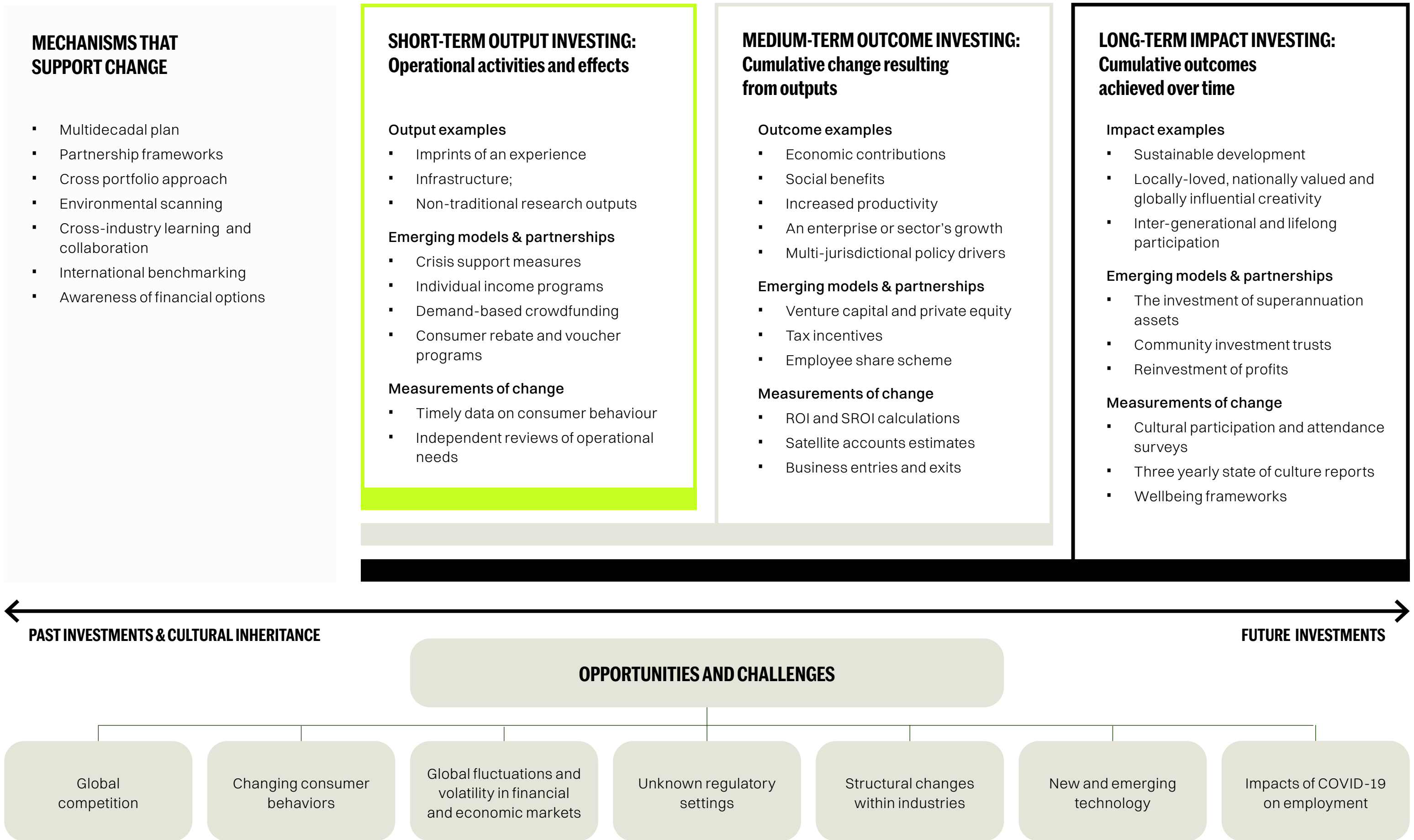
To improve the measurement of returns on investment (ROI), over time and across countries, researchers and policymakers should address known weaknesses in ROI methodologies and data sources, including in valuations of intellectual property and artistic merit and of '*non-use value*' in economic modelling.

Figure 7 offers investors and others a holistic conceptual framework they can use to make decisions about emerging investment partnerships in Australia's contemporary cultural landscape. The framework builds on an existing theory of change according to which effects and value are created and accrued over time.[124] It delineates three 'sites' of measurement, short, medium and long term, and provides examples from our research of the proxies that can be used to measure the change. The framework provides a language to differentiate the effects envisaged under each of these terms (outputs, outcomes and impacts).

The framework – and the discussion of long-term impact, medium-term outcomes and short-term outputs that follows – also

- Recalls past investments and the cultural inheritance of the contemporary financial landscape
- Provides a range of illustrative examples of the effects of investments and of emerging models and partnerships
- Recognises the challenges and opportunities of the context outlined in **Part 2.1** (e.g. global competition, changing consumer behaviours, financial fluctuations and volatilities, impacts of COVID-19 on cultural and creative employment)
- Identifies several mechanisms that may support the theory of change (e.g. a multi-decadal plan, a partnership framework across government and non-government investors)

Figure 7: ANA's conceptual framework of returns on short-, medium- and long-term investment in arts, culture and creative industries.



Long-term impact investing

Long-term impacts of investing are 'measures of difference or change over time and the measure of longer term community outcomes'.[125] These impacts are cumulative under the theory of change in this framework because they compound short-term outputs and medium-term outcomes.

Drawing on our discussion of investors' expected returns in Part 1.3, we provide examples of the long-term impacts of the framework as follows:

- **Sustainable development** as the goal of the UNESCO declaration of culture as a global public good. ANA notes that the proposed World Forum on Cultural Policies will provide a useful repository of nations' policy positions and their relative duration and ambition, and an opportunity to agree (or not) to shared impacts.
- **Opportunities for intergenerational dialogue and lifelong participation**, as mentioned in middle Australians' descriptions of the long-term value of arts and culture.[126]
- **Australia as a cultural powerhouse** that is locally loved, nationally valued and globally influential, a view that was reiterated in Australia's National Cultural Policy. ANA's vision is for Australia to become a cultural powerhouse by 2035.

The discussion in **Part 2.1** outlined opportunities for improvement in the investment environment. These included cross-industry collaboration and a clearer line of sight on some public and private finance sources to support brokerage and industries' awareness of the financial options. The framework in Figure 7 therefore includes these as mechanisms to support desired effects across investments.

Three examples of emerging investment partnerships and models for financial inflows provide interesting illustrative examples, which align with the above understanding of long-term impact investing:

- **The use of superannuation funds in Australia** – Between now and 2060, the scale of Australia's superannuation assets under management is projected to rise from about 110% of GDP to just under 250%,[127] reflecting the 'power of compound interest'.[128] There are calls in Australia for investment of these assets in areas of social impact, including social housing and clean energy.[129]
- **Community investment trusts supported by governments** – For example, the government of Western Australia established a community investment trust funded by WA's resources sector. Its stated purpose is to help pay for critical infrastructure in remote communities, as well as significant 'legacy' projects.[130] An initial $750 million has been committed to the fund.
- **The reinvestment of business profits into cultural and creative activity** – For example, ArtsPay – a payment processing company – and its charitable counterpart, ArtsPay Foundation, have initiated a business model that reinvests at least 50% of ArtsPay's profits to fund the arts. By tapping into payment processing fees as a source of revenue, ArtsPay promotes its impact-driven mission to 'build a long term sustainable funding source for the arts'.[131] The ArtsPay Foundation funds projects selected from grant rounds. The focus is on projects that demonstrate, among other things, impact and relevance.

To analyse long-term impacts (as well as the medium-term outcomes described immediately below), the OECD has highlighted the need for improved data on social impacts, generally, and on cultural participation, in particular.[132] The Australian National Cultural Policy also alludes to a commitment of the federal government to analyse long-term impacts through a state of culture report published every three years.[133] ANA considers the current thinking on whole-of-economy frameworks for measuring well-being to be directly relevant to the long-term impacts of investing in arts and culture, as implied in our submission to the government consultation about a potential framework.

The section that follows considers medium-term 'outcome' investing. The section differentiates this concept from long-term impact investing in both terminology and examples.

Medium-term outcome investing

Medium-term outcomes are 'the effects on a community resulting from outputs'.[134] According to this framework's theory of change, these outcomes are considered distinct from short-term outputs because they 'represent the cumulative effects of an overarching programme of activities or outputs'.[135]

Examples of medium-term outcomes, according to this definition, include economic contributions and spillovers, social impacts and productivity or growth of a specific cultural and creative sector. The policy drivers mentioned in **Part 1.3.2** summarise governments' expected returns and align with the medium-term understanding of returns. The four drivers are

1. The collective identity driver
2. The reputation-building driver
3. The social improvement driver
4. The economic contribution driver

Conceptualising and measuring the overarching list of medium-term outcomes will require the input of relevant investors, for example, through the development of a partnership framework or through deliberate cross-portfolio approaches to policy. For this reason, **Figure 7** lists these two additional mechanisms in the framework.

An illustrative example of this medium-term lens is venture capital. As ABS has noted, the definition of venture capital and later-stage private equity is 'short to medium term, high risk capital investment in companies'.[136] New sector-specific tax incentives, for example in digital games, provide other illustrative examples of the medium-term lens for continuing assessment and refinement in consultation with investors.

Within the equity finance category, Employee Share Schemes (ESS) – which involve an employer offering shares, options or other financial products to employees as part of the employee's remuneration package – also bear mentioning. Australia has recently undergone a regulatory overhaul of the operation of ESS, and although research is limited on the effects of the overhaul, there is optimism in some media reporting and across political parties about these schemes.[137] ANA was unable to locate published data on the inflows generated through ESS that are specific to arts, culture and creativity, and it is unclear whether the industries are aware of this model.

With adequate data, traditional ROI and SROI models can be used across arts, culture and creativity. Australia's satellite account framework also captures national data on market-based transactions, volunteer services and non-market production of cultural and creative activity. The apparent aim of capturing this data is to help measure medium-term outcomes of investments. Academic research suggests that existing language frameworks for valuing arts, culture and creativity can also prove useful in particular contexts, including within regional Australia.

The conceptual framework in **Figure 7** lists benchmarking as a mechanism to support change. If these various models and yearly reporting data are to be used and harnessed to support investment – potentially across public and private channels – then it would be valuable to develop a series of targets and compare them across countries. Copyright industries have sought to standardise this reporting through World Intellectual Property Organisation standardisation.[138]

Short-term output investing

The last site of measurement in this framework is the short-term site. Here, the effects are labelled 'outputs', and they 'reflect project activity at the operational level'.[139]

One way the literature describes the short-term outputs of investing in cultural and creative activity is as follows:

> *This cluster of benefits encompasses what happens to an individual during and immediately after an arts experience, including intrinsic benefits such as captivation, spiritual awakening, and aesthetic growth [. . .] Some experiences leave imprints that last a lifetime – and, then, there are those we sleep through.* [140]

Short-term outputs are also described in the context of investments in research and development. The Australian Research Council uses categories of traditional or non-traditional outputs. Whereas *traditional* research outputs include scholarly books or monographs, chapters in scholarly books, scholarly articles in refereed journals and refereed conference papers, *non-traditional* research outputs are defined more broadly as 'a wide variety of other outputs that differ in their form and mode of production, and are classified differently for administrative and reporting purposes'.[141] Two Australian universities[142] have published reporting guidelines that provide examples of non-traditional research outputs, ranging from original creative works and live performances of creative works to website exhibitions and festivals.

Among the investment models and partnerships identified in this research, several examples resonate with the short-term output site of measurement within the conceptual framework. These, therefore, warrant further assessment, including for their ROI. They are

- **Crowdfunding:** The European Union's mapping of the creative financial ecosystem notes that a crowdfunding phase in funding schemes may 'enable investors to receive direct feedback from potential customers, that is, ensure a demand-based approach, which should lower the risks involved'.[143]
- **Crisis support measures:** In Australia, governments and philanthropists directed time-limited COVID-19 financial support towards the cultural and creative industries. The wider economy supports during the pandemic – such as JobKeeper – reflected historically high investment in these industries. Other examples of crisis support measures include the federal government's expenditure on 'vital repairs and urgent safety improvements'[144] for cultural institutions within the context of the 2023 federal budget. Outside Australia, there are examples of programs providing a 'basic income for artists' being discussed and implemented.[145] This short-term output investing model may benefit from further evaluation as a deliberate model for financing arts and culture 'during a crisis'.
- **Rebate and voucher programs:** The mapping exercise in this research also identifies short-term rebate and voucher programs directly targeting consumption and the industries' sales and services income. The most relevant of those is Victoria's Dining and Entertainment rebate program, which provided consumers with a 25% rebate on select dining and entertainment purchases.[146] Other schemes targeted the hospitality industry during COVID-19. In New South Wales, for instance, residents were provided with vouchers through Service NSW to spend at participating businesses, with up to six vouchers worth a total of $150.[147]

Opportunity:

To form new partnerships and to communicate individual and cumulative effects of investments, investors, industries and policymakers should trial the ROI conceptual framework outlined in this research. This includes using the framework's language of short-term outputs, medium-term outcomes and long-term impacts.

Summary of Opportunities

Opportunity 1

To leverage new and existing finance opportunities for arts, culture and creativity, governments and industry stakeholders should

- Establish a clearer line of sight on the interdependencies and risks of the investment environment, for example, through environmental scanning
- Facilitate cross-industry learning and collaboration, such as through increased information, advice, coaching and mentoring schemes
- Draw on information about underused and emerging sources of finance held by financial brokers and investment specialists

Opportunity 2

In implementing the current National Cultural Policy, the federal government should assess the impacts and ongoing policy implications of artificial intelligence including those relating to

- Rights management through copyright collecting societies
- Overseas approaches to artificial intelligence's inputs (data and text)
- The role of 'human creativity as a major input' in definitions and measurements of cultural and creative activity

Opportunity 3

Governments and industries can use this research's estimates and descriptions of financial inflows to work through the practical implications of 'preserving' and 'strengthening' the financing of culture, which UNESCO and its membership have declared a global 'public good'.

Opportunity 4

At the next regulatory opportunity, or in developing the next National Cultural Policy, the federal government should weigh the evidence of the benefits of local content rules (e.g. economic spillovers) with the evidence of the benefits of foreign stakeholders' investment in Australia's arts, culture and creativity.

Regulators, businesses, and policymakers should together assess the impacts of these rules alongside the intersecting issues of:

- Global trade barriers
- International competition in sector-specific tax incentives
- Australia's requirements from foreign investors

Opportunity 5

To improve the measurement of returns on investment over time and across countries, researchers and policymakers should address known weaknesses in ROI methodologies and data sources, including in valuations of intellectual property and artistic merit and of '*non-use value*' in economic modelling.

Opportunity 6

To form new partnerships and to communicate individual and cumulative effects of investments, investors, industries and policymakers should trial the ROI conceptual framework outlined in this research. This includes using the framework's language of short-term outputs, medium-term outcomes and long-term impacts.

Concluding Thoughts

This report explores the investment environment of Australian arts, culture and creativity. Its estimates can support further work to preserve the financing of culture in Australia in accordance with the declaration of culture as a 'global public good'. For instance, ANA was struck by the myth-busting finding about the scale of sales and services income in the cultural and creative industries. This finding creates interesting new lines of inquiry, including comparisons with the scale of public and private sources of finance in other industries.

Early findings of this research supported several ANA submissions for the federal government's consultations on policies in 2022 and 2023. For example, the findings informed ANA's:

- Submission to the Commonwealth Attorney-General's Department on the Copyright Enforcement Review 2022–23
- Submission to the Productivity Commission's Philanthropy Review
- Feedback on the Bureau of Communication, Arts and Regional Research's Cultural and Creative Activity Satellite Accounts Methodology Refresh
- Submission to the Department of Industry on Safe and Responsible Artificial Intelligence

We look forward to seeing the outcomes of these consultations, and we invite further engagement across government departments in light of the final published report.

The report focuses on two distinct strategic improvements. These improvements are (1) trialling the assessment of new investment models and partnerships against a holistic ROI framework and (2) preparing and assessing the cultural and creative industries for the impacts of any regulatory changes including those related to artificial intelligence, foreign investment and trade. However, taken together, the report's six opportunities provide a pathway for stakeholders wishing to encourage and facilitate access to arts, culture and creativity. Sensible, coordinated choices in these opportunity areas will help realise stakeholders' ambitions of financial sustainability and growth and ANA's vision of Australia becoming a cultural powerhouse.

Endnotes

1 Representatives of 150 member states of UNESCO decided to declare culture a ‘global public good’.. The UNESCO declaration urges ‘[. . .] the preservation and strengthening of the financing for culture with the medium-term aim of allocating a progressively increasing national budget to meet the emerging needs and opportunities of the culture sector [. . .]’. “MONDIACULT 2022: States Adopt Historic Declaration for Culture | UNESCO,” UNESCO, accessed January 27, 2023, https://www.unesco.org/en/articles/mondiacult-2022-states-adopt-historic-declaration-culture.

2 Australian Bureau of Statistics, “5271.0 – Australian National Accounts: Cultural and Creative Activity Satellite Accounts, Experimental, 2008-09 – Explanatory Notes,” February 10, 2014, https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5271.0Explanatory%20Notes12008-09?OpenDocument.

3 As the Productivity Commission has noted, “Brokers help [small to medium enterprises (SME)] to understand the available lending options. By connecting borrowers to lenders, brokers can play an important education role, particularly for those SME customers that do not have the time or inclination to undertake detailed market research on their own.” Productivity Commission, “Small Business Access to Finance: The Evolving Lending Market,” September 2021, https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf, 44.

4 A range of definitions of artificial intelligence are available, and there is debate about their appropriateness in different contexts. In its recent survey of business use of information and communications technology, ABS has defined artificial intelligence as follows: “Artificial intelligence (AI) is the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the acquisition of information and rules for using the information), reasoning (using rules to reach approximate or definite conclusions) and self-correction. Particular applications of AI include expert systems, speech recognition and machine vision.” “Characteristics of Australian Business Methodology, 2021-22 Financial Year,” ABS, June 22, 2023, https://www.abs.gov.au/methodologies/characteristics-australian-business-methodology/2021-22.

5 For more information about what is included in ANA’s definition and for an estimate of the cultural and creative economy in that research, see J.L. Trembath and K. Fielding, 2020, ‘Australia’s Cultural and Creative Economy: A 21st Century Guide,” 7. A New Approach and the Australian Academy of the Humanities, October 2020. https://newapproach.org.au/wp-content/uploads/2021/08/5-ANA-InsightReportFive-FullReport.pdf.

6 Vivian, Angela, Kate Fielding, and Tim Acker, “The Big Picture 3: Expenditure on Artistic, Cultural and Creative Activity by Governments in Australia in 2007–08 to 2020–21,” A New Approach, March 2023, https://newapproach.org.au/wp-content/uploads/2023/03/A-New-Approach-ANA_Big-Picture-3_-Expenditure-on-Artistic-Cultural-and-Creative-activity-by-governments-in-Australia-in-2007%E2%80%9308-to-2020%E2%80%9321.pdf.

7 The open method of coordination working group of EU member states quotes experts on access to finance for the cultural and creative sectors. European Union, *Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance for the Cultural and Creative Sectors (CCS): Good Practice Report* (Luxembourg: Publications Office, 2016), https://data.europa.eu/doi/10.2766/59318.

8 The OECD report dedicates a whole section to definitional matters and to the complexity of the data and sectors across countries. The report prefers the term “cultural and creative sectors” “[. . .] as it acknowledges both the significant contribution of not-for-profits and publicly funding organisations to the ecosystem of creative work (which may be inadvertently overlooked when referring solely to industries) and reflects the integrated nature of these sectors in other industry spaces (for example, the relevance of design for car manufacturing).” OECD, “The Culture Fix: Creative People, Places and Industries,” 2022, https://doi.org/10.1787/991bb520-en, 23.

9 Similar to the satellite accounts for other nations, the industry scope of the satellite accounts is based on a supply chain approach covering creation, production, manufacture, distribution, and supporting activities. More information about the scope and coverage of the industries is available at ABS. "5271.0 – Australian National Accounts."

10 OECD, Annex B.

11 Creative Partnerships Australia, "Glossary," accessed May 2, 2023, https://creativepartnerships.gov.au/resource/glossary/.

12 Arts Law Centre of Australia, "Info Sheets," accessed May 2, 2023, https://www.artslaw.com.au/info-sheets/.

13 Table 5 in the technical appendix & background research accompanying this report provides a comparison of our best understanding of scope and coverage of these datasets.

14 The not-for-profit (NFP) perspective refers to organisations that are registered as charities with the Australian Charities and Not-for-profits Commission (ACNC), however a caveat here and limitation in this research is that not all NFP's, especially those that are micro, small and medium are registered charities. In this research we report only on the NFPs categorised as advancing culture in ACNC's datasets.

15 The individual perspective of this existing research refers to professional artists, arts workers, creatives, and cultural workers.

16 For the estimates based on ABS data, both high and low estimates were established, the lower estimates are included in the findings and the higher estimates are provided in Tables 3 and 4 in the technological appendix and background research accompanying this report.

17 Inclusions in the 'sales and services' category of income are described in the technical appendix. They range from export sales to income from goods and services provided to businesses, households and governments. More specific examples may be found in the financial statements of individual businesses, which was beyond the scope of the present research.

18 The technical appendix accompanying this report provides a more comprehensive description of the types of income listed, based on ANA's best understanding of these reported data.

19 Refer to the Technical Appendix of this report (Table 4) for a breakdown of cultural and creative activity revenue at the industry division (2-digit) level.

20 Percentages are presented as whole numbers for ease of reading, with rounding performed at the last stage of calculation for maximum accuracy. Therefore in some instances, results may not total 100% and values less than 0.49% are presented with a single decimal point%.

21 The Australian Charities and Not-for-profits Commission (ACNC) publishes an annual report titled the Australian Charities Report which provides aggregated amounts based on the Annual Information Statements submitted by NFPs regulated by the ACNC. In the most recent report from 2019-20, a total of 46,455 charities were registered with the ACNC and reported as generating $173 billion revenue. Of these, 4,984 (11% of the total) are classified as providing arts and cultural related programs, however only a portion of the NFP's that provide arts and culture programs are reported on purely from an arts and culture perspective. The reports provide a range of details including details of financial inflows for 14 different subtypes. Only one of these subtypes, advancing culture, is explicitly related to arts and culture. In total, 1,348 (3% of the total) of the registered charities belong to the subtype 'advancing culture' and generated $1.2 billion revenue in 2019-20. The analysis of NFPs in this report is limited to the 'advancing culture' subtype.

22 The Australian Charities Report refers to 'sales and services income' as 'goods and services income'.

23 Source: Australian Charities and Not-for-profits Commission (ACNC). 2020. Australian Charities Report 6th. https://www.acnc.gov.au/tools/reports/australian-charities-report-2018 ; Australian Charities and Not-for-profits Commission (ACNC). 2022. Australian Charities Report 8th edition. https://www.acnc.gov.au/tools/reports/australian-charities-report-8th-edition

24 According to ANZSIC 2006, this group and class consists of units mainly engaged in providing expertise in the field of information technologies such as writing, modifying, testing or supporting software to meet the needs of a particular consumer; or planning and designing computer systems that integrate computer hardware, software and communication technologies. Australian Bureau of Statistics. "Class 7000 Computer System Design and Related Services," June 26, 2013. https://www.abs.gov.au/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0/detailed-classification/m/70/700/7000.

25 This group contains the subcategories of Performing Arts Operation; Creative Artists, Musicians, Writers and Performers and Performing Arts Venue Operation. Australian Bureau of Statistics. "Australian Bureau of Statistics. "Group 900 Creative and Performing Arts Activities," June 26, 2013. https://www.abs.gov.au/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0/detailed-classification/r/90/900.

https://www.abs.gov.au/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0/detailed-classification/r/90/900/9002.

26 The industry subdivisions relate to ANZSIC subdivision (2-digit level) codes. Of note, there are eight relevant divisions, there are 16 relevant subdivisions (2-digit level), 25 relevant at the 3-digit level, and 43 relevant at the class (4-digit level) level that relate to cultural and creative activity. Refer to the technical appendix accompanying this report for more details.

27 Refer to the technical appendix of the 12 domains of cultural and creative activity in relation to the ANZSIC industry divisions.

28 ABS "Film, Television and Digital Games, Australia, 2021-22 Financial Year," June 22, 2023, https://www.abs.gov.au/statistics/industry/technology-and-innovation/film-television-and-digital-games-australia/latest-release.

29 Throsby, David, and Katya Petetskaya. "Making Art Work: An Economic Study of Professional Artists in Australia," 2017. https://australiacouncil.gov.au/advocacy-and-research/making-art-work/.

30 This study defines practising professional artists as people who are permanently living in Australia, and who satisfy one or more criteria, ranging from: having had an artistic achievement in their artform, to having undertaken full-time training in their artform. The full list of criteria is available in that study's Appendix i. Throsby, David, and Katya Petetskaya. "Making Art Work: An Economic Study of Professional Artists in Australia," 2017. https://australiacouncil.gov.au/advocacy-and-research/making-art-work/.

31 Other recent studies of individual incomes are worth highlighting, including most recently a study of data regarding incomes of arts professionals and artists working specifically in the visual and crafts subsector. (MacNeill, Kate, Jenny Lye, Grace McQuilten, Marnie Badham, and Chloë Powell. "The Incomes of Visual Artists: Which Artists, What Income?" Australian Economic Review 55, no. 4 (December 2022): 558–67. https://doi.org/10.1111/1467-8462.12495). The Australian Productivity Commission on Aboriginal and Torres Strait Islander Visual Arts and Crafts also included information on individual incomes. The inquiry report notes the average income for the 7,300 artists who sold art through an art centre in 2019–20 was just over $3,200. Productivity Commission. "Aboriginal and Torres Strait Islander Visual Arts and Crafts Study Report." Canberra, November 2022. https://www.pc.gov.au/inquiries/completed/indigenous-arts/report/indigenous-arts.pdf.

32 In categorising the sources of artists' incomes, the researchers followed the same principles as were applied in examining their time allocation. Therefore the researchers define these three types of income as follows:

— creative work, being the artist's core creative practice which will be located primarily in his or her central principal artistic occupation (PAO) as already defined. This includes all activities related to the creative practice including rehearsals, practice, preparation, research, marketing and career administration.

— arts-related work, being work that utilises the artist's creative skills but does not involve the creation of primary or original creative output. It includes teaching in the artist's artform, arts administration (not related to the artist's PAO), community arts development and writing about the arts. This work may involve paid employment and unpaid arts-related work such as volunteering in arts work as well as studying or training in the arts;

— non-arts work, including paid work not related to any artistic field and unpaid work such as volunteering or studying outside the arts.

See Throsby, David, and Katya Petetskaya. "Making Art Work: An Economic Study of Professional Artists in Australia," 2017. https://australiacouncil.gov.au/advocacy-and-research/making-art-work/. 61.

33 The findings in Figure 5 are based on analysis of survey responses (n= 826) in a study by Throsby and Petetskaya (2017). The responses were weighted to adjust for variations in the composition of the sample. Source: Throsby, David, and Katya Petetskaya. "Making Art Work: An Economic Study of Professional Artists in Australia," 2017. https://australiacouncil.gov.au/advocacy-and-research/making-art-work/.

34 Percentage breakdown based on findings in: Throsby, David, and Katya Petetskaya. 2017. "Making art work." *Report for the Australian Council for the Arts*.

35 Creative Partnerships Australia's most recent report on private giving and sentiment for not-for-profit organisations was published after the data collection period and is not explored in this report. It is available at Creative Partnerships Australia. "*Giving Attitude 2.5: Private Sector Support Survey*," 2023. https://creativepartnerships.gov.au/wp-content/uploads/2023/06/Giving-Attitude-2.5-Report.pdf.

36 For details of all sources and datasets, please see Part 2 in the technical appendix and background research accompanying this report.

37 For details of all sources and datasets, please see Part 2 in the technical appendix and background research accompanying this report.

38 The activity categories defined as in scope for 'arts projects' on the various platforms included music, performance, art, writing, craft, comics, dance, publishing, theatre, writing. On one of the platforms surveyed, the research adopted a project-by-project judgement based on description.

39 This estimate broadly followed and included the International Classification of Non-Profit Organisations (ICNPO 1 100) arts and cultural definitions, with some minor adjustments. The categories of organisations and activities were Media and communications; Visual arts, architecture, ceramic art; Performing arts; Historical, literary and humanistic societies; Museums (and galleries); Festivals; Cross-art form organisations.

40 This analysis uses terms interchangeably with ROI including: 'benefits', 'value/valuation/valuing', 'impacts' and 'relevance'. Readers should bear in mind there are some conceptual differences in how these terms are used across individual studies and contexts.

41 The ROI was developed by F. Donaldson Brown for the DuPont Corporation and is also referred to as the DuPont analysis or DuPont Model.

42 Better Evaluation. "Social Return on Investment," November 4, 2021. https://www.betterevaluation.org/methods-approaches/approaches/social-return-investment.

43 Refki, Dina, Kathryn Mishkin, Bilge Avci, and Sana Abdelkarim. "Using Social Return on Investment to Evaluate the Public Art Exhibit Breathing Lights." Poetics 79 (2020): 101401.

44 The report on this research does not specifically define the term and scope of creative arts but provides several case study examples of what activities were included for exploring social impacts. See Gattenhof, Sandra, Donna Hancox, Helen Klaebe, and Sasha Mackay. "The Role of the Creative Arts in Regional Australia: A Social Impact Model." Queensland University of Technology, 2023. https://doi.org/10.5204/rep.eprints.238289.

45 OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. https://doi.org/10.1787/991bb520-en. 53-54.

46 OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. https://doi.org/10.1787/991bb520-en. 53-54.

47 Gattenhof, Sandra, Donna Hancox, Sasha Mackay, Kathryn Kelly, Te Oti Rakena, and Gabriela Baron. "Valuing the Arts in Australia and Aotearoa New Zealand." Queensland University of Technology, 2022. https://doi.org/10.5204/rep.eprints.227800. 54.

48 While the report title uses the word 'arts' the study predominantly refers to these activities as 'arts and culture' interchangeably and highlights the importance of inclusive definitions and language. See Gattenhof, Sandra, Donna Hancox, Sasha Mackay, Kathryn Kelly, Te Oti Rakena, and Gabriela Baron. "Valuing the Arts in Australia and Aotearoa New Zealand." Queensland University of Technology, 2022. https://doi.org/10.5204/rep.eprints.227800.

49 Gattenhof, Sandra, Donna Hancox, Sasha Mackay, Kathryn Kelly, Te Oti Rakena, and Gabriela Baron. "Valuing the Arts in Australia and Aotearoa New Zealand." Queensland University of Technology, 2022. https://doi.org/10.5204/rep.eprints.227800. 56-58.

50 Gattenhof, Sandra, Donna Hancox, Helen Klaebe, and Sasha Mackay. "The Role of the Creative Arts in Regional Australia: A Social Impact Model." Queensland University of Technology, 2023. https://doi.org/10.5204/rep.eprints.238289. 78

51 Blockchain Australia. "Tokenomics - NFT Non-Fungible Tokens." Accessed April 11, 2023. https://blockchainaustralia.com.au/services/non-fungible-tokens-nft/tokenomics/.

52 The Canberra Times. "Would You Record a Music Video to Attract Residents? How Regional Towns Are Getting Creative," April 10, 2023. https://www.canberratimes.com.au/story/8137548/would-you-record-a-music-video-to-attract-residents-how-regional-towns-are-getting-creative/.

53 Australian Financial Review. "Canva's Valuation Rises Again as US Investor Marks It Back up 22pc," November 28, 2022. https://www.afr.com/technology/canva-s-valuation-rises-again-as-us-investor-marks-it-back-up-22pc-20221124-p5c14z.

54 European Union. "Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance for the Cultural and Creative Sectors (CCS): Good Practice Report." Luxembourg: Publications Office, 2016. https://data.europa.eu/doi/10.2766/59318. 18

55 The list of methods includes Relief from royalties; Excess profits or notional royalties payable; Capitalisation of earnings; Net present value of incremental cash flows; Gross profit differential; Premium sales price; Comparable market transactions; Cost-based; Brand strength; Real options. IP Australia. "Why It's Important to Value IP." Accessed June 21, 2023. http://www.ipaustralia.gov.au/understanding-ip/why-its-important-to-value-ip.

56 WIPO has identified four classes of copyright industries. These include:

1) Core – industries that exist only because of copyright and are primarily involved in the creation, manufacture, production, broadcast and distribution of copyrighted works.

2) Partial – a portion of the industries' activities are related to copyright through manufacture, performance, exhibition, broadcast, communication or distribution and sales.

3) Interdependent – involved in the manufacture, performance, broadcast and communication in order to support and facilitate the creation of copyrighted works and other protected subject matter.

4) Non-dedicated support – duties are included in this group where part of the activities are related to broadcast, communication, distribution and sales in protected subject matter and they are not included in the core copyright industries. This common typology facilitates consistent analysis of the economic contribution of the copyright industries over time and across countries.

57 "Impact of Our National Cultural Institutions | Office for the Arts." Accessed May 18, 2023. https://www.arts.gov.au/what-we-do/museums-libraries-and-galleries/impact-our-national-cultural-institutions.

58 As noted by the Bureau of Communications, Arts and Regional Research, "As cultural and creative activity is not explicitly identified in the national accounts, it requires the construction of a satellite account. A satellite account is a supplemental framework linked to the national accounts which enables focused attention on a particular aspect of economic or social life, making information more visible and easier to use." Department of Infrastructure, Transport, Regional Development and Communications. "Cultural and Creative Activity Satellite Accounts Methodology Refresh—Consultation Paper." Bureau of Communications, Arts and Regional Research, February 2023. https://www.infrastructure.gov.au/sites/default/files/documents/cultural-and-creative-activity-satellite-accounts-methodology-refresh-consultation-paper-february2023_0.pdf.

59 Non-market outputs are defined as "the value of cultural and creative goods and services supplied by nonprofit institutions for free, or at the prices that are not economically significant" Department of Infrastructure, Transport, Regional Development and Communications. "Cultural and Creative Activity Satellite Accounts Methodology Refresh—Consultation Paper." Bureau of Communications, Arts and Regional Research, February 2023. https://www.infrastructure.gov.au/sites/default/files/documents/cultural-and-creative-activity-satellite-accounts-methodology-refresh-consultation-paper-february2023_0.pdf. 11.

60 "New Data Show Economic Activity of the U.S. Arts & Cultural Sector in 2021," March 15, 2023. https://www.arts.gov/news/press-releases/2023/new-data-show-economic-activity-us-arts-cultural-sector-2021.

61 Australia Council for the Arts. "Creating Our Future: Results of the National Arts Participation Survey." Sydney: Australia Council for the Arts, 2020. https://www.australiacouncil.gov.au/research/wp-content/uploads/2020/08/Creating-Our-Future-Results-of-the-National-Arts-Participation-Survey-PDF.pdf. 7.

62 ANA defines 'middle Australians' as people who are: from low- and middle-income households; living in outer suburban or regional locations; and politically unaligned (they have changed their vote to a different major party more than once, and at both state and federal elections).

63 Vivian, Angela, and Kate Fielding. "Lifelong: Perceptions of Arts and Culture among Baby Boomer Middle Australians'. Insight Report No. 2022-02." Canberra: A New Approach (ANA). Accessed January 19, 2023. https://newapproach.org.au/wp-content/uploads/2022/09/Lifelong_-Perceptions-of-Arts-and-Culture-among-Baby-Boomer-Middle-Australians-1.pdf. 7.

64 Noting the evolving nature of definitions and differences across countries, UNCTAD has a list of 197 creative goods. See Footnote 11 of its report for more details and subcategories. United Nations Conference on Trade and Development. "Creative Economy Outlook 2022." Geneva, 2022. https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf.

65 UNCTAD considers ten Extended Balance of Payments Services Classification categories as creative services or services with a significant creative component. To achieve more comparability across countries, they are re-grouped as follows: research and development; software; audio-visual; information; advertising, market research, and architecture; and cultural, recreational, and heritage services. See Footnote 12 of its report for more detail. United Nations Conference on Trade and Development. "Creative Economy Outlook 2022." Geneva, 2022. https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf.

66 United Nations Conference on Trade and Development. "Creative Economy Outlook 2022." Geneva, 2022. https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf. 39.

67 Walters, Trudie, Lisa Chandler, and Stephen Clark. "Towards a Framework for Measuring Local Government Return on Investment in Arts and Cultural Development." *Local Government Studies* 45, no. 2 (March 4, 2019): 262–80. https://doi.org/10.1080/03003930.2018.1518220. 272.

68 MONDIACULT-2022/CPD/6 UNESCO World Conference on Cultural Policies and Sustainable Development – Final Declaration (September 28, 2022).

69 The complete definition provided in UNESCO research of global public goods is as follows: "Global public goods are those marked by non-rivalry of consumption and non-exclusion. Moreover, their benefits are near-universal in terms of geographical coverage, people (benefitting all) and generations (present and future)." "Reshaping Policies for Creativity: Addressing Culture as a Global Public Good." Paris: UNESCO, 2022. https://unesdoc.unesco.org/ark:/48223/pf0000380474. 29.

70 Cited in Productivity Commission. "Small Business Access to Finance: The Evolving Lending Market." Research Paper, 2021. https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf. 21.

71 Based on The Australian Government the Treasury and independent statutory board, Industry Innovation and Science Australia data. "Venture Capital Tax Concessions Review," 2022. https://treasury.gov.au/sites/default/files/2022-10/p2022-328982.pdf. 11.

72 Arts Queensland. "Arts Business Innovation Fund Open." Accessed May 23, 2023. https://www.arts.qld.gov.au/arts-queensland/news/arts-business-innovation-fund-open.

73 European Union. "Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance for the Cultural and Creative Sectors (CCS): Good Practice Report." Luxembourg: Publications Office, 2016. https://data.europa.eu/doi/10.2766/59318. 40.

74 Productivity Commission. "Foreign Investment in Australia." Commission Research Paper. Canberra, 2020. https://www.pc.gov.au/research/completed/foreign-investment/foreign-investment.pdf. 27-28.

75 Productivity Commission. "Review of Philanthropy Call for Submissions." Accessed April 4, 2023. https://www.pc.gov.au/inquiries/current/philanthropy/call-for-submissions/philanthropy-call-for-submissions.pdf. 8-9

76 Productivity Commission. "Review of Philanthropy Call for Submissions." Accessed April 4, 2023. https://www.pc.gov.au/inquiries/current/philanthropy/call-for-submissions/philanthropy-call-for-submissions.pdf. 2

77 OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. https://doi.org/10.1787/991bb520-en. 187

78 Productivity Commission. "Aboriginal and Torres Strait Islander Visual Arts and Crafts Study Report." Canberra, November 2022. https://www.pc.gov.au/inquiries/completed/indigenous-arts/report/indigenous-arts.pdf. 3.

79 Association of Artist Managers. "Social Return on Investment Model for Artist Managers." Accessed May 18, 2023. https://www.aam.org.au/aamrp.

80 APRA-AMCOS. August 2022. A New National Cultural Policy Submission https://assets.apraamcos.com.au/images/PDFs/About/APRA-AMCOS-submission-to-National-Cultural-Policy-22082022.pdf 4.

81 OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. https://doi.org/10.1787/991bb520-en. 235

82 Deloitte, Free TV Australia. “Everybody Gets It: The Economic and Social Benefits of Commercial Television in Australia - Free TV Australia,” 2020. 4.https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-dae-free-tv-report-july-2020.pdf. 4.

83 Australian Financial Review. “Canva’s Valuation Rises Again as US Investor Marks It Back up 22pc,” November 28, 2022. https://www.afr.com/technology/canva-s-valuation-rises-again-as-us-investor-marks-it-back-up-22pc-20221124-p5c14z.

84 Productivity Commission, “Small Business Access to Finance.”

85 One of the salient points that emerged from the Intergovernmental Committee of Experts on Sustainable Development Financing, which undertook five sector mappings together, was that data availability often seems to cause an “ODA [Official Development Assistance] bias.” ODA (and to a lesser extent other international sources of finance) is intensely scrutinised, whereas other financial flows are not well measured and understood, although they may be more important or more relevant to the functioning of a sector.” For example, the chapter on forests notes that domestic government and private expenditures on forest management are not well monitored. Intergovernmental Committee of Experts on Sustainable Development Financing, “Mapping of Financial Flows at the Sector Level: A UNTT WG Contribution in Response to a Request from the Co-Facilitators for Cluster 1,” November 2013, https://sustainabledevelopment.un.org/content/documents/3352Sector%20mappings.pdf.

86 The Productivity Commission notes that business finance and loan brokers are an important channel connecting SME borrowers and lenders. Productivity Commission, “Small Business Access to Finance.”

87 Screen Australia, “Screen Australia Drama Report Production of Feature Films, TV and VOD Drama in Australia in 2021/22,” 2022, https://www.screenaustralia.gov.au/getmedia/3a8f3011-211c-4f93-bd41-3b4767585dec/SA-DramaReport.pdf.

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89 Brett Freudenberg, “Tax: Contributing to a Sustainable Arts Sector in Australia—Lessons from Overseas,” *Media and Arts Law Review* 15, no. 2 (2010): 169-216. Arts Law Centre of Australia, “The Impact of the Non-Commercial Loss Provisions of the ITAA on Professional Artists, Submission to the Board of Taxation, Sydney,” 2004, https://www.artslaw.com.au/images/uploads/ArtsLawSubBdofTaxation8_3_04.pdf

90 House of Lords Communications and Digital Committee, “At Risk: Our Creative Future,” January 2023, https://publications.parliament.uk/pa/ld5803/ldselect/ldcomm/125/125.pdf, 27.

91 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, “Government Cultural Funding and Participation | Office for the Arts,” accessed May 2, 2023, https://www.arts.gov.au/cultural-data-online/government-cultural-funding-and-participation.

92 A recent ABS survey, the 2021–22 Film, Television and Digital Games Survey, suggests that digital game development units may fall predominantly in the computer system design and related services ANZSIC class. “Film, Television and Digital Games, Australia, 2021-22 Financial Year,” ABS, June 22, 2023, https://www.abs.gov.au/statistics/industry/technology-and-innovation/film-television-and-digital-games-australia/latest-release.

93 OECD, 176.

94 European Union, 9.

95 Productivity Commission, "Small Business Access to Finance," 27.

96 Productivity Commission, "Small Business Access to Finance," 38.

97 OECD, 113.

98 OECD, 113-114, 117-118.

99 OECD. 172.

100 "Venture Capital Tax Concessions Review," 16.

101 "Venture Capital Tax Concessions Review," 4.

102 The federal government's business portal describes codes as follows: "Industry codes can provide the necessary regulatory support for industry. They can guard against misconduct and opportunistic behaviour while fostering long term changes to business culture. They can be described as a set of rules or standards of conduct for an industry, including the relationship between industry participants or their customers." "Codes of Conduct," Business, accessed April 13, 2023, https://business.gov.au/legal/fair-trading/codes-of-conduct.

103 Ellie Rennie, Indigo Holcombe-James, Alana Kushnir, and Tim Webster Ben Morgan, "Developments in Web3 for the Creative Industries: A Research Report for the Australia Council for the Arts," RMIT Blockchain Innovation Hub, November 2022, 10.25916/nnqs-eb26, 35.

104 European Commission. Directorate General for Communications Networks, Content and Technology, Technopolis Group, Philippe Rixhon Associates, UCLouvain, Crowell & Moring, and IMC University of Applied Sciences Krems. *Study on Copyright and New Technologies: Copyright Data Management and Artificial Intelligence* (LU: Publications Office, 2022), https://data.europa.eu/doi/10.2759/570559.

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A New Approach (ANA)

To Scale:

Mapping Financial Inflows in Australian Arts, Culture and Creativity

Technical Appendix and Background Research

A New Approach (ANA)

August 2023

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Part 1

Methodology and Limitations

This section outlines our methodological approach:

Part 1.1 summarises our research design (both its qualitative and quantitative components).

Part 1.2 describes our consultations and literature search strategy.

Part 1.3 provides additional details on datasets and estimates.

For interested readers, this section also shares several tables with additional details supporting the estimates contained in the main report:

Table 1. Establishing high and low estimate percentages for the cultural and creative portion of Australian Industry datasets.

Table 2. Cultural and creative domains in relation to industry subdivisions.

Table 3. The estimated cultural and creative portion of relevant industries by subdivision (2-digit level), 2020–21 (adjusted to 2021–22).

Table 4. The estimated cultural and creative portion of relevant industries by subdivision (2-digit level), 2017–18 (adjusted to 2021–22).

1.1 Research design and analysis

For the analysis in this research, we adopt a pre-structured approach involving an OECD taxonomy of sources of funding of the cultural and creative industries (the OECD uses the term 'cultural and creative sectors' [CCS]).

The European Union's European Agenda for Culture[1] initially developed the taxonomy, which conceptually maps various relevant sources of investment for the cultural and creative industries with a specific focus on CCI companies' sources of finance.

The qualitative work in our research – in particular, the analysis of expectations and methodologies for calculating ROI – unfolds over time and in response to questions and themes emerging through collection and analysis of quantitative data.

For the quantitative aspects of this research, data were collected from 8 November 2022 to 15 March 2023 from a range of sources. We analyse the most recently available data for each source. In some cases, this is the 2019–2020 financial year; in some cases, it is the 2020–2021 financial year; and in other cases, the most recently reported data is for the 2021–2022 financial year. A comparison year, the 2017–2018 financial year, is provided for each financial year.

All figures are adjusted for inflation to the 2021–22 financial year. The consumer price index measurement is selected because most inflows are related to sales and services. Inflation percentages for the relevant financial years are sourced using the Reserve Bank of Australia (RBA) inflation calculator.[2]

To analyse the total income of the cultural and creative industries, the boundaries of the cultural and creative activity satellite accounts are used. These satellite accounts use Australian and New Zealand Standard Industrial Classifications (ANZSIC)[3] at the class level (4-digit level) to identify the cultural and creative industries.[4]

Whereas the definition of cultural and creative activity is at the 4-digit level, the available data[5] is, for the most part, at the 2-digit level. This presents a limitation, with the source data not being granular enough to accurately define financial inflows. To mitigate this limitation, both a high and a low estimate are developed.

For the most part, the ABS Australian Industry dataset is used by division level (1-digit level) and by subdivision level (2-digit level). Through the process of cross-referencing industries by class level (4-digit level), defined in the cultural and creative activity satellite accounts, the following eight division-level industries are identified as relevant:

1. Manufacturing
2. Wholesale trade
3. Retail trade
4. Information Media and Telecommunications
5. Rental and Hiring Services (except Real Estate)
6. Professional, Scientific and Technical Services
7. Education and Training in Australia
8. Arts and Recreation Services

For one of the divisions, manufacturing, ABS provides a data cube with detailed data at the class level (4-digit level). However, ABS provides less information for the 4-digit manufacturing data cube compared to the 1-digit and 2-digit manufacturing data cube. For example, sales and services income and Industry value added are included, but government operational income, interest income and other income figures are not provided at this level. To mitigate this issue, percentages are developed that triangulate the relevant class-level data in relation to the subdivision level data. This process provides adequate estimates of the manufacturing industry.

Next, high estimates are calculated by counting how many 4-digit industries are included in each industry division (1-digit level) and subdivision (2-digit level). A similar count is conducted to determine how many class-level (4-digit) sub-industries are relevant to the in-scope industries of the creative and cultural activities satellite accounts.

Results from these two counts are used to calculate a percentage for each relevant industry at the subdivision (2-digit) level. High estimates are first arrived at by using the percentage to obtain an apportioned amount. The high estimates assume that all 4-digit industry codes have the same value and generate equal income.

This process of conducting the counts reveals that seven of the industries at the subdivision (2-digit) level are 100% related to cultural and creative activities. These seven industries are

- **16** Printing (including the Reproduction of Recorded Media)
- **55** Motion Picture and Sound Recording Activities
- **56** Broadcasting (except Internet)
- **57** Internet Publishing and Broadcasting
- **70** Computer System Design and Related Services
- **89** Heritage Activities
- **90** Creative and Performing Arts Activities

In addition to these, the manufacturing division provides enough data at the class level (4-digit level) to reasonably estimate the creative and cultural activity portion.

To arrive at lower estimates, the percentages for the remaining seven industry subdivisions are conservatively adjusted. The industries included within each subdivision are evaluated to arrive at these estimates.

Throughout this report, the lower estimates are used. It is, however, assumed that the actual amounts sit between the lower and the higher estimates. **Table 1** provides details of the total and the counts relevant to cultural and creative industries for each ANZSIC level along with the high and low percentages used to calculate estimates for the total cultural and creative activity industry inflows.

These percentage estimates are used across all income types: sales and services income, government operating income, government COVID-19-related income, interest income and other income.

Table 1. Establishing high and low estimate percentages for cultural and creative portion of Australian Industry datasets.

Division level	Subdivision (2-digit level)	Total count at 3-digit level	Total relevant at 3-digit level	Total count at class level (4-digit)	Total relevant at class level (4-digit)	Higher %	Lower %
Manufacturing	**13** Textile, Leather, Clothing and Footwear Manufacturing	5	1	11	2	41.75%	41.75%
	16 Printing (including the Reproduction of Recorded Media)	2	2	3	3		100%
	25 Furniture and Other Manufacturing	2	1	7	1	9.75%	9.75%
Wholesale Trade	**37** Other Goods Wholesaling	3	2	10	3	30.00%	6%
Retail Trade	**42** Other Store-Based Retailing	7	2	24	5	20.83%	5%
Information Media and Telecommunications	**54** Publishing (except Internet and Music Publishing)	2	2	6	5	83.33%	60%
	55 Motion Picture and Sound Recording Activities	2	2	6	6		100.00%
	56 Broadcasting (except Internet)	2	2	3	3		100.00%
	57 Internet Publishing and Broadcasting	1	1	1	1		100.00%
	60 Library and Other Information Services	2	1	2	1	50.00%	30%

Division level	Subdivision (2-digit level)	Total count at 3-digit level	Total relevant at 3-digit level	Total count at class level (4-digit)	Total relevant at class level (4-digit)	Higher %	Lower %
Rental and Hiring Services (except Real Estate)	**66** Rental and Hiring Services (except Real Estate)	4	1	7	1	14.29%	3%
Professional, Scientific and Technical Services	**69** Professional, Scientific and Technical Services (Except Computer System Design and Related Services)	8	3	15	4	26.67%	5%
	70 Computer System Design and Related Services	1	1	1	1	100.00%	
Education and Training in Australia	**82** Adult, Community and Other Education	2	1	4	1	25.00%	5%
Arts and Recreation Services	**89** Heritage Activities	2	2	3	3	100.00%	
	90 Creative and Performing Arts Activities	1	1	3	3	100.00%	
Total count		**46**	**25**	**106**	**43**		

Table 2. Cultural and creative domains in relation to industry subdivisions.

Domains of the cultural and creative satellite accounts	Relates to the following ANZSIC subdivisions (2-digit level)
1. Museums	**89** Heritage Activities
2. Environmental heritage	**89** Heritage Activities
3. Libraries and archives	**60** Library and Other Information Services
4. Literature and print media	**16** Printing (including the Reproduction of Recorded Media)
	37 Other Goods Wholesaling
	42 Other Store-Based Retailing
	54 Publishing (except Internet and Music Publishing)
5. Performing arts	**90** Creative and Performing Arts Activities
6. Design	**69** Professional, Scientific and Technical Services (Except Computer System Design and Related Services)
	70 Computer System Design and Related Services
7. Broadcasting, electronic or digital media, and film	**54** Publishing (except Internet and Music Publishing)
	55 Motion Picture and Sound Recording Activities
	56 Broadcasting (except Internet)
	57 Internet Publishing and Broadcasting
	66 Rental and Hiring Services (except Real Estate)
8. Music composition and publishing	**55** Motion Picture and Sound Recording Activities
9. Visual arts and crafts	**13** Textile, Leather, Clothing and Footwear Manufacturing
	37 Other Goods Wholesaling
	42 Other Store-Based Retailing
	69 Professional, Scientific and Technical Services (Except Computer System Design and Related Services)
10. Fashion	**13** Textile, Leather, Clothing and Footwear Manufacturing
	37 Other Goods Wholesaling
	42 Other Store-Based Retailing
11. Other culture goods manufacturing and sales	**16** Printing (including the Reproduction of Recorded Media)
	37 Other Goods Wholesaling
	42 Other Store-Based Retailing
	66 Rental and Hiring Services (except Real Estate)
12. Supporting activities	**69** Professional, Scientific and Technical Services (Except Computer System Design and Related Services)
	82 Adult, Community and Other Education

For analysing the not-for-profit perspective, the Australian Charities reports[6] published by the Australian Charities and Not-for-profits Commission (ACNC) are used. Details are obtained from the reports regarding the types of income and the characteristics of arts and culture not-for-profits. In the 2018 report, arts and culture is included within the subtype 'Culture and Recreation'.

In the 2020 report, the subtype called 'Advancing Culture' is analysed. Not-for-profit organisations extend beyond the category of culture. To elaborate, organisations that include arts and culture in their programming exist in the following subtypes: health promotion charities (n = 9), reporting group (n = 38), environment (n = 15), social welfare (n = 83), other (n = 247), public benevolent institutions (n = 75), education (n = 295) and religion (n = 185).

Additionally, a substantial number of the charities with the arts and culture classification have no subtype (n = 837) or multiple subtypes (n = 1338). This is because organisations can report up to ten programs, and each program requires a classification. There is no clear way to identify all relevant organisations. Therefore, only those organisations included in the dominant subtype 'advancing culture' are included in this analysis.

For calculations of copyright income, figures are extracted from financial statements of five collecting societies. Collecting societies do not collect all copyright financial flows. This report captures only copyright income that five of the collecting societies operating under the code of conduct publish.

For the tax expenditure calculations, annual estimates are based on The Australian Government the Treasury (The Treasury) data, which are reported by the Treasury on a revenue forgone basis.[7]

In instances where a reported figure also relates to other industries, the cultural and creative industries part is apportioned. Several of the included listed tax concessions have not been given monetary estimations, so these are marked as N/A. However, each of the tax concessions listed, including those listed as N/A, contributes to the total indirect government support. The estimates of three tax concessions (income tax exemption for prescribed entities, refunds on franking credits and fringe benefits tax concessions) are listed as N/A in the Treasury statements and are instead based on estimates published by the Productivity Commission. These are similarly apportioned to estimate the CCI-relevant amount.

1.2 Consultations and literature search

Because of the range of concepts captured in the report, it adopted a broad approach to consulting on its scope and contents. This included sharing early drafts with academia; government; investment experts; and, as always in ANA research, the experts on our Board and Reference group.

All advisors were invited to provide comments and be named (or not) in the acknowledgements section of the report.

The key sources informing this research, its scope and its concepts, were retrieved throughout the project, including

- Publicly available research reports and reviews (e.g. by ABS; international organisations, the Productivity Commission)
- Media pieces (e.g. articles, opinion pieces, interviews)
- Internet sites (e.g. government information websites; financial blogs)

ANA has evaluated these sources for their rigour and relevance. These sources helped us conceptualise key concepts, provided insights into empirical issues, and were used as examples and data to respond to the research questions.

Peer-reviewed articles in scholarly journals were not heavily relied upon, but they were not specifically excluded either.

1.3 Limitations

The research and data collection are not exhaustive, but they have achieved the objective of offering a baseline figure of inflows.

ANA is grateful to all those who published the data that have contributed to the compilation of this report. The data are drawn from several sources. Although ANA has undertaken all reasonable measures to ensure the data's accuracy and appropriateness for inclusion and analysis (e.g. classification, processing, coverage and timing adjustments; cross-checking externally where possible), we cannot accept responsibility for inaccuracies and omissions.

For transparency and for users of the research, the footnotes in the analysis of the findings reveal several limitations of the research, including the fact that it was not possible to reliably estimate the Australian or cultural and creative portions of the inflows (e.g. research and development taxes) or that some data were missing (e.g. lost revenue from copyright).

The report also identifies several overlaps in the data where these have reduced the direct comparability of different investment sources. For example, we assume an overlap of giving data and philanthropic tax expenditure data. There has been some degree of assumption making for the portion of tax data that relates only to cultural giving. This is because the percentages for income tax rates vary and because not all cash donations are to deductible gift recipients (DGRs).

Another noteworthy limitation of this research is that it does not explore or assess the impacts (costs, benefits and risks) of the options and approaches outlined in the opportunity statements.

1.4 Additional details on datasets and estimates

Table 3. Estimated cultural and creative portion of relevant industries by subdivision (2-digit level), 2020–21 (adjusted to 2021–22).

$million	Textile, leather, clothing and footwear manufacturing	Printing (including the reproduction of recorded media)	Furniture and other manufacturing	Other goods wholesaling	Other store-based retailing	Publishing (except internet and music publishing)	Motion picture and sound recording activities	Broadcasting (except internet)	Internet publishing and broadcasting	Library and other information services	Rental and hiring services (except real estate)	Professional, scientific and technical services (except computer system design and related services)	Computer system design and related services	Adult, community and other education (private)	Heritage activities	Creative and performing arts activities	Total
Sales and services income	$3,039	$7,075	$844	$5,287	$10,784	$9,781	$6,877	$8,213	$3,302	$50	$893	$10,477	$67,429	$453	$749	$3,199	$138,452
Government funding for operating costs	$3	$4	$1	$3	$6	$2	$126	$84	$2	$3	$1	$41	$83	$3	$97	$406	$865
Government COVID-19 support payments	$105	$452	$42	$48	$177	$90	$498	$134	$47	$0	$22	$455	$1,953	$55	$182	$555	$4,816
Interest income	$3	$5		$3	$7		$8	$4		$0	$10	$81	$140	$1	$4	$37	$304
Other income	$22	$52		$35	$156		$852	$130		$3	$36	$2,210	$396	$14	$212	$343	$4,460
Total	**$3,172**	**$7,589**	**$886**	**$5,376**	**$11,129**	**$9,873**	**$8,362**	**$8,564**	**$3,351**	**$56**	**$962**	**$13,265**	**$70,000**	**$526**	**$1,244**	**$4,539**	**$148,896**

Table 4. Estimated cultural and creative portion of relevant industries by subdivision (2-digit level), 2017–18 (adjusted to 2021–22).

$million	Textile, leather, clothing and footwear manufacturing	Printing (including the reproduction of recorded media)	Furniture and other manufacturing	Other goods wholesaling	Other store-based retailing	Publishing (except internet and music publishing)	Motion picture and sound recording activities	Broadcasting (except internet)	Internet publishing and broadcasting	Library and other information services	Rental and hiring services (except real estate)	Professional, scientific and technical services (except computer system design and related services)	Computer system design and related services	Adult, community and other education (private)	Heritage activities	Creative and performing arts activities	Total
Sales and services income	$3,478	$8,410	$783	$4,945	$9,424	$6,155	$8,714	$10,463	$2,352	$63	$847	$9,589	$58,370	$357	$848	$4,515	$129,313
Govern-ment funding for operating costs	$14	$1	$1	$12	$4	$0	$86	$86	$1	$2	$2	$104	$115	$47		$353	$829
Interest income	$4	$13	$1	$7	$9		$15				$9	$226	$285	$2		$17	$588
Other income	$66	$39	$4	$70	$24		$182	-$138		$8	$35	$2,207	$614	$75		$259	$3,446
Total	**$3,621**	**$8,465**	**$802**	**$5,036**	**$9,461**	**$6,155**	**$9,000**	**$10,409**	**$2,353**	**$74**	**$893**	**$12,166**	**$59,400**	**$481**	**$848**	**$5,149**	**$134,175**

Table 5. Comparison of inclusions in datasets

Cultural and creative industries included based on ANZSIC industry class (4-digit level) code and name	**Arts and culture portion inclusions, NFP**
1351 - Clothing Manufacturing 1352 - Footwear Manufacturing 1611 - Printing 1612 - Printing Support Services 1620 - Reproduction of Recorded Media 2591 - Jewellery and Silverware Manufacturing 3712 - Clothing and Footwear Wholesaling 3732 - Jewellery and Watch Wholesaling 3735 - Book and Magazine Wholesaling 4242 - Entertainment Media Retailing 4244 - Newspaper and Book Retailing 4251 - Clothing Retailing 4252 - Footwear Retailing 4253 - Watch and Jewellery Retailing 5411 - Newspaper Publishing 5412 - Magazine and Other Periodical Publishing 5413 - Book Publishing 5419 - Other Publishing (except Software, Music and Internet) 5420 - Software Publishing 5511 - Motion Picture and Video Production 5512 - Motion Picture and Video Distribution 5513 - Motion Picture Exhibition 5514 - Post-production Services and Other Motion Picture and Video Activities 5521 - Music Publishing 5522 - Music and Other Sound Recording Activities 5610 - Radio Broadcasting 5621 - Free-to-Air Television Broadcasting 5622 - Cable and Other Subscription Broadcasting 5700 - Internet Publishing and Broadcasting 6010 - Libraries and Archives 6632 - Video and Other Electronic Media Rental and Hiring 6921 - Architectural Services 6924 - Other Specialised Design Services 6940 - Advertising Services 6991 - Professional Photographic Services 7000 - Computer System Design and Related Services 8212 - Arts Education 8910 - Museum Operation 9001 - Performing Arts Operation 9002 - Creative Artists, Musicians, Writers and Performers 9003 - Performing Arts Venue Operation	Of the 46,455 charities reported by the Australian Charities and Not-for-profits Commission (ACNC) in 2019–20, 4,984 (11% of the total) are classified as providing arts and culture-related programs.[8] Of these, 1,348 (3% of the total) belong to the subtype 'advancing culture'. Charities registered with the ACNC can report up to 10 programs, and for each program, a classification needs to be nominated. The 4,984 charities that are classified as providing arts and culture-related programs reflect the quantity of charities that have nominated one or more of their programs as programs related to arts and culture. Most of these charities are not solely arts and culture charities, however, and belong to a variety of subtypes. The subtypes are health promotion charities (n = 9), reporting group (n = 38), environment (n = 15), social welfare (n = 83), other (n=247), public benevolent institutions (n = 75), education (n = 295) and religion (n = 185). Additionally, a substantial number of charities with an arts and culture classification have no subtype (n = 837) or multiple sub-types (n = 1338). The subtype refers to the charitable purpose that entities' activities and objects align with. Twelve subtypes are defined in the Charities Act 2013, and there are two additional subtypes, public benevolent institutions and health promotion charity. The culture subtype is for advancing culture and 'includes the purposes of promoting or fostering culture, and caring for, preserving and protecting Australian heritage (but is not limited to this)'.[9]

Sales and services inclusion, industry	Sales and services inclusion, NFP
• Includes goods whether produced or not by the business (including goods produced for the business on a commission basis). • Includes export sales, sales or transfers to related businesses or to overseas branches of the business, progress payments relating to long term contracts if they are billed in the period, delivery charges not separately invoiced or itemised to customers, sales of goods produced by the business from crude materials purchased, and income from 'specific' rates (e.g. water, sewerage, irrigation and drainage rates). • Excludes excise and duties received on behalf of the government (e.g. the petroleum production excise duty), sales of assets, natural resource royalties income, interest income, and delivery charges separately invoiced or itemised to customers. • Exports are valued free on board, i.e. export freight charges are excluded. This item is included in sales and service income and is not separately published except for Mining. Income from services (including royalties) • Includes income from services provided to businesses, households and governments. • Includes income from consulting services, income received from transporting goods not owned or sold by this business/organisation, repair, maintenance and service income and fees, contract, subcontract and commission income, management fees/charges from related and unrelated businesses, installation charges, delivery charges separately invoiced or itemised to customers and royalties from intellectual property (e.g. patents and copyrights) and natural resource royalties income. • Also includes income from the provision of transport services and fee for service income. • Includes government funding to reduce the expenses of the final consumer (i.e. households) where paid directly from government to the business providing the service. This type of funding is classified as sales and service income. Examples include the Child Care Subsidy, Medicare Benefits payments, a number of aged care subsidies and supplements and National Disability Insurance Scheme (NDIS) payments. • Excludes interest income, and delivery charges not separately invoiced to customers. This item is included in sales and service income, and is not separately published except for Mining. Rent, leasing and hiring income • Derived from the ownership of land, dwellings, buildings and other structures, motor vehicles, plant, machinery and other equipment. • Excludes royalties from mineral leases, income from finance leases and payments received under hire purchase arrangements. • This item is included in sales and service income, and is not separately published except for Mining. These are valued net of discounts given and exclusive of goods and services tax (GST). Extraordinary items are also excluded.	• Fees for provision of services • Sale of goods
Interest income inclusions, Industry Includes interest received from deposits in banks and non-bank financial institutions, loans, advances, finance leases and earnings on discounted bills. Excludes capital payments received.	**Investment income inclusions, NFP** • Interest earned on investments, dividends

Government income inclusion, Industry ANA has drawn on our previous research on cultural funding by government (CFG) for these report figures. Our best explanation of the reasons for the inclusion and exclusion of these data – including the types of funding captured through the survey and through the collation of administrative data – can be found in the methodology section on page 68 ('Comparison of Inclusions and Scope of Data on Government Expenditure on Arts and Culture').[10] The raw data underpins ANA's analysis of CFG. The CFG series collects and presents aggregated data about this expenditure and requires a coordinated effort between the relevant federal and state and territory government departments. A consultant from the Australian Bureau of Statistics prepares the reports. [11]	**Government income inclusion, NFP** ▪ Grants from government
Other income inclusions, Industry Income from sources not separately itemised in the industry performance table (table 4) in the division, subdivision, Mining and Auxiliary finance and insurance services data cubes, including: ▪ dividend income ▪ donations ▪ net profit or loss on share trading, asset sales, variations in exchange rates or resulting from the revaluation of assets in accordance with the Australian International Financial Reporting Standards (AIFRS). ▪ Also includes funding from government for specific capital items.[12]	**Other income inclusions, NFP** ▪ Royalties and license fees ▪ Inflows from fundraising activities or sponsorship ▪ Grants from foundations, private or any other sources
	Donation income inclusion, NFP ▪ Donations, tithes, bequests or legacies

Part 2

Background Research — Financial Instruments and Channels

To explore the key question of 'What are the channels and instruments used (to finance the cultural and creative industries)?' ANA has mapped and quantified several known financial inflows.

This section describes, in detail, the nine types of inflows identified, which we broadly categorise as 'public finance' and 'private finance'. These nine types are

1. Direct government expenditures
2. Indirect government expenditures (including tax concessions and incentives and lending rights schemes)
3. Consumers and other businesses (i.e. goods and services) expenditures
4. Copyright revenue
5. Crowdfunding revenue
6. Philanthropy
7. Self-finance
8. Equity finance
9. Debt finance

For interested readers, this section also shares additional details supporting the estimates contained in the main report. These include specific estimates for indirect expenditures of governments and philanthropic giving. These are contained in the following table and figures:

Table 6. Types of tax concessions relevant to the cultural and creative industries (adjusted to 2021–22).

Figure 1. Film industry tax concessions 2007–21 ($mil, adjusted $2021–22).

Figure 2. Types of giving and comparison of amounts reported in *Giving Attitude 1* (2017–18) and *Giving Attitude 2* (2020–21) reports ($mil, adjusted to 2021–22).

Figure 3. Total 'advancing culture' philanthropic giving in relation to tax deduction portion, for 2017–18 and 2020–21.

2.1 Public finance

The OECD report describes public financial support for culture as being in the form of 'direct support through granting certain activities without the need for reimbursement, indirect expenditures through tax reliefs, leveraging private finance, for instance through public loan guarantees, or matching funds to promote a synergy between public subsidies and private investments'.[13]

The OECD report[14] emphasises that a key feature of most public support is that it is 'without the need for any form of reimbursement'.

Although the terms and estimates of 'public finance' explored in this research refer to both direct and indirect measures of government, the subsections that follow consider the scope and scale of these measures.

In this section, we explore two types of public finance:

1. Direct expenditures such as organisation allocations (e.g. to the Australian Broadcasting Company) and competitive grants
2. Indirect expenditures such as tax concessions, lending right schemes and other initiatives

2.1.1 Direct expenditures of governments

ANA estimates that $16 billion (adjusted to 2021–22) of government expenditure was allocated to organisations and individuals working in the cultural and creative industries in 2020–21. This estimate represents the sum of non-COVID-19 and COVID-19-related expenditure.

This estimate was based on our analysis of the survey data of 100 departments. The survey was undertaken by consultants from the ABS on behalf of the Cultural and Creative Statistics Working Group. The three categories of direct expenditure in ANA's analysis of cultural funding by governments (CFG) data are as follows:

1. Non-COVID-19 expenditure (e.g. recurrent and capital expenditure types across arts and heritage[15])
2. Targeted COVID-19 support by federal, state and territory governments (e.g. Restart Investment to Sustain and Expand Fund, COVID-19 Arts Sustainability Fund)[16]
3. Wider economy COVID-19 support (e.g. JobKeeper and Boosting Cash Flow for Employers) to eligible businesses and individuals in the cultural and creative industries.[17]

In comparison, governments allocated $7.5 billion (adjusted to 2021–22) in total to arts and culture in the 2017–18 financial year, a year that pre-dates the impacts and supports for the COVID-19 pandemic and that uses a narrower scope (capturing 'cultural funding' only, rather than the broader 'cultural and creative industries' scope applied in 2020–21).

The long-running CFG survey captures expenditure on cultural and creative organisations, individuals and activities of all scales across remote, regional and metropolitan Australia. Widely available services such as radio, television, public libraries and local festivals are also included, as are programs that invest in the development and distribution of new creative work, that increase access opportunities for different audiences and that support Australia's international cultural diplomacy efforts.

2.1.2 Indirect expenditures of governments

This section considers the following schemes of indirect government expenditure in some detail:

1. Federal government tax concessions (sector-specific and non-sector-specific concessions most relevant to arts and culture)
2. Lending rights schemes[18]
3. State, territory and local government incentive initiatives

Tax concessions

Seven types of federal level tax concessions emerge as relevant to cultural and creative industries. They include sector-specific concessions as well as concessions targeted towards broader policy objectives (e.g. research and development, support for small and medium enterprises [SMEs] and innovation).

The identified concessions are as follows:

1. Film industry tax concessions
2. Digital games offset
3. Income averaging
4. Non-commercial losses exception rules
5. Research and development tax concessions
6. Venture capital tax concessions
7. Tax concessions for not-for-profits

Tax concessions[19] are administered through the tax system and have been formally part of government spending programs since 1981.[20] On a 'revenue forgone' basis, tax concessions accessed by the cultural and creative industries totalled more than $370 million in the 2020–21 financial year. In comparison, the total for the 2017–18 financial year was $337 million.

This change over time indicates an overall increase of just under 10% across the comparison years. **Table 6** provides a breakdown of the tax concessions. Each tax concession is categorised according to whether it is viewed as the most relevant at the industry, not-for-profit or individual level.

Table 6. Types of tax concessions relevant to the cultural and creative industries (adjusted to 2021–22).[21]

$million	Relevant tax concessions	2017–2018		2020–2021	
		CCI portion	Reported total	CCI portion	Reported total
Industry level	Film industry concessions	$63	$63	$61	$61
	Digital games tax offset	N/A	N/A	N/A	N/A
Not-for-profit entities	Income tax exemption for prescribed entities	$27	$915	$29	$1,000
	Charities and non-profit bodies (GST exemption)	N/A	N/A	N/A	N/A
	Philanthropy – refund of franking credits for certain income-tax-exempt philanthropic entities	$27	$915	$29	$1,000
	Fringe benefits tax concessions	$125	$4,300	$136	$4,700
	Philanthropy – deduction for gifts to deductible gift recipients*	$31	$1,777	$69	$2,037
	Philanthropy – deduction for gifts to private ancillary funds*	$39	$421	$32	$272
	Exemption for testamentary gifts to deductible gift recipients*	N/A	N/A	N/A	N/A
	Exemption for the disposal of assets under the Cultural Gifts program*	N/A	N/A	N/A	N/A
Individual level	Income averaging for authors, inventors, performing artists, production associates and sportspersons	$24	$38	$13	$21
	Non-commercial losses exception rules for primary producers and artists	$3	$11	$1	$5
	Income exemption of certain Prime Minister's prizes	N/A	N/A	N/A	N/A
	Estimated total (CCI)	$337		$370	

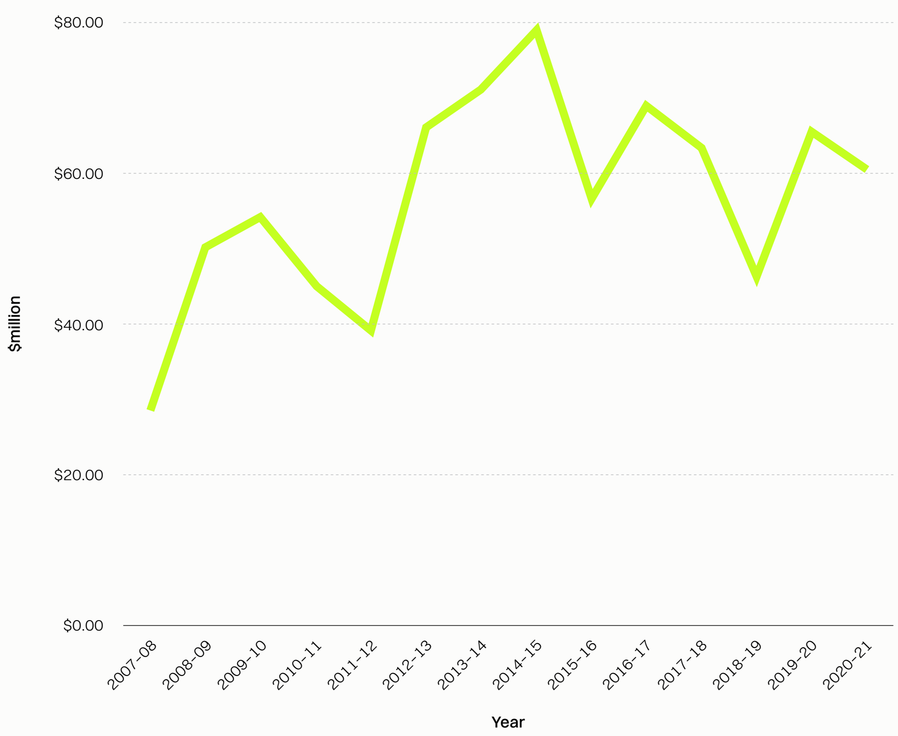
Notes: *These tax concessions provide benefits to not-for-profit entities, but they also provide a tax incentive for donors.

1. Film industry tax concessions

A type of tax concession that ANA has found to have a high level of relevance are the estimates reported by Treasury as 'film industry concessions'.

Figure 1 shows the value of film industry concessions from 2007 to 2021 (adjusted to 2021–22). In 2007–08, the amount in forgone tax revenue was $29 million. The peak amount was $79 million in 2014–15 and $61 million in 2020–21.

Figure 1. Film industry tax concessions 2007–21 (adjusted to $2021–22).



Notes: The following types of offsets are included: (1) location offset, (2) producer offset and (3) post, digital and visual effects offset.

2. Digital games tax offset (DGTO)

DGTO is intended to provide eligible game developers a 30% refundable tax offset for qualifying Australian development expenditure.[22]

DGTO is also included in the 2021 Tax Benchmarks and Variations Statements with future estimates listed as $3 million (2023–24) and $6 million (2024–25). For this reason, it is not included in the total estimate in this research.

3. Income averaging

For income averaging, the Treasury estimated $21 million as revenue forgone for the 2020–21 financial year and $38 million for the 2017–18 financial year. The estimated cultural and creative industries' portions of these amounts was $13 million (2020–21) and $24 million (2017–18).

4. Non-commercial losses exception rules

Typically, a taxpayer is not entitled to claim a loss from non-commercial business activities as a deduction against assessable income generated from other sources. The non-commercial losses exception rules provide an exception for two distinct types of taxpayers: (1) primary producers[23] and (2) artists carrying on a professional arts business. This exception allows these types of taxpayers to apply losses against other assessable income only if the assessable income is less than $40,000.[24]

The Treasury estimated a total of $5 million for the non-commercial loss provision in the 2020–2021 financial year and $11 million revenue forgone for the 2017–18 financial year. The estimated cultural and creative industries' portions of these amounts were $1 million (2020–21) and $3 million (2017–18).

5. Tax concessions for not-for-profits

The types of tax concessions available for not-for-profits can be thought of in two ways.

First, there are concessions that alleviate tax liabilities of organisations. These include the 'income tax exemption for prescribed entities' and the 'charities and non-profit bodies (GST exemption)' and a range of fringe benefit tax concessions.

The second type of tax concession involves donations (including gifts) to cultural organisations registered as DGRs. Whereas the cultural organisation benefits by receiving donations as a form of income or cultural gift, from a tax standpoint, the donor receives the tax incentive.

Four types of tax concessions are relevant from a donation perspective: (1) philanthropy deduction to DGR, (2) philanthropy deduction gifts to Public Ancillary Funds, (3) exemption for testamentary gifts to DGRs and (4) exemption for the disposal of assets under the Cultural Gifts program.

Although the ATO defines most income received from prizes and grants such as fellowships as ordinary 'assessable' income, consultations for this report identified exceptions. For example, as listed in Table 2, certain Prime Minister's prizes are not included as ordinary income. Similarly, the Sidney Myer Creative Fellowships are deemed in Class Ruling 2015/76[25] to not form a part of the recipient's assessable income. This means that individuals receiving these specific awards are not liable to pay tax on the derived income.

The inflows generated by concessions relating to philanthropic donations are further considered in the discussion of inflows from philanthropy.

6. Research and development tax concessions

There are two types of research and development tax concessions available in Australia. The first is a refundable tax offset, and the second is a non-refundable tax offset.

Eligible businesses with an aggregated turnover less than $20 million can access the 43.5% refundable offset, whereas eligible businesses with an aggregated turnover of $20 million can access the 38.5% non-refundable tax offset.[26] The Productivity Commission reports that the research and development refundable tax offset totalled $2,119 million in 2020–21, whereas the non-refundable tax offset totalled $570 million in 2020–21.[27]

A research and development portion relating to creative and cultural entities is not included in the aggregate tax concession estimates because a reliable estimate for the portion of relevant businesses claiming either research and development offset has not yet been established.

7. Venture capital tax concessions

Several venture-capital-related tax concessions have existed in Australia since 2002 to encourage investment for start-ups pursuing innovation and productivity growth. Specifically, the Venture Capital Limited Partnerships, Early Stage Venture Capital Limited Partnership and Australian Venture Capital Fund of Funds are programs that include tax concessions and vehicles for investing entities to engage specifically in the angel and seed stages.[28] Reliable estimates are, however, not provided by the Treasury for venture-capital-related tax concessions.

Further details are provided in the section on private investment about broader venture capital investments.

Lending rights schemes

Lending rights are support schemes the federal government operates to financially compensate Australian book publishers and literary creators[29] when their work is used in public and educational libraries. Compensation is provided because of the loss of income from the free multiple use of books.

For the 2021–22 financial year, $10 million for public lending rights was paid to 6,695 creators and publishers, and $13 million was paid to 10,813 creators and publishes for educational lending rights[30] – a total of $23 million.

In 2017–2018, $11 million was paid to 7,309 creators and publishers for public lending rights, and $13 million was paid to 9,986 creators and publishers for educational lending rights[31] – a total of $24 million (adjusted to 2021–22). These amounts indicate a decrease of just under 7% between the comparison years when adjusted for inflation.

State, territory and local government initiatives

Australian state and territory governments provide various incentives and schemes to promote specific types of arts and cultural production.[32]

Many of these incentives and schemes are direct government expenditures. However, ANA has also identified an additional set of indirect expenditures, where incentives focus on the screen industry, the games industry or both.

One example of an incentive available for both is the post, digital and visual effects (PDV) incentives, which are offered at both the state and territory level as well as at the federal level. The variable PDV percentages provided by different locations subsequently increase the tax offset percentage available for eligible entities.[33][34]

Regarding the game industry, several initiatives exist at the state and territory level for encouraging investment:

- The NSW Digital Games Rebate
- The SA Video Game Development Rebate
- The Victorian Production Fund – Games
- The Screen Queensland Digital Games Incentive[35]

Additional initiatives at the state and territory level include

- In Victoria, the recent Dining and Entertainment rebate program provided consumers with a 25% rebate on select dining and entertainment purchases.[36]
- In Western Australia, the LotteryWest initiative is a government-owned and government-operated lottery that provides annual grants and statutory allocations for arts and cultural purposes.[37]
- Additionally, in Western Australia, the Percent for Art Scheme funds public art. The scheme was initiated in 1989 and collects up to 1% from new construction work budgets that exceed $2 million.[38]

The Screen Attraction Program offered by the City of Gold Coast is the only known screen and games incentive available at the local level in Australia.

2.2 Private finance

This research refers to private finance as financing that the government does not explicitly provide.[39]

In this section, we explore two groups of private finance:

1. Measurable types of private finance, including sales/goods and services income, copyright income and philanthropic giving.
2. Less easily measurable types of finance for cultural and creative industries, such as crowdfunding, self-financing, equity financing and debt financing.

2.2.1 Consumption

Consumption refers to the sale or provision of goods or services to either consumers or other businesses (in Australia and overseas).

Household expenditure and trade revenue data are mentioned in the OECD report but are not specifically listed as sources of finance in the typology. Evidence of these inflows, presented below, suggests that both Australians and non-residents are contributing to financial inflows to the cultural and creative industries.

Australian households spent $45.6 billion on media and entertainment in 2021.[40] The amount that households spend that is inclusive of all cultural and creative activities is expected to be much higher. Considering these figures, households are a substantial source of revenue flow to the cultural and creative industries. However, the expenditure is on both Australian and 'rest of world' content.[41]

Non-residents[42] are also consumers of Australian cultural and creative goods and services through export trade, international cultural tourism and foreign businesses' expenditure on projects.[43] Although comprehensive data are limited, we provide an example of each of these below.

United Nations Conference on Trade and Development estimates that revenue from **export trade** in Australia was $1.7 billion for all creative goods for the 2021 calendar year.[44] UNCTAD has also published experimental data on creative services, which ANA was not able to extract for Australia only.

ANA has not identified specific data on inflows to cultural and creative industries generated by **international tourist expenditure** *alone*. Typically, research on international traveller spending has focused on expenditure in regions and cities and on the number of attendees at cultural and heritage sites. For example, researchers in 2017 obtained data from Tourism Research Australia that showed that more than eight million international tourists visited Australia in 2017 and three-and-a-half million (43%) engaged with the arts while here.[45] The research also found that international arts tourists spent $18.6 billion in 2017 (adjusted), making up 60% of the $28.4 billion spent in Australia by all international tourists.[46] This expenditure was not on arts experiences alone. As ANA has noted, many of the most popular cultural and creative activities with international tourists (museums and galleries, attending festivals, fairs and cultural events) are free or inexpensive to attend.[47]

An example of **foreign businesses' expenditure** is found in the screen industry. Screen Australia tallied 65 foreign projects in 2020–21,[48] entailing investment of $812 million (adjusted to 2020–21). The report notes that this is 27% down on the previous year's record spend but 35% above the five-year average ($576 million).[49]

2.2.2 Copyright

The OECD report outlines four types of intellectual protections of potential relevance: patents, trademarks, industrial design rights and copyright. Although this is not specified within the funding typology, the report also notes that 'copyrights are the most important form of IP protection for [cultural and creative sectors]'.[50]

Collecting societies representing various artforms exist in Australia and act as licensing intermediaries between rights holders and copyright users. These collecting societies perform functions such as collecting copyright fees, administering licences and distributing royalties to the copyright rights holders.[51]

The reported revenue copyright fee collection by collecting societies was estimated at $849 million for the financial year 2021–22.[52] In comparison, revenue for the financial year 2017–18[53] was estimated at $732 million. This indicates a growth of just under 16% when adjusted to 2021–22 across four years.

APRA-AMCOS collected the lion's share of both estimates for songwriters, composers and music publishers and affiliated societies. In the 2017–18 financial year, APRA-AMCOS collected 57% of the total estimated copyright revenue. In 2021–22, that proportion increased to 73%.

Of the amounts reported, particularly by APRA-AMCOS, the exact portion distributed off-shore is unclear. This is because 'much of it is paid in the first instance to the local offices of multinational music publishers. They might represent a mix of local and offshore songwriters and might pay each creator a different share of royalties depending on their deal'.[54] Increasingly, APRA-AMCOS collects royalties from music streaming services (e.g. Spotify) and social media platforms (e.g. Facebook).[55]

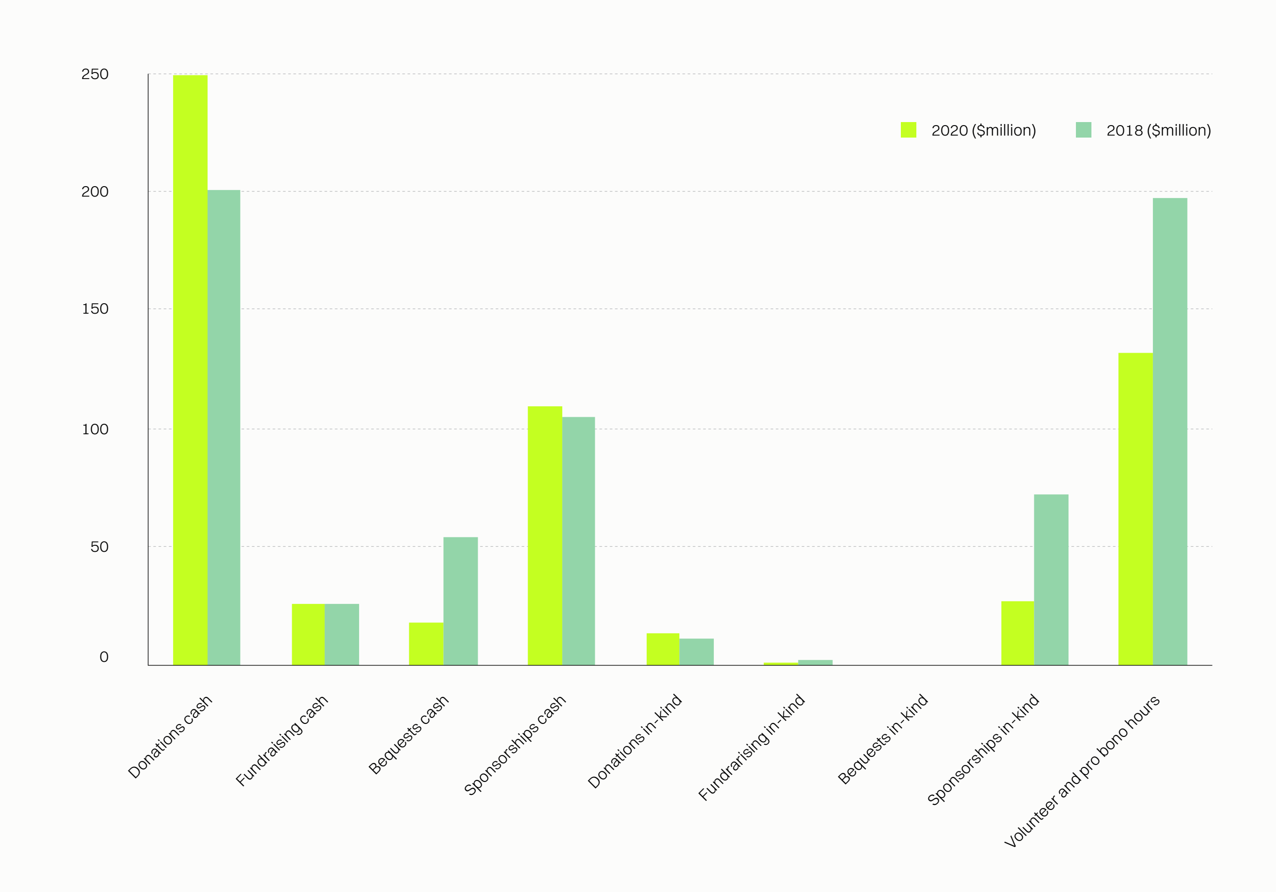
In addition to collecting copyright royalties, the Commonwealth government appoints the Copyright Agency to collect money related to Resale Royalty Rights (RRR). The Resale Royalty Rights stipulate that all visual artworks resold on the secondary market for $1,000 or more be reported and, for the most part, include a 5% royalty payable to the artist. Since being introduced in 2010, the Resale Royalty Rights have generated over $11 million.[56]

2.2.3 Philanthropy

The Australian survey in the *Giving Attitude 2* report has indicated that arts and culture giving totalled $586 million in 2020 (adjusted to 2021–22).[57] This total included cash (donations, fundraising, bequests and sponsorships), in-kind support (donations, fundraising and sponsorships) and time given (volunteer and pro bono hours). In comparison, the *Giving Attitude 1* report has indicated that arts and culture giving totalled $665 million (adjusted) in 2018.

Figure 2 details the amounts for each of the types of giving and compares the 2018 and 2020 findings. Although the total giving amount reported declined between the 2018 and 2020 reports, there was a change in the levels of each type of income between *Giving Attitude 1* to *Giving Attitude 2*. Notably, although *Giving Attitude 2* has reported a smaller total, it has also reported increases to donations (cash and in-kind) and sponsorships (cash). Decreases occurred for bequests (cash) and sponsorships (in-kind) and for volunteer and pro-bono hours worked.

Figure 2. Types of giving and comparison of amounts reported in *Giving Attitude 1* (2017–18) and *Giving Attitude 2* (2020–21) reports (adjusted to 2021–22).



Whereas the *Giving Attitude* reports provide indicative datasets across two points in time for a range of giving types, ANA's analysis of ACNC data informs further understanding of cash donations.

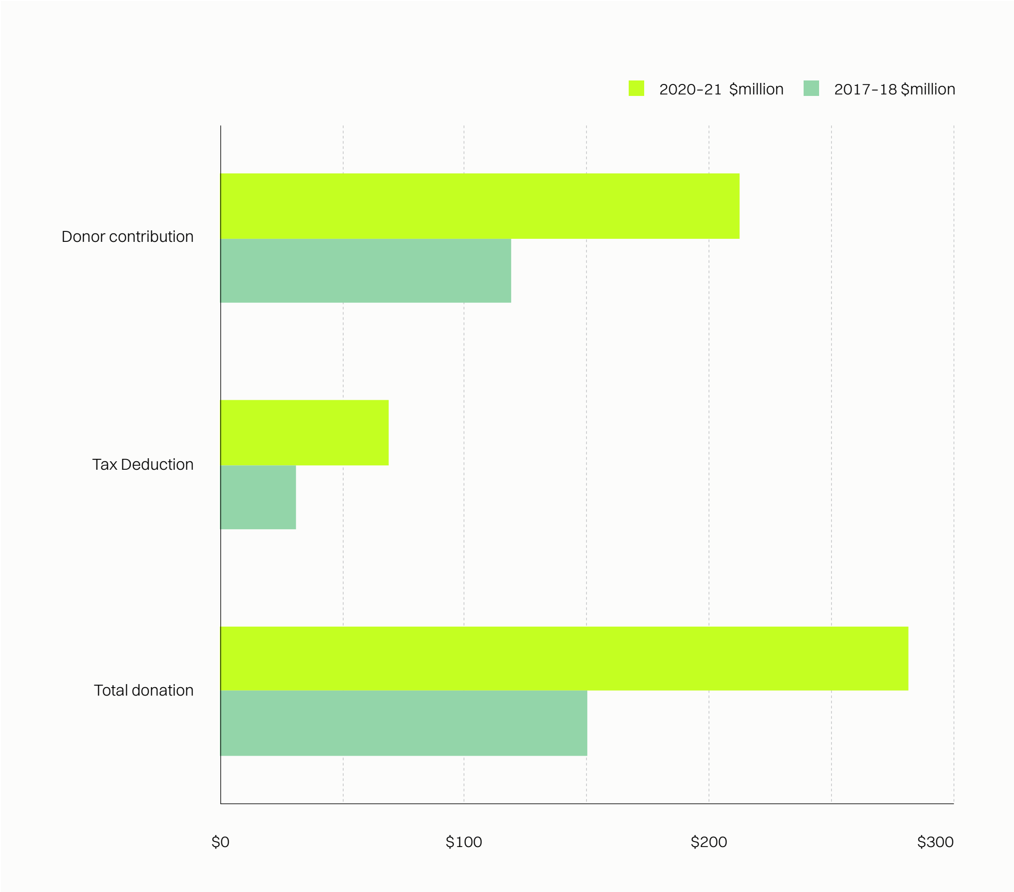
Donation-related income totalled $282 million (adjusted to 2021–22) for 'advancing culture' not-for-profits in the 2019–20 financial year. In contrast, donation-related income in 2017–18 totalled $150 million (adjusted to 2021–22).

Along with providing aggregated breakdowns of subtypes, the ACNC provides indications of the percentage of organisations that have DGR status. This is relevant to consider when evaluating the portion of philanthropic giving that relates to tax concessions the donor may be eligible to receive.

A portion of these amounts relates to donations where the donor has received a tax deduction (the tax deduction portion being understood as indirect public investment). As reported in the public finance section, $69 million in 2020–21 is estimated as the arts and culture relevant portion of the 'Philanthropy deduction to DGR' tax concession. A total of $31 million is estimated for the 2017–18 financial year.

Figure 3 visualises the total amounts of donation-income reported by 'advancing culture' not-for-profits for 2017–18 and 2020–21 in relation to the tax deduction and donor contribution after the former is omitted.

Figure 3. Total 'advancing culture' philanthropic giving in relation to tax deduction portion, for 2017–18 and 2020–21.



Since 2012, Creative Partnerships Australia has operated matched funding programs that provide fundraising skill development to participants and dollar-to-dollar matched funding (up to a cap) for amounts fundraised.[58] In 2021–22, the matched funding programs (in combination) raised $1.5 million in fundraising and received $1.1 million in matched funding from Creative Partnerships Australia.[59]

2.2.4 Crowdfunding

Crowdfunding is 'the practice of funding a project or venture by attracting small amounts of funding or donations directly from multiple investors using social media and internet channels, allowing innovators, entrepreneurs and business owners to use their social networks to raise capital'.[60]

The European Union typology and the OECD provide more details and numerous examples of crowdfunding sources.[61] This is perhaps understandable in the European context, seeing as the first online crowdfunding platform specialising in the cultural sector – ArtistShare – launched in 2001.[62]

In Australia, governments have developed their own crowdfunding platforms. Creative Partnerships Australia manages and the federal government supports the Australian Cultural Fund (ACF). It provides entities (including individual artists and artist groups) the opportunity to benefit from the DGR status of Creative Partnerships Australia to fundraise towards a specific project and provide tax-deductibility to donors. In 2021–22, more than 500 independent artists and arts organisations used the ACF for fundraising. Together, they generated almost $10 million in arts and cultural projects.[63][64]

A partnership of the ACF and Tim Fairfax Family Foundation titled Amplify also provides a vehicle for private ancillary funds to provide multi-year funding to artists and organisations without DGR status through the ACF fundraising platform. The funding is provided via a single gift that acquits their 5% annual distribution requirements.[65]

Several other platforms not aimed at cultural and creative projects specifically are available, including Pozible, Kickstarter and Indiegogo. In 2013–14, Australian arts and culture projects raised nearly $5 million through four major crowdfunding sites.[66] This represented an increase in real terms: specifically, over four times more than in 2011–12.[67]

In 2020, crowdfunding of any type raised revenues of over 12 billion US$ in total – just under $18 billion AUD (in 2023).[68]

2.2.5 Self-finance

Most businesses self-finance at some point, especially at the start-up stage. Typically, debt or equity finance avenues consider the presence and extent of self-financing before deciding to invest. This is a part of the risk evaluation. It determines the extent to which business owners believe in the business enough to risk their own resources.

Common types of initial self-financing include

- Using personal savings
- Taking out a home equity loan
- Borrowing against investments and securities.[69]

Once the business is earning a profit, self-financing typically evolves into reinvesting the retained earnings back into the business. Retained earnings are the portion of the profit that is not distributed to shareholders.[70]

For individual cultural and creative practitioners (many of whom are classified as self-employed), self-financing can similarly be defined as investing one's own money, resources and time to develop, make and share outputs.

2.2.6 Equity finance

The OECD framework defines equity finance as money exchanged for part-ownership or company shares.[71] For public companies in Australia, this is in the form of selling shares to shareholders in connection to (and following) an initial public offering.

Venture capital investment into Australian start-ups in 2022 totalled $8.7 billion, a growth of 2% from the previous year. Venture capital investment at a global scale experienced a substantial decrease during the same period.[72] In the financial year 2021–2022, venture capital investment reached approximately $9.8–$10 billion.[73]

Further, the Productivity Commission[74] notes that Australia holds a net financial liability position with the rest of the world and is a net importer of debt-based financing and net exporter of equity-based financing.

In the Australian media sector, the Australian Communications and Media Authority (ACMA) notes that there were 69 foreign stakeholders holding company interests of 2.5% or more in 125 Australian media companies as of 30 June 2021 – [75] a significant reduction compared to the 92 stakeholders as of 30 June 2020.[76]

For private Australian companies, equity finance typically involves bringing in angel investors, venture capital firms or private individuals[77] to invest in the various stages of the business. Funding rounds provide opportunities for investment in exchange for equity in the business. Typically, the funding rounds investors engage in include

- Angel (pre-seed)
- Seed
- Series A
- Series B+[78]

The angel and seed rounds are initial amounts of funding provided at the beginning of the start-up journey (at this stage, the funding could even be for developing a hypothetical business). An example of seed funding in Australia identified in this research is 'Book an Artist'. Referred to as 'Airbnb for artists', Book an Artist is an online platform connecting artists with clients. Initially located in Melbourne with a focus on street art, Book an Artist raised $400,000 in seed funding in 2021 and has expanded to a variety of locations in Australia and abroad. Early-stage Australian investment firm Skalata Ventures led the seed funding investment. International investment came from US-based Hustle Fund.[79]

Public initiatives such as venture capital tax concessions exist to encourage investment specifically in the early stages.[80]

In contrast, Series A and Series B+ are funding rounds that occur once the business is established but before it receives an initial public offering.[81]

Australian cultural and creative industry examples of established start-ups with substantial venture capital investment include Canva, LinkTree, Jaxta and Music Health. Emerging examples include Muso, Soundsmith and Serenade. Of these, Canva is referred to as a unicorn start-up (a private startup company with a $1 billion or more valuation).[82] It was valued at $36.9 billion[83] in mid-2022 following a peak valuation of $56 billion in 2021.[84] In 2021, Canva's total revenue was reported as reaching approximately $1.4 billion.[85] Another Australian start-up with unicorn status is Linktree, a social media music-focused start-up with a valuation of $1.7 billion in 2022.[86]

An example of a previously venture-capital-backed cultural and creative industries company that is now a public company is Redbubble, which in the 2022 calendar year earned $91 million in artist's revenue and $483 million in marketplace revenue.

Tech start-ups with a cultural and/or creative focus, such as Metaverse and Web3,[87] are becoming an increasing area of interest for many investors. On a global scale, a McKinsey & Company report indicates that $10 billion was invested into metaverse companies in 2021. In August 2022, this figure was over $120 billion.

Finally, in describing equity finance models, it is worth noting that Australia has three classes of Employee Share Schemes (ESS), which 'involve an employer offering shares, options or other financial products to employees as part of an employee's remuneration package':[88]

- Taxed-upfront schemes
- Tax-deferred schemes
- Schemes focusing on start-ups

A parliamentary inquiry report on ESS in Australia has noted limitations in published information on the uptake of these schemes. However, the inquiry found that 'ESS payments grew to just over $2 billion in 2014-15 accounting for approximately 0.4 per cent of total wages and salaries in Australia', and that ESS usage in Australia remains below that in the US and the UK.

2.2.7 Debt Finance

While equity finance provides an avenue for investors to purchase a share in the company, debt finance refers to borrowing money typically from an external lender, such as a financial institution. Common examples of debt finance include

- Business loans
- Lines of credit
- Overdraft services
- Invoice financing
- Equipment leases
- Asset financing[89]

Other forms of debt finance include store credit from retailers to purchase furniture, equipment and technology. Store credit is provided through a finance company. Often, suppliers will provide trade credit to businesses with a proven relationship, providing a way to delay payment for supplies. Business loans from family and friends are also considered a type of debt finance arrangement.[90]

Beyond just the cultural and creative industries scope of the research, it is worth noting that debt finance is the most popular financial instrument for Australian SME enterprises, with a total of $441.8 billion of outstanding SME lending reported as of April 2021.[91] The Productivity Commission notes an evolving market of lenders other than banks, including neobanks, fintech lenders, finance companies and private credit, peer lenders, e-commerce and payments companies.[92]

Additionally, according to the commission, 'Australian SMEs prefer debt finance: they are three times more likely to apply for debt than equity finance. Every year, about one in six SMEs applies for finance. Most SMEs seeking debt finance apply, successfully, to Australian banks. More than 90 per cent of the outstanding debt owed by SMEs is held by banks'.[93] It is unclear from publicly available data or from this research whether this conclusion holds true within the cultural and creative industries.

Within the cultural and creative industries, several initiatives exist to provide either low- or zero-interest loans. One example is the Arts Business Innovation Fund (ABIF).[94] As part of its business model, the ABIF provides a combined grant with a zero-interest loan to give applicants the opportunity to use debt financing. One requirement of the ABIF is that organisations also self-finance. An underlying concept of its business model is as follows: 'A key characteristic of a resilient organisation is the diversity of sources of funding and financing to which it has access'.[95]

Interesting examples of debt finance are available in the screen sector and in the context of the Australian Producer Offset scheme. Because the Australian Producer Offset is not paid until the project is complete, producers are expected to 'cashflow it' until payment is made. According to a survey about the implementation of this offset, cashflow providers will lend between 85% and 90% of the anticipated offset value.[96] The survey identifies key sources of this cashflow finance as follows: commercial banks, several state film agencies, the Australian Government's Export Finance and Insurance Corporation and specialist funds set up to lend against the offset (as well as provide other cashflow finance), such as Fulcrum in Australia/New Zealand and Aver in Canada.

Endnotes

1 "Towards More Efficient Financial Ecosystems: Innovative Instruments to Facilitate Access to Finance for the Cultural and Creative Sectors (CCS): Good Practice Report." Luxembourg: Publications Office, 2016. https://data.europa.eu/doi/10.2766/59318.

2 Reserve Bank of Australia, "Inflation Calculator," October 30, 2015, https://www.rba.gov.au/calculator/.

3 The complete list of ANZSIC codes can be found at the following link: https://www.abs.gov.au/ausstats/abs@.nsf/0/20C5B5A4F46DF95BCA25711F00146D75?opendocument.

4 Department of Infrastructure, Transport, Regional Development and Communications. "Cultural and Creative Activity Satellite Accounts Methodology Refresh—Consultation Paper," Bureau of Communications, Arts and Regional Research, February 2023, https://www.infrastructure.gov.au/sites/default/files/documents/cultural-and-creative-activity-satellite-accounts-methodology-refresh-consultation-paper-february2023_0.pdf.

5 The Australian Industry datasets published by ABS provide "annual estimates of key economic and financial performance of industries in Australia, including income, expenses, profit and capital expenditure." Australian Bureau of Statistics, "Australian Industry, 2022, https://www.abs.gov.au/statistics/industry/industry-overview/australian-industry/2020-21.

6 ACNC, "Australian Charities Report – 8th Edition Data," accessed June 27, 2023, https://www.acnc.gov.au/australian-charities-report-8th-edition-data. ACNC, "Australian Charities Report 2018," 2020, https://www.acnc.gov.au/tools/reports/australian-charities-report-2018.

7 Since the early 1980s, the Treasury has published an annual statement called the Tax Expenditures and Insights Statement. From 2019 to 2022, the statement was named the Tax Benchmarks and Variation Statement. Before 2019, the statement was called the Tax Expenditures Statement.

8 Charities registered with the Australian Charities and Not-for-profits Commission can report up to 10 programs. For each program, a classification needs to be nominated. The 4,984 charities that are classified as providing arts and culture-related programs reflect the quantity of charities that have nominated one or more of their programs as being related to arts and culture. Most of these charities are not solely arts and culture charities, however, and belong to a variety of subtypes. The subtypes include HPC (n = 9), reporting group (n = 38), environment (n = 15), social welfare (n = 83), other (n = 247), PBI (n = 75), education (n = 295) and religion (n = 185). Additionally, a substantial number of the charities with an arts and culture classification have no subtype (n = 837) or have multiple subtypes (n = 1338).

9 Australian Charities and Not-for-profits Commission, "Charity Subtypes," accessed May 2, 2023, https://www.acnc.gov.au/for-charities/start-charity/you-start-charity/charity-subtypes.

10 Vivian, Angela, and Kate Fielding. "Lifelong: Perceptions of Arts and Culture among Baby Boomer Middle Australians'. Insight Report No. 2022-02." Canberra: A New Approach (ANA). Accessed January 19, 2023. https://newapproach.org.au/wp-content/uploads/2022/09/Lifelong_-Perceptions-of-Arts-and-Culture-among-Baby-Boomer-Middle-Australians-1.pdf.

11 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, "Government Cultural Funding and Participation | Office for the Arts," accessed May 2, 2023, https://www.arts.gov.au/cultural-data-online/government-cultural-funding-and-participation.

12 Funding from government for specific capital items includes capital grants and low-interest or interest-free loans given to businesses to encourage expenditure on specific equipment (e.g. environmental protection equipment).

13 OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. https://doi.org/10.1787/991bb520-en. 233.

14 OECD, 234.

15 The CFG dataset includes expenditure in the following categories: Art museums; Other museums and cultural heritage; Libraries; Archives; Literature and writing; Music; Theatre; Dance; Music theatre and opera; Circus and physical theatre; Comedy; Other performing arts; Performing arts venues; Cross-art form; Visual arts and crafts; Design; Radio and television services; Film and video production and distribution; Interactive arts content; Arts education; Community arts and cultural development; Multi-arts festivals; Arts administration; Other arts. The category 'Other museums and cultural heritage' covers the acquisition, collection management, conservation and exhibition of heritage objects. This category includes Indigenous cultural heritage and keeping places, historic houses, historic museums, war memorials and National Trust organisations.

The CFG survey uses the following definitions of recurrent and capital expenditure:
— Recurrent: expenditure of governmental funds on programs, specialist areas and special projects, including operational costs, wages and salaries, goods and services, current grants and transfer payments, specific purpose grants and subsidies. Includes non-capital grants or payments to individuals, groups, organisations or other entities.
— Capital: expenditure of government funds on the creation of fixed assets (e.g. buildings, additions, renovations or restorations), land, buildings and intangible assets, including expenditure on second-hand fixed assets, land acquisitions and capital grants for capital works on projects. Includes capital grants or payments to individuals, groups, organisations or other entities. Excludes loans. Cultural Funding by Government, Australia Methodology, 2012-13 Financial Year (Australian Bureau of Statistics, 2014

16 Although expenditure is reported at an aggregate level, and therefore funding cannot be precisely attributed to specific programs or levels of government, examples of the Australian Government's targeted COVID-19 support are available at https://www.arts.gov.au/covid-19-update.

17 Note that the data referenced for JobKeeper and Boosting Cash Flow for Employers payments are based on the ANZSIC codes. This list is different to, and broader than, the Arts and Heritage categories used in the non-COVID-19-related cultural funding by governments data.

18 "Australian Lending Right Schemes (ELR/PLR) | Office for the Arts," accessed May 2, 2023, https://www.arts.gov.au/funding-and-support/australian-lending-right-schemes-elrplr.

19 The descriptions of the typology by both the European Union and the OECD use the term 'tax incentives' only (rather than concessions). In Australia and in many jurisdictions, however, the term 'tax concessions' is used alongside the formal term 'tax expenditures'. This refers to 'revenue forgone', or revenue that could have been collected by the tax office but was not because of a variation available for a specific group of taxpayers. Variations, for example, include deductions, offsets, concessions, and exemptions.

20 Kerrie Sadiq, "The implementation of social and economic policy through the tax regime: A review of Australia's tax expenditures program," *Australian Tax Forum 23*, no. 4 (2008): 339-358.

21 Most of the reported estimates in Table 6 are sourced from the 2017–18 and 2020–21 Tax Benchmarks and Variations Statements published by the Treasury. In instances where a reported figure also relates to other industries, the cultural and creative industries part has been apportioned. Several of the listed tax concessions included have not been given monetary estimations, so these are marked as N/A. It is relevant to note, however, that each of the tax concessions listed, including those listed as N/A, contribute to the total indirect government support. The estimates of three tax concessions (income tax exemption for prescribed entities, refunds on franking credits, and fringe benefits tax concessions) are not quantified by the Treasury. The estimates listed in Table 2 have been published by the Productivity Commission in the Review of Philanthropy Call for Submissions report. https://www.pc.gov.au/inquiries/current/philanthropy/call-for-submissions/philanthropy-call-for-submissions.pdf.

22 The Hon Tony Burke MP Media Releases, "Digital Games Tax Offset to Level up Australian Industry," Department of Infrastructure, Transport, Regional Development, Communications and the Arts, accessed June 22, 2023, https://minister.infrastructure.gov.au/burke/media-release/digital-games-tax-offset-level-australian-industry.

23 The Australian Tax Office (ATO) defines primary producers as those who operate a business focused on plant or animal cultivation, fishing or pearling or tree farming or felling. "Primary Production Activities," Australian Taxation Office, accessed May 2, 2023, https://www.ato.gov.au/business/primary-producers/primary-production-activities/.

24 Assessable income in this definition excludes net capital gains.

25 CR 2015/76, https://www.ato.gov.au/law/view/ment?src=hs&pit=99991231235958&arc=false&start=1&pageSize=10&total=2&num=1&docid=CLR%2FCR201576%2FNAT%2FATO%2F00001&dc=false&stype=find&tm=and-basic-Sidney%20Myer%20fellowships.

26 Australia Taxation Office, "Refundable and Non-Refundable Offsets," accessed May 2, 2023, https://www.ato.gov.au/Business/Research-and-development-tax-incentive/In-detail/Refundable-and-non-refundable-offsets/. Australian Taxation Office, "Transition from the R&D Tax Concession to the R&D Tax Incentive," May 2, 2023, https://www.ato.gov.au/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/.

27 Productivity Commission, 2022. "Trade and Assistance Review 2020-21: Australian Government Budgetary Assistance, Ranked by Expenditure in 2020-21, 2015-16 to 2020-21," 20 July 2023, https://www.pc.gov.au/ongoing/trade-assistance/2020-21.

These amounts vary from those reported by the Treasury, which may be attributable to differences in timing and/or the methodology used for the estimates. Additionally, the Treasury reports an 'exemption' to the refundable tax offset figures, whereas the Productivity Commission reports the refundable tax offset amounts.

28 "Venture Capital Tax Concessions Review," 2022. https://treasury.gov.au/sites/default/files/2022-10/p2022-328982.pdf. 5.

29 The lending rights are governed by the *Public Lending Right Act 1985*. 'Australian book publishers or creators' are described as authors, illustrators, editors, translators and compilers. Department of Infrastructure, Transport, Regional Development, Communications and the Arts, "Australian Lending Right Schemes (ELR/PLR) | Office for the Arts," accessed May 2, 2023, https://www.arts.gov.au/funding-and-support/australian-lending-right-schemes-elrplr.

30 Department of Infrastructure, Transport, Regional Development, Communications and the Arts, "Public Lending Right Committee—Annual Report 2021–22," 2022, https://www.arts.gov.au/sites/default/files/documents/public-lending-right-committee-annual-report2021-22-october2022_0_0.pdf.

31 Department of Communications and the Arts, “Public Lending Right Committee Annual Report 2017–18,” 2018, https://parlinfo.aph.gov.au/parlInfo/download/publications/tabledpapers/ae93286e-cd8d-41c0-b6eb-58d6e7a7b90e/upload_pdf/public-lending-right-committee-annual-report-2017-18.f;fileType=application%2Fpdf#search=%22publications/tabledpapers/ae93286e-cd8d-41c0-b6eb-58d6e7a7b90e%22.

32 Some of these are tax related and lower the state or territory tax liability (e.g. Queensland’s State Payroll Tax Rebate). These types of incentives are technically a form of tax expenditure where the tax is considered to be ‘revenue forgone’ from the government perspective. Some incentives are offered in connection to existing federal incentives (e.g. the post, digital and visual effect [PDV] offset). Other incentives are direct expenditure from the government perspective. These are incentives or rebates that do not affect the amount of state or territory (or federal) tax that the eligible entity is liable for.

33 In New South Wales (NSW), eligible entities potentially receive a 40% PDV rebate when spending $0.5 million or more. Of this, 10% is specific to the NSW state location and 30% is applicable at the federal level. The PDV in Queensland (QLD) consists of 15% at the state level when spending $0.25 million or more. The highest PDV percentage offered at the state level is in Western Australia (WA), where a 20% rebate is offered on the first $0.5 million spend. This is followed by a 10% rebate on productions that spend more than $0.5 million. Ausfilm, “Australian Screen Incentives Factsheet,” January 2023, https://www.ausfilm.com.au/wp-content/uploads/2022/10/Incentives-Factsheet-Jan_16-2023.pdf#:~:text=NSW%20DIGITAL%20GAMES%20REBATE%20The,combined%20with%20Australian%20Government%20incentives.

34 In addition to the PDV incentives, there are several other screen industry incentives. For example, in Tasmania, the Screen Tasmania Production Incentives provide a one-off investment incentive for animations, feature films, television dramas, documentaries and factual screen productions. In WA, additional initiatives exist such as the WA Production Attraction Incentive and the WA Regional Screen Fund. “Production Investment | Screen Tasmania,” accessed May 2, 2023, https://www.stategrowth.tas.gov.au/screen/funding/production_investment_grants.

35 Screen Queensland, “Digital Games Incentive,” accessed May 2, 2023, https://screenqueensland.com.au/games/digital-games-incentive/. VicScreen, “Digital Games,” accessed May 2, 2023, https://vicscreen.vic.gov.au/funding/games/. South Australian Film Corporation, “Games,” accessed May 2, 2023, https://www.safilm.com.au/games/#VGDRebate.

36 Department of Jobs Skills Industry and Regions, “Dinner and a Show – Statewide Dining and Entertainment Rebate Program Goes Live,” Victoria, accessed May 2, 2023, https://djsir.vic.gov.au/about-us/news/dinner-and-a-show-statewide-dining-and-entertainment-rebate-program-goes-live.

37 Lotterywest, “Lotterywest Annual Report 2021-22,” October 2022, https://www.parliament.wa.gov.au/publications/tabledpapers.nsf/displaypaper/4111559a804b243a340b25e9482588df001d36a6/$file/tp+1559+(2022)+lotterywest+ar2022_refine_v25.pdf.

38 Government of Western Australia, “Percent for Art Scheme,” accessed May 2, 2023, https://www.wa.gov.au/organisation/department-of-finance/percent-art-scheme.

39 Several overlaps between public and private financing do, however, exist in Australia’s financial flows, for example, tax incentives to encourage philanthropic donations or government incentives to increase venture capital investment and rebates to encourage screen production and game development in specific locations. In these examples, government incentives may affect levels of investment into parts and locations of the creative and cultural industries. We also note that a portion of copyright income (e.g. licensing for educational purposes) is derived from government sources.

40 This estimate draws on the reported revenue for the entertainment and recreation industry, which includes the following markets: consumer books, consumer magazines, filmed entertainment, free-to-air television, interactive games and esports, internet access, internet advertising, news media, out-of-home, radio, subscription television. PwC, "PwC's Entertainment & Media Outlook 2022," accessed May 22, 2023, https://www.pwc.com.au/entertainment-and-media/2022/australian-outlook-2022-report.pdf.

41 The ABS Household Expenditure Survey was removed from the ABS survey program.

42 ABS notes that the concept of residency is vital for international trade statistics – including for international trade in services. "Residency is not based on location, nationality or legal status (e.g. citizenship). Instead, residency is defined by 'the centre of predominant economic interest' of an organisation or individual." Australian Bureau of Statistics, "Principles of International Trade in Services Statistics," December 9, 2021, https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/international-trade-services-concepts-sources-and-methods/dec-2021/principles-international-trade-services-statistics.

43 The United Nations World Tourism Organization (UNWTO) defines cultural tourism as "a type of tourism activity in which the visitor's essential motivation is to learn, discover, experience and consume the tangible and intangible cultural attractions/products in a tourism destination. These attractions/products relate to a set of distinctive material, intellectual, spiritual and emotional features of a society that encompasses arts and architecture, historical and cultural heritage, culinary heritage, literature, music, creative industries and the living cultures with their lifestyles, value systems, beliefs and traditions." UNWTO, "Glossary of Tourism Terms," accessed June 14, 2023, https://www.unwto.org/glossary-tourism-terms.

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45 Australia Council for the Arts, "International Arts Tourism: Connecting Cultures," 2018, https://doi.org/10.18111/9789284418978, 6.

46 Australia Council for the Arts. "International Arts Tourism," 8.

47 J J.L. Trembath and K. Fielding, 2020, 'Australia's Cultural and Creative Economy: A 21st Century Guide," 7. A New Approach and the Australian Academy of the Humanities, October 2020. https://newapproach.org.au/wp-content/uploads/2021/08/5-ANA-InsightReportFive-FullReport.pdf. 97.

48 Screen Australia defines foreign productions as those under foreign creative control but originated and developed by non-Australians. These include foreign projects with an Australian production company operating in a service capacity. A test of creative control and key roles is applied for projects with Australian elements. Screen Australia, 5.

49 "Screen Australia Drama Report Production of Feature Films, TV and VOD Drama in Australia in 2021/22," 2022, https://www.screenaustralia.gov.au/getmedia/3a8f3011-211c-4f93-bd41-3b4767585dec/SA-DramaReport.pdf. 6.

50 OECD, 169.

51 Relevant legislation to consider in relation to copyright includes the *Copyright Act 1968* and the *Competition and Consumer Act 2010*. Considering that one of the main collecting societies, Copyright Agency, additionally collects revenue from the Resale Royalty Rights, the *Resale Royalty Right for Visual Artists Act 2009* is also relevant legislation to consider.

52 These estimates are based on reported collected revenue from rendering services such as collecting royalties and licence fees. The estimates are from the financial reports of five collecting societies mandated by the Code of Conduct: Copyright Agency, Screenrights, APRA-AMCOS, Phonographic Performance Company of Australia (PPCA), and Australian Screen Directors Authorship Collecting Society (ASDACS). For Screenrights and APRA-AMCOS, the amounts include international revenue. Six of the declared collecting societies developed a Code of Conduct for Copyright Collecting Societies in 2002. The Code of Conduct aims to “facilitate efficient and fair outcomes for members and licensees.” The following six collecting societies are bound to the Code of Conduct: Copyright Agency, APRA AMCOS, ASDACS, Australian Writers Guild Authorship Collecting Society, PPCA, and Screenrights. Of these, five provide publicly available financial reports that indicate annual revenue and distribution of funds to rightsholders. https://www.copyrightcodeofconduct.org.au/code.

53 For one of the collecting societies, ASDACS, the calendar 2018 year is included instead of the financial year 2017–2018.

54 As of 30 June 2022, APRA had 115,326 [2021: 111,383] Australian and New Zealand members who are composers, authors and publishers. Of these, 111,929 [2021: 108,145] are local writer members and 567 [2021: 527] are local publisher members. In addition, APRA has 2,823 [2021: 2,676] overseas resident writer members and seven [2021: 7] overseas resident publisher members. Most Australian and New Zealand composers and publishers of music are members. As of 30 June 2022, AMCOS has 27,039 [2021: 24,177] Australian and New Zealand members, of whom 25,909 [2021: 23,132] are writers and 508 [2021: 495] are publishers. Further, AMCOS has 617 [2021: 545] overseas resident writer members and five [2021: 5] overseas resident publisher members. As of 30 June 2022, APRA AMCOS has 1,808 [2021: 1,781] Aboriginal and Torres Strait Islander members, representing an increase of 1.52% [2021: 4.52%] during the Review Period. The Hon K E Lindgren AM KC, “Report of Review of Copyright Collecting Societies’ Compliance with Their Code of Conduct,” November 30, 2022, https://assets.apraamcos.com.au/images/PDFs/About/Code-Reviewer-Compliance-Report-2022.pdf.

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56 “Resale Royalty Scheme,” Copyright Agency, 20 July 2023, https://www.copyright.com.au/about-copyright/resale-royalty-scheme/#:~:text=The%20Copyright%20Agency%20has%20been,is%20payable%20on%20certain%20resales.

57 This estimate includes $291 million ($322 million adjusted) private sector investment in the 2019 calendar year and $249 million ($265 million adjusted) in the 2019–20 financial year.

58 Not-for-profit entities and cultural organisations can apply for the Plus1 program; individual artists and artist groups can apply for the MATCH Lab program.

59 Creative Partnerships Australia, “Annual Report 2021-22,” accessed June 6, 2023, https://creativepartnerships.gov.au/wp-content/uploads/2022/11/CPA-Annual-Report-2021-22_Online.pdf.

60 European Union, 42.

61 The European Union typology distinguishes between peer-to-peer lending, equity crowdfunding, rewards-based crowdfunding, donation-based crowdfunding, profit sharing/revenue sharing, debt-securities crowdfunding, and hybrid models. European Union, 42.

62 Christian Handke and Carolina Dalla Chiesa, “The Art of Crowdfunding Arts and Innovation: The Cultural Economic Perspective,” *Journal of Cultural Economics* 46, no. 2 (2022): 249–84. https://doi.org/10.1007/s10824-022-09444-9.

63 Creative Partnerships Australia, “Annual Report 2021-22,” accessed June 6, 2023, https://creativepartnerships.gov.au/wp-content/uploads/2022/11/CPA-Annual-Report-2021-22_Online.pdf.

64 Australian Cultural Fund (ACF) also runs a crowdfunding match-funding initiative called Boost. The program offers dollar-for-dollar matched funding of up to $5,000 for projects that are developed, produced or toured within Australia that raise funds through the ACF platform.

65 Creative Partnerships Australia, "Amplify," Australian Cultural Fund, accessed June 6, 2023, https://australianculturalfund.org.au/amplify/.

66 Australia Council for the Arts, "Arts Nation: An Overview of Australian Arts Technical Appendix 2015 Edition," 2015, https://australiacouncil.gov.au/wp-content/uploads/2021/07/arts-nation-technical-appendix-563826ded9862.pdf.

67 One of the distinguishing features of these platforms, when compared with the ACF, is that they do not provide a DGR incentive for donors.

68 Cited in Handke and Chiesa, Footnote 1.

69 Christa Baxter, "6 Ways to Self-Finance Your Business." Business.org, April 28, 2022, https://www.business.org/finance/loans/ways-to-self-finance-your-business/. "Self-Financing Your Startup," Entrepreneur, September 22, 2010, https://www.entrepreneur.com/starting-a-business/self-financing-your-startup/217376.

70 CFI Team, "Retained Earnings," Corporate Finance Institute, accessed May 2, 2023, https://corporatefinanceinstitute.com/resources/accounting/retained-earnings-guide/.

71 OECD, 230.

72 KPMG, Australian VC investment hits new high in 2022, January 31, 2023, https://kpmg.com/au/en/home/media/press-releases/2023/01/australian-vc-investment-hits-new-high-in-2022.html

73 A report by Cut Through Venture indicates that $4.8 billion of investment occurred in the first half of 2022, with $3.6 billion of this amount relating to the first quarter of 2022. In the 2021 calendar year, $10 billion was invested. Cut Through Venture, Australian Startup Funding, 2022, https://drive.google.com/file/d/1hHV2r-mHiRKSSnbaFSVEPufKa6FGEtv4/view

74 Productivity Commission, "Trade and Assistance Review 2020-21. Annual Report Series," August 2022, https://www.pc.gov.au/ongoing/trade-assistance/2020-21/trade-assistance-review-2020-21.pdf.

75 ACMA also maintains a publicly available Register of Foreign Owners of Media Assets containing information about the interests foreign stakeholders have in Australian media assets. These include commercial television and radio broadcasting licences and companies that publish newspapers associated with commercial broadcasting licence areas. This research has not explored the register or relied upon information within it because of the register's disclaimer, including the risks of reliance on the information and the need for professional advice before doing so.

76 Commonwealth of Australia (Australian Communications and Media Authority), "Foreign Stakeholder Interests in Australian Media Companies in 2020–21 Report to the Minister for Communications," 2022, https://www.infrastructure.gov.au/sites/default/files/documents/foma-report-to-minister-2020-21.pdf, 15.

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