

Economic impact of growing
Adelaide's festivals
Festivals Adelaide

June 2020



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Executive summary

Adelaide's festivals are renowned — the city hosts the second-largest open access arts festival in the world, the world's largest dedicated cabaret festival, and one of only a few WOMAD festivals across the globe. Each festival has its own individual focus and flavour, while contributing to the creative fabric of South Australia.

Adelaide's festivals are human at heart

Fundamentally, festivals exist to bring people together to share something. Whether they share in the delight of theatrical production, a conversation at an exhibition launch, or a laugh at a comedy show — human expression and connection are at the heart of each Adelaide festival.

This human connection will be even more important over the coming years, as the world emerges from isolation following the COVID-19 pandemic.

But festivals are more than just a party

While the majority of attendees at Adelaide's festivals are local South Australians, many are also tourists — visiting the state from overseas or interstate to experience something new. These tourists spend money beyond the festival gates which flows throughout the economy, stimulating activity in downstream industries as well as the city's bars and restaurants.

The festivals' economic benefits are not limited to tourism expenditure, however. The festivals play a key role in supporting South Australia's creative workforce. Local artists contribute to open access festivals as well as curated events, through commissions or specialised programs. In some cases, this work is purchased or toured overseas, representing export income for South Australia. The festivals also employ management, artistic and technical production staff — many of whom reside in Adelaide — helping to use and retain South Australia's creatively skilled workforce.

In addition to economic benefits, Adelaide's festivals provide value to South Australians and visitors. Festival-goers clearly derive enjoyment from that experience, while those who do not attend still benefit from increased activity in the CBD.

More broadly, the festivals can provide benefits through increased cultural engagement and diplomacy, place-making and destination marketing, or volunteering. These consumer, social and cultural benefits are more difficult to measure, but are nevertheless important when considering the value of the festivals.

What's needed to take Adelaide's festivals to the next level

Many festivals have experienced record years in recent times, breaking box office and attendance records. But the competition from interstate and overseas is fierce — and without further innovation, our festivals risk getting left behind. In consultations, Adelaide's festivals identified a series of growth initiatives which could support innovation, with a focus on export opportunities:

- **Supporting export platforms for South Australian artists** to increase the visibility and opportunities available to local artists to export their work and earn export income.
- **Establishing a headliner fund across Adelaide's festivals** to help secure exclusive acts, ensuring Adelaide's festivals are unique and have a point of difference to motivate travellers.
- **Ensuring Adelaide's festivals have the capacity and capability to grow** with distinctive and sufficiently sized venues, and more technically trained staff, to meet increasing demand.
- **Creating stability in Adelaide's festival calendar** by providing support for certain festivals to go annual, enabling efficiency and clustering benefits, as well as greater prominence.
- **Embedding the festivals in Adelaide's tourism offering** by providing greater support to include and promote the festivals in marketing campaigns, and increasing engagement with the travel distribution system.

These initiatives will be even more important during the economic recovery phase following the COVID-19 pandemic. Providing platforms for artists, as well as support to drive attendance in what is likely to remain a crowded landscape as events and festivals come back online, will be crucial in recovery.

Growing Adelaide's festivals could provide a \$59 million boost to the South Australian economy

Deloitte Access Economics has considered the potential economic impact if five of Adelaide's festivals achieved their attendance growth targets over the next ten years, with an associated increase in tourism visitation and expenditure. Importantly, this analysis does not model the specific effects of potential individual growth initiatives (such as those outlined above), but rather looks at the impact if growth occurs. Overall, those festivals with growth targets could attract an additional 24,900 tourists on average annually, who would spend an extra \$182 million over ten years in net present value (NPV) terms.

Deloitte Access Economics estimates that if the festivals achieved their growth targets, gross state product (GSP) would be \$59 million higher over a ten-year period in NPV terms. Employment would also be higher overall, with an additional 44 full time equivalent (FTE) jobs on average annually, peaking at 63 FTEs in 2029-30 as visitation increases year-on-year. It is noted that these results capture only the impacts of *additional* and *induced* visitation — a small proportion of overall visitation associated with the festivals. In addition, these results assume that the low unemployment conditions of recent years continue. However, in a world where unemployment increases – a real possibility due to COVID-19 – the net job effects may be higher than modelled. This is countered by the fact that visitation to festivals may decline, although the precise impacts are not possible to anticipate at this stage.

Of course, the total economic contribution in 2029-30 — the equivalent of figures published today — would be significantly greater, as this figure would capture *all* festival-related expenditures in the state, not only the additional and induced visitation.

The broader economic effects associated with growing Adelaide's festivals are less easily measured, but are nevertheless important

For example, larger festivals with greater links to international markets may produce better outcomes for artists selling their work, therefore increasing South Australian exports. However, increased creative exports are less easily defined in forecasts and targets, and are thus not included in this analysis – even though festivals such as the Adelaide Fringe, Adelaide Festival, SALA Festival and the Adelaide Film Festival have greater export potential due to their roles in commissioning and providing a discovery platform for talent. The figures above also do not consider the broader economic benefits of larger festivals (beyond visitation), such as creating a favourable environment for skills development and training, or marketing Adelaide as a compelling visitor destination and an attractive place to live. These are benefits which tend to emerge over time, often without a clear driving change, but are nevertheless important to consider in the context of growing Adelaide's festivals.

Deloitte Access Economics

Economic impact of growing Adelaide's festivals

An additional

24,900

tourists on average annually



An extra

\$182 million

in tourism expenditure over ten years



Gross state product (GSP) would be

\$59 million

higher over a ten-year period

An additional

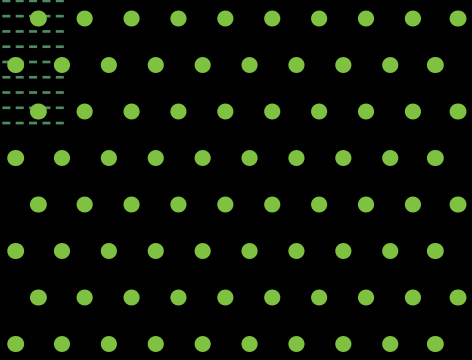
44

full time equivalent (FTE) jobs on average annually



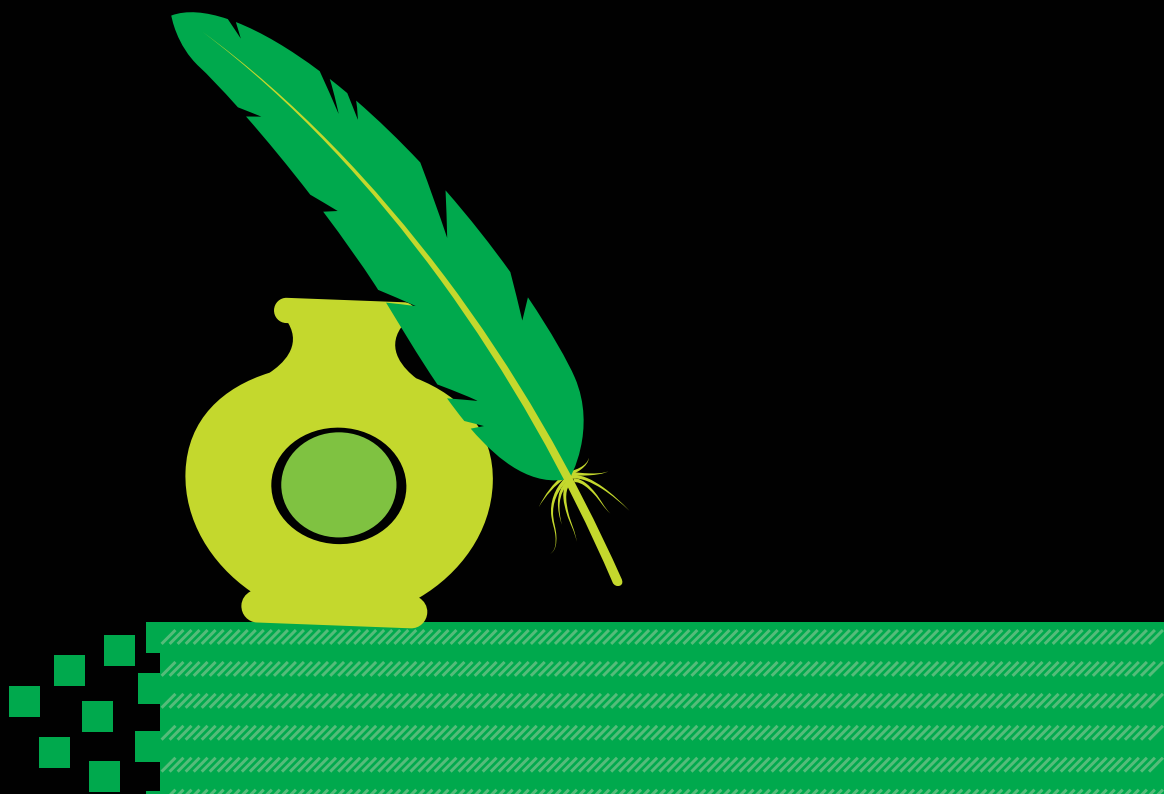


#ADLEFF



1

Background



1.1 Purpose and scope of report

Festivals are a vibrant and valuable part of South Australia's culture. The state has invested to build its competitive advantage in festivals since the inaugural Adelaide Festival in 1960, with 43 per cent of multi-category festival tickets nationally sold in South Australia.¹

Many festivals have seen higher attendance and ticket sales in recent years,² and there is still room to grow. Aside from the economic activity generated by attendance to events, the festivals also play an important role in supporting and sustaining South Australia's creative industries — a key sector for the state³ — and contribute to South Australia's cultural identity.⁴

Festivals Adelaide engaged Deloitte Access Economics to undertake a study of the potential economic impact if Adelaide's festivals were to meet identified growth targets for visitation and attendance, capturing the impacts of additional and induced visitation. This report notes the strategic initiatives identified by the festivals to meet these targets, and also considers the other economic, cultural, and social benefits of Adelaide's festivals in qualitative terms.

The remainder of the report is structured as follows:

- Chapter 2 describes the economic, cultural, and social benefits which are attributed to festivals, but can't necessarily be captured in dollar terms.
- Chapter 3 quantifies the economic impact of the festivals achieving their identified visitation targets, and the initiatives required to support growth.

1.2 About Festivals Adelaide

Festivals Adelaide was incorporated in 2012, becoming the first alliance of a city's arts and cultural festivals in the southern hemisphere. Festivals Adelaide acts as a collective voice for member festivals, representing their interests and undertaking joint research into areas such as festival tourism, infrastructure, training opportunities, and audience building, as well as into the social, cultural, and economic benefits of festivals.⁵

Based on the success of Festivals Edinburgh in Scotland, Festivals Adelaide is an umbrella organisation, representing eleven of the major arts and cultural festivals in Adelaide. These festivals include (in order of occurrence throughout the year):

- Adelaide Fringe
- WOMADelaide
- Adelaide Festival
- South Australia's History Festival
- DreamBIG Children's Festival
- Adelaide Cabaret Festival
- Adelaide Guitar Festival
- SALA Festival
- Adelaide Film Festival
- OzAsia Festival
- Feast Festival

Adelaide Fringe

The Adelaide Fringe was created by a small group of artists in 1960. By 1982, the festival had grown to host 86 groups performing in more than 50 venues throughout Adelaide. Since becoming an annual event in 2007, the festival has grown further to become the world's second-largest open access festival, with almost 3.3 million attendances in 2019. The festival remains committed to providing a way for artists across all disciplines the chance to perform.⁶

WOMADelaide

WOMADelaide began in 1992 as part of the Adelaide Festival in a joint venture with the UK-based WOMAD (World of Music, Arts and Dance) Organisation. The festival offers a wide range of performances from musical acts, to discussion forums and cooking demonstrations. The festival has run over four days on the March long weekend since 2010 and attracts approximately 20,000 people per day to its Botanic Park venue.⁷

Adelaide Festival

Established in 1960 and held annually since 2012, the Adelaide Festival has developed into an internationally renowned multi-arts festival. The festival includes an array of theatre productions, dance pieces, writers and visual arts displays.⁸ In 2018, attendances across all Adelaide Festival events (including WOMADelaide) totalled more than 350,000.⁹

South Australia's History Festival

The History Festival is a state-wide event produced by The History Trust of South Australia in May of each year, exploring the history of the state and beyond through tours, workshops, lectures and exhibitions. The festival began in 2004 as SA History Week and is now one of the state's largest community events, and the largest history festival in Australia.¹⁰ In 2019 almost 160,000 attendances were reported.

DreamBIG Children's Festival

DreamBIG Children's Festival began in 1974 as Come Out Children's Festival. Since then, more than 2 million South Australian children have participated in the biennial festival. DreamBIG is divided into the school's program and the general public program for families. The next festival will take place in May 2021.

Adelaide Cabaret Festival

Frank Ford founded the Adelaide Cabaret Festival in 2001. In only its second year, the festival had grown to attract 48,000 attendances and has since become the biggest festival of its type in the world. The festival takes place annually across two weeks in June.¹¹

Adelaide Guitar Festival

The Adelaide Guitar Festival is the largest of its kind in the southern hemisphere. The festival brings together some of the country's best guitarists delivering a range of performance workshops, artist's talks and panel discussions. While the full festival is held biennially, the festival continues to expand its supplementary events, as seen in 2019 with the month-long Special Edition program in July.¹²

SALA

Held annually in August, the South Australian Living Artists (SALA) Festival is regarded as the largest community based visual arts festival in Australia. The festival aims to be wholly inclusive of every medium, from sculpture, painting and photography, through to moving image and installations. Exhibitions are held across the state in traditional and non-traditional spaces.¹³

Adelaide Film Festival

Established in 2003, the Adelaide Film Festival is an eleven-day event presented biennially in October, with pop-up events regularly taking place in alternative years. In 2018, the festival recorded 64,000 attendances and showcased 147 films, half of which were Australian works.

OzAsia Festival

Established in 2007, OzAsia Festival is presented annually in spring by the Adelaide Festival Centre and attracts attendances of up to 200,000 each year. The festival was established to recognise the important relationships between Australia and countries throughout Asia, and to showcase cross-cultural dialogues, exchanges, and artistic collaborations in the region.¹⁴

Feast Festival

Feast Festival began in 1997 to provide a safe and inclusive platform for the LGBTIQ+ community to express themselves through art and culture. Held annually in November, the festival has grown to be the third largest LGBTIQ+ festival in the country, with over 49,000 attendances recorded in 2019.

1.3 Methodology and approach

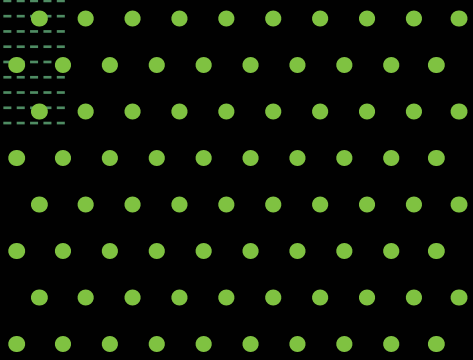
Deloitte Access Economics undertook a literature review to understand the benefits associated with festivals and events across the world. Where possible, data and research were obtained specific to South Australian or Australian festivals. This review informed Chapter 2 of this report.

Deloitte Access Economics consulted with individual festivals to understand what these benefits look like in a South Australian context. Growth targets and strategies were also obtained from selected festivals, and then aggregated to undertake the economic modelling outlined in Chapter 3. The initiatives identified to achieve this growth were also developed in consultation with the festivals. Further detail on our technical methodology can be found in Appendix B.



Tim Minchin at Adelaide Festival by Andrew Beveridge





2

The benefits of Adelaide's festivals



There are many economic, cultural and social benefits attributable to the festivals — from supporting creative employment to shaping South Australia’s identity.

2.1 Economic benefits

There are a range of economic benefits attributable to festivals around the world. The following sections summarise the available literature and describe what these benefits may look like in a South Australian context.

2.1.1 Boost to employment and production

Adelaide’s festivals positively contribute to employment and production in South Australia.¹⁵ In 2018, it is estimated that Adelaide’s festivals had a contribution of \$109.1 million, and 1,025 full-time equivalent (FTE) jobs.¹⁶ Gross expenditure totalled \$345.9 million in the same year, an increase of 29.2 per cent compared to 2017.¹⁷

This economic contribution is generated not only from tourism expenditure by those visiting from interstate or overseas, but also from local expenditure and activity by South Australian businesses and consumers. For example, festivals often have extensive infrastructure requirements, from tents and catering, sanitation, traffic control, and lights. Hiring other South Australian businesses to help organise the festivals therefore results in the employment of staff, the creation and sale of products and services, and the purchase of intermediate inputs.¹⁸ Similarly, festival patrons often pay for food and beverages, goods and transport, and admission for ticketed events.¹⁹ A study of cultural festivals taking place in nonmetropolitan Australia finds there is evidence that even festivals of a small scale can cumulatively generate a significant impact on local employment, although often on an impermanent basis.²⁰

Adelaide’s festivals might also help to retain some additional expenditure in the state, by encouraging South Australians to remain at home for leisure activities or vacations instead of going interstate.

However, the extent to which these employment and production benefits create an additional impact to the South Australian economy is unclear. Some expenditure by South Australian consumers at festivals may simply represent a diversion of funds from other areas of the South Australian economy, and other recreational activities available throughout the year.²¹ In this case, the employment and production attributable to Adelaide’s festivals would not represent an additional benefit to the South Australian economy, but simply a diversion of activity which would have taken place otherwise.

2.1.2 Stimulating cultural and creative tourism

Adelaide’s festivals can positively contribute to tourism in South Australia by marketing Adelaide as a destination for cultural and creative tourism. ‘Festival tourism’ is a recognised form of cultural tourism,²² where visitors are encouraged to actively interact and engage in local creative and cultural festival experiences.²³

Analysis undertaken by BDA Marketing Planning found that 30 per cent of interstate travellers surveyed associated ‘festivals’ with South Australia — a ranking of third, behind New South Wales and Victoria.

Cultural tourism can bring about economic benefits: tourists consume a range of goods and services, which can boost intermediate consumption in the regions they visit.²⁴ Tourist expenditures tend to be higher among visitors visiting for cultural tourism than other types of tourism. For example, in 2019, international holiday visitors who participated in cultural and heritage activities spent an average of \$2,975 per trip in Australia, compared to \$2,596 for all international holiday visitors.²⁵

It is estimated that 76,000 tourists attended Festivals Adelaide festivals in 2018, spending \$94.0 million during their stay (excluding ticket expenditure).²⁶ However, the extent to which this expenditure represents an additional benefit to the South Australian economy is again unclear. While some visitors to the state may be enticed to visit purely for the sake of the festivals, others may intend to visit South Australia regardless, and simply switch the timing of their visit to coincide with the festivals. Some proportion of tourism expenditure at Adelaide’s festivals therefore likely represents activity which would have taken place independently of the festivals.

2.1.3 Creative employment and exports

2.1.3.1 Development of artist participants

Adelaide's festivals can also provide a unique platform for the development and employment of South Australia's creative talent. By providing entry to all who wish to participate, regardless of skill level or art form, open access festivals offer a uniquely inclusive and accessible platform for South Australian artists. Artists are given the chance to develop their creative skills and intellectual property in a professional setting, whilst being exposed to a national audience and media attention — and potentially earning income if their show is successful.

For example, from a survey of artists participating in the Adelaide Fringe, Caust finds that many regard participation in the festival as a form of professional development, particularly for emerging artists.²⁷ Some artists described the Fringe as an important 'launching pad' for their careers.²⁸ The regular and predictable nature of Adelaide's festival calendar may also assist artists by spreading opportunities for work throughout the year. Similarly, artists participating in SALA have observed that the open access nature of the festival meant they felt included and acknowledged, and able to participate regardless of existing skill level. The chance to receive feedback from other artists was also regarded as important for their career development.²⁹

However, artists may also bear significant costs by participating in festivals, including registration fees or commissions, the costs of preparing work for the exhibition, as well as venue hire, accommodation, marketing and travel expenses — in addition to the opportunity cost of other paid employment they could have obtained during the same period. The intense level of competition which individual artists face in marketing their events, both from other artists and larger venues, may also detract from these benefits for some.³⁰

More broadly, artist development is not limited to open access festivals. Festivals which commission work from South Australian artists, such as OzAsia and Adelaide Festival, also enable local artists to gain experience. DreamBIG, for example, regularly commissions work from local theatre companies, with the 2019 festival featuring *Fear Not* by Prospect Youth Theatre, *A Hymn to the Hateful* by Adelaide High School's Running with Scissors Theatre Company, and *Seashore* by Sally Chance Dance, among others. These commissions, which sometimes tour nationally, may help to develop the next generation of artists.

2.1.3.2 Network and trade benefits

By creating additional access points to the national and international arts marketplace, Adelaide's festivals can act as a 'trade show' for South Australia's creative workforce.³¹ Artists participating in the festivals may capture the attention of other producers or promoters, potentially leading to pathways to additional work and employment after the festival.³² Some may even be exposed to international promoters, creating an opportunity to export South Australian content through tours or sales globally. Taking work interstate or overseas can be a valuable opportunity for artists; exposure to new markets can generate new income sources, but also provide the opportunity to learn and develop new creative content through collaborating with a more diverse range of artists. South Australian artists who take their work out of the state represent a valuable export, and serve to grow the state's global cultural reputation.

However, a common difficulty found within the creative workforce is the disconnect between the talent and industry representatives, particularly in a crowded market. Adelaide's festivals have therefore sought to establish dedicated programmes to better empower artists to connect with the broader industry, such as the commissioning of unique content by the Adelaide Festival, the Adelaide Fringe's Honey Pot programme, and Arts South Australia's Made in Adelaide Award, which supports an Adelaide Fringe artist to present their work at the Edinburgh Fringe.

Case study: sharing Adelaide festival content with the world

The Adelaide Fringe's Honey Pot connects industry delegates with artists at the Fringe, with an aim to secure future bookings and establish connections. In 2019, Australian artists signed up to \$3 million of touring deals at the Fringe, including \$1.2 million for South Australian artists and arts companies.³³ This is a significant increase compared to the program's launch in 2014, when \$196,000 of shows were programmed for future bookings. Organisations represented in 2019 included the Sydney Opera House, Soho Theatre London and America's Got Talent. South Australian artists who have secured deals include local acrobatics troupe Gravity & Other Myths, who first performed at the Fringe in 2010 and have since booked shows in Germany, Africa, the United States, London, Singapore and Edinburgh. Similarly, Adelaide cabaret artist Anya Anastasia was programmed at an off-Broadway theatre in New York by a Honey Pot industry delegate, and has described Honey Pot as 'the leading programme of its kind' worldwide.³⁴

The Adelaide Festival also plays an important role in supporting locally produced artistic content, funding new and innovative works which may not otherwise be produced. Over the last three years (2018, 2019 and 2020), the Adelaide Festival has worked with an average ten local companies per Festival, and commissioned an average of seven new works each Festival. Presenting at the Festival may also be a pathway to export for some artists and groups, such as Gravity & Other Myths – following success at the Fringe in 2010, the acrobatic group was co-commissioned by the Adelaide, Sydney and Melbourne Festivals to produce *Backbone* (2017) and *Out of Chaos* (2019), which have both toured in Australia and internationally.

SALA similarly supports the development and promotion of South Australian artists. As an open-access platform, any artist can register and display their work to a wide audience. While the link between exhibiting at SALA and broader recognition may not always be linear, artist awards can amplify an artist's profile and lead to new commissions or exhibitions. SALA's annual featured artist, for example, is commemorated in a publication by Wakefield Press. Clare Belfrage was selected as the 2018 feature artist and was the subject of *Clare Belfrage: Rhythms of necessity*. Belfrage's work is represented in major public collections across Australia and overseas, including at the National Gallery of Australia, the Corning Museum of Glass (USA) and the Museo do Vidro (Portugal).

For the Adelaide Film Festival, its Fund is crucial to both South Australian screen production and to secure premieres at the festival itself. The Fund was founded in 2005 and provides equity investment to a range of screen projects, supported by the South Australian Government. It has contributed to over 100 projects which won over 104 international and 194 national awards, including from the Cannes, Venice and Sundance Film Festivals.³⁵ In 2019, the Fund supported *Top End Wedding*, which screened at Sundance Film Festival and showcases the landscapes of the Northern Territory and South Australia. One of the Fund's 2018 projects was *Hotel Mumbai*, directed by South Australian filmmaker Anthony Maras. The film's world premiere was at the 2018 Toronto Film Festival. The 2017 Fund supported Australia's first Netflix original *Cargo*, as well as *Sweet Country*, which went on to win awards at both the Venice and Toronto Film Festivals.³⁶

OzAsia also regularly commissions work for each festival, with a focus on establishing collaborations between South Australian and international artists. These collaborations enable local artists to test and explore new ideas, and are often toured overseas following OzAsia premieres. Recent commissions include *Close Company*, a collaboration between Adelaide choreographer Alison Currie and dancers from Singapore's RAW Moves, and *Music in Anticlockwise*, featuring Adelaide's Zephyr Quartet and Hong Kong's GayBird. Collaborations have toured across Asia as well in European and Australian cities.

2.1.4 Skills development and training

Growth in the popularity of festivals in Australia and overseas has brought about an increase in the size of the professional festival management industry in recent years.³⁷ In Adelaide, the festival management workforce includes technicians with a range of skills required for the logistical organisation and operation of festivals, across areas such as lighting, sound, catering, crowd management, and security.³⁸ A range of senior professionals are also required in event management, as well as arts administration and festival direction more generally. Hosting regular festivals may have allowed for the development of a uniquely skilled and highly competitive festival workforce in Adelaide.

Case study: University of South Australia's festival industry major

In addition to South Australia's existing strengths in the global festivals workforce, the introduction of a new festivals-based major at the University of South Australia may help to further enhance the competitiveness of South Australia's festivals management workforce.

Having identified a sector-wide challenge for festivals organisers in finding job-ready graduates, the University of South Australia has introduced a Bachelor of Creative Industries with an Industry Major in Festivals — a three-year degree, designed to prepare students for a career in the creative and cultural sector, including in festivals management, by undertaking a hands-on education with industry engagement.

Co-designed and co-delivered with Festivals Adelaide, the degree incorporates a range of festival-specific courses such as Intercultural communication, Festivals Operational Management, Creative Tourism, Arts and Cultural Audiences, and Festivals Experiences. The degree also features industry placements and the possibility for students to produce their own festival. Input from Festivals Adelaide has driven curriculum inclusions to address industry needs — for example, in relation to the role of festivals in cultural and economic development, as well as logistical issues in operational organisation, from devising budgets and programming, to organising ticketing and porta-loos.

As students engage with industry throughout their studies, the degree should better prepare students for entering the job market. The degree will also help the festivals sector access a job-ready market, an important benefit given that tight budgets frequently mean that opportunities for workplace training are very limited in festivals.

The inaugural cohort will begin the course in March 2020. The degree features the only festivals management sequence in Australia, and may help to attract additional domestic and international students to study in South Australia. With the potential to enhance the competitiveness of South Australia's festival workforce, the degree should not only build on South Australia's comparative advantage in festivals, but also celebrate the state's reputation as the festival state.

2.1.5 Innovation and entrepreneurialism

Adelaide's festivals may contribute to innovation across South Australia's creative economy by acting as a 'laboratory' for new ideas.³⁹ Open-access and multi-arts festivals can provide a platform for new and experimental artistic content, incentivising producers to invest in novel productions which may not otherwise come to market, and helping to circulate new artistic content to wider audiences.⁴⁰

Taking part in open access festivals can also encourage artists to be more entrepreneurial in their creative ventures, by requiring them to self-produce and self-promote in order to compete with other events.⁴¹ Supporting the development of entrepreneurialism and business acumen among emerging artists may help to prepare them to operate in a highly competitive market.

In a survey of artists participating in the Fringe, Caust observes that many artists report developing their business skills, by learning how to stage and sell their shows in a more independent manner.⁴²

Adelaide's festivals may also contribute to innovation in the South Australian economy by incentivising business development and investment within festival and event management production.⁴³ Given tight budgets, festival organisers need to innovate across areas such as programming, financial planning, marketing and service provision.⁴⁴ Unsuccessful innovations can equally result in significant costs for festivals; for example, the failure of a new online box office system at the 2008 Edinburgh Fringe resulted in a 10 per cent fall in ticket sales, the first decline in the previous eight years.⁴⁵

Case study: Adelaide Fringe's bespoke artist and venue registration platform

All festivals require systems that centralise information — such as shows, artists and venues — into ticketing platforms, websites and brochures. After 15 years, the Adelaide Fringe had outgrown its existing system, which often needed inefficient manual intervention and was not user-friendly. With no product on the market meeting the Fringe's needs, the Fringe developed its own artist and venue registration platform (AVR), using an open-source and customisable back-end code.

In addition to artist and venue registration, the platform streamlines a number of processes for the Fringe — enabling artists to find suitable venues, international delegates to register for the Honey Pot program, and the media to access publicity information and share press releases. It also integrates directly into Red61's ticketing system. From a festivals management perspective, AVR has provided efficiencies for the Fringe in accessing data and contacting participants, while also enabling organisers to sell advertising and easily split settlements from the box office. This year, a specific tool was built to export information to InDesign, significantly reducing the efforts required for the Fringe Guide.

Beyond the benefits for the Fringe, the open-source nature of the code enables it to be licenced and customised for other festivals. AVR has so far been licenced to Perth's Fringe World Festival, the third largest fringe worldwide, as well as South Australia's Umbrella Winter City Sounds and the Adelaide Food Fringe. AVR's key competitive advantage is its customisable nature, meaning it can adapt to different types of festivals (large or small, open-access or curated) and evolve as they grow.

The Adelaide Fringe sees strong potential for the AVR platform across the globe. The platform will be showcased at the World Fringe Congress in Adelaide during 2020, with strong interest already from major international players. Adelaide Fringe owns the platform, meaning that licencing income can be reinvested into the platform and the Adelaide Fringe.



DreamBig Children's Festival by Adelaide Festival Centre

2.2 Consumer, social and cultural benefits

Beyond the traditional economic benefits associated with festivals, Adelaide's festivals also contribute a range of benefits to consumers, society, and culture — both for South Australians and visitors who attend.

2.2.1 Consumer benefits

Adelaide's festivals may provide value to those individuals who choose to take part in them, termed **'use value'**. Use value can account for the range of benefits perceived by a consumer from attending a festival, including the events, products, food and beverages they consume during the festival.⁴⁶ While use value is often captured by the price paid by consumers for a product, if Adelaide's festivals are able to provide events at prices below consumers' true value — or for free, as a range of festival events are — then an economic impact will underestimate the value of services provided, by only measuring the price paid, rather than the value received by consumers.

Additionally, where festivals offer unique or uncommon events and experiences, which may not be otherwise available in the region, then festivals may add to the range of leisure choices available to consumers, creating **choice value** for South Australian consumers.⁴⁷

Adelaide's festivals may also create value even for those who do not personally attend festival events. Just as the Opera House contributes more broadly to Australian culture and identity,⁴⁸ many South Australians who do not attend the festivals may still place value on the existence of the festivals in their state (**existence value**), or simply appreciate having the option to visit the festivals in the future (**option value**).⁴⁹

Festivals have been shown to generate significant value for non-attendees. For example, in a study of a music festival in Sweden, Andersson et al found that the event generated €7.4 million in use value for attendees, and €3 million in non-use value among local residents who did not attend.⁵⁰

2.2.2 Diversity and social inclusion

Adelaide's festivals may enhance social inclusion within South Australia by promoting cultural diversity. Festivals provide a unique platform through which to reach and celebrate particular populations, from immigrants and indigenous groups, or particular age groups, such as children at the DreamBIG Festival and both younger and older demographics at the History Festival.⁵¹ Similarly, cultural festivals such as WOMADelaide and OzAsia were established with the goal of presenting a wider range of international artists from around the world to a festival audience, enhancing the cultural diversity of Adelaide's festival offerings. These festivals can thus be used as a vehicle for cultural diplomacy, by building cross-cultural knowledge and understanding among South Australians.⁵²

In this way, Adelaide's festivals may also help to build social cohesion within South Australia by adding to the state's stock of 'social capital',⁵³ or the social links which exist between otherwise unrelated groups and individuals within a community. The festivals help to build this capital, by welcoming diverse groups into public spaces together. Feast Festival, for example, brings together members of the LGBTIQ+ community and allies at its events throughout November.

2.2.3 Benefits of cultural engagement

Adelaide's festivals may encourage a broader range of South Australians to engage in cultural activities throughout the year. This can be regarded as an end in itself, as increased cultural engagement has been linked to better outcomes in areas across individuals' health, wellbeing, and quality of life. For example, the Australia Council for the Arts found that engagement with the arts is associated with a significant positive increase in life satisfaction, valued at \$4,349 per person, per year.⁵⁴ The impact of the arts on mental health is also increasingly recognised — participating in artistic and cultural activities, either actively or passively, has been shown to be positively correlated with improvements in psychological mood and emotional state, including lowered anxiety and depression.⁵⁵

Festival attendance may even be linked to an increased engagement with the arts after the festival, particularly among non-university educated consumers. In a study of the Tasmanian winter festival Dark Mofo, Franklin observed that 62.8 per cent of non-university educated attendees to the Festival visited the neighbouring Mona museum after their trip, with 49 per cent becoming regulars at the museum.⁵⁶ While this is lower than the attendance rate among university educated attendees, it is significantly higher than the mere 20 per cent of non-university educated Australians who attended an art gallery in 2009-10.⁵⁷ Adelaide's festivals play a role in encouraging a broader range of South Australians to engage in culture and the arts, expanding these benefits throughout the broader population. SALA Festival, for example, engages school-aged children through its school exhibitions, of which 40 were registered in 2019.

2.2.4 Volunteering benefits

As volunteer intensive events, Adelaide's festivals create additional opportunities for volunteering and philanthropy throughout the year, leading to a range of benefits for those who volunteer their time, as well as the local community more broadly. For example, a survey of volunteers in South Australia found that volunteers reported increased technical and interpersonal skills, friendships and networking, as well as a sense of personal satisfaction in contributing to the local community.⁵⁸ These benefits have value for the 3,000 volunteers in Adelaide's Festivals Volunteer Network,⁵⁹ and may also be useful in obtaining paid employment. Among the broader community, Gibson et al observe that volunteering at festivals in nonmetropolitan Australia plays an important community building role.⁶⁰

2.3 Brand and identity

Adelaide's festivals may have powerful impacts in place-making, by shaping South Australia's identity as a vibrant and creative state — as well as in destination marketing, by promoting the state as a more attractive destination for tourists to visit.

2.3.1 Place-making effects

2.3.1.1 Building cultural capital

Adelaide's festivals may contribute to the stock of 'cultural capital' within South Australia by promoting wider participation in cultural and creative activities. Cultural capital is defined as the set of assets which contribute to cultural value — this might include distinctive Adelaide buildings and locations, South Australian artworks and artefacts, as well as intangibles such as the ideas, traditions and values which can bind a community together.⁶¹ Adelaide's festivals may add to South Australia's stock of cultural capital by contributing to this atmosphere,⁶² encouraging residents to participate in a 'shared calendar of activity' throughout the year.⁶³ For example, in Adelaide this is seen in the way that the arts take over the city during the summer season,⁶⁴ bringing together South Australia's largest cluster of artists and creative businesses in a highly visible demonstration of the creativity and vibrancy which can be found within the state.

2.3.1.2 Telling South Australian stories

Adelaide's festivals play a powerful role in shaping South Australia's identity, by providing a platform for South Australian narratives and culture to be portrayed on the stage, screen and canvas.⁶⁵

For example, in Franklin's study of Dark Mofo, he finds that the festival plays some role in facilitating the expression of local cultural identities, with scenes of public revelry allowing residents in Hobart to share in and celebrate their 'newfound' status as a city for the arts.⁶⁶ Similarly, in Scotland's festival city of Edinburgh, 89 per cent of local residents surveyed agreed that the Festivals increased their pride in Edinburgh as a city.⁶⁷

Given that South Australian stories might be less commonly represented on Australia's national stage, South Australian consumers obtain value from viewing content which is unique to their region.⁶⁸ Adelaide's festivals may therefore help to build South Australians' pride in their state by celebrating their shared histories and cultural practices.⁶⁹

2.3.2 Destination marketing effects

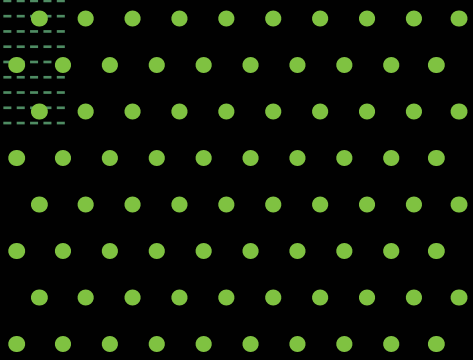
Arts and cultural festivals have been recognised to be able to be used to help boost tourism development by enhancing the image of the region, making them a popular strategic initiative used to attract visitors to cities and regions globally.⁷⁰ For example, in their study of a classical music festival in Italy, Piva and Lluís observed a positive relationship between festival and the enhancement of the city's image among non-resident visitors.⁷¹

As highly visible public events, Adelaide's festivals can help to broadcast the positive aspects of South Australia's reputation interstate and overseas, branding the state in a way that may appeal to potential visitors. This is demonstrated in South Australia's unofficial designation as the 'festival state', and Adelaide as the 'premier festival city',⁷² even a decade after the slogan was discontinued on vehicle number plates.⁷³ Indeed, 80 per cent of people agree hosting festivals improves South Australia's image.⁷⁴

The precise effects of destination marketing are often unclear. As highlighted earlier, some proportion of tourism visitation is likely redirected from other times of the year, and is therefore not considered new or induced expenditure. Any potential effects on longer-term movements (i.e. residency) are also uncertain, despite some international evidence.⁷⁵



*Tropical Heat at
Adelaide Fringe by Fumi Takagi*



3

Growing Adelaide's festivals



Adelaide's festivals have the potential to grow beyond their size today. Beyond enjoyment for more consumers, growing the festivals beyond business as usual is estimated to increase gross state product in South Australia by \$59 million over 10 years in net present value terms.

3.1 Growth initiatives

The festivals landscape has become increasingly competitive across Australia and the world. While the number of tickets sold to multi-category festivals in South Australia increased slightly in 2018,⁷⁶ a recent push from Western Australia means that South Australia only accounted for 37 per cent of attendances in 2018 — compared to 49 per cent the previous year.⁷⁷

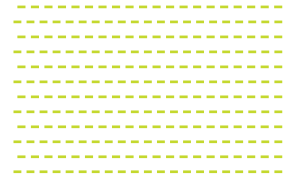
Growing the festivals — in terms of their artistic offer, attendance and visitation — will require a strategic approach. Adelaide's festivals remaining identical to what they are today will likely pose challenges in differentiating within a crowded market in the future. More importantly, in order to grow, the festivals will need the right infrastructure and capabilities.

During consultations with Deloitte Access Economics, Adelaide's festivals have identified a series of growth initiatives to support innovation, with a focus on export opportunities:

- **Supporting export platforms for South Australian artists** to increase the visibility and opportunities available to local artists to export their work and earn export income.
- **Establishing a headliner fund across Adelaide's festivals** to help secure exclusive acts, ensuring Adelaide's festivals are unique and have a point of difference to motivate travellers.
- **Ensuring Adelaide's festivals have the capacity and capability to grow** with distinctive and sufficiently sized venues, and more technically trained staff, to meet increasing demand.
- **Creating stability in Adelaide's festival calendar** by providing support for certain festivals to go annual, enabling efficiency and clustering benefits, as well as greater prominence.
- **Embedding the festivals in Adelaide's tourism offering** by providing greater support to include and promote the festivals in marketing campaigns, and increasing engagement with the travel distribution system.

These initiatives are further detailed in Appendix A. These initiatives will be even more important during the economic recovery phase following the COVID-19 pandemic. Providing platforms for artists, as well as support to drive attendance in what is likely to remain a crowded landscape as events and festivals come back online, will be crucial in recovery.

More broadly, it is the view of Festivals Adelaide that, beyond tourism and export-focused opportunities, more could be done to enhance the collaboration between Adelaide's festivals and other growth sectors of the economy. For example, there are links between festivals and international education (over 50 per cent of students surveyed stated they regularly participated in Adelaide's festivals),⁷⁸ food, wine and agribusiness (with both food-focused festivals, and the increasing role of food and wine within existing cultural festivals) and broader business development (festivals can be positioned as components of business events). Initiatives to promote collaboration will be further considered by Festivals Adelaide.



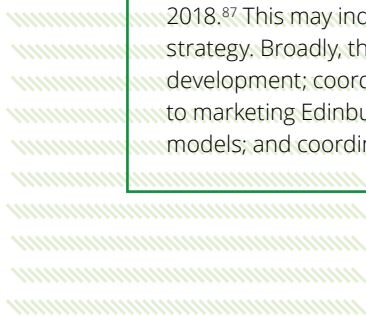
Case study: Edinburgh, a festival city

Edinburgh is Scotland's second-largest city, with a population of around 500,000 within the central council area. As Scotland's capital, the city is home to museums, galleries and other institutions that demonstrate the country's cultural identity. The Edinburgh International Festival commenced in 1947 to celebrate European cultural life in the wake of World War Two. The Edinburgh Festival Fringe and the Edinburgh International Film Festival began later that year.⁷⁹ Other festivals have since emerged, and today 12 major festivals take place throughout the city each year. The festivals are a key component of Scotland's brand, attracting 1 million attendees from over 70 countries in 2015.⁸⁰ Edinburgh's population is said to double during the summer festival season — overnight visitors from outside Scotland represented 76 per cent of induced expenditure, or £95 million, in 2015.⁸¹

The largest festival in the program — and the largest arts festival in the world — is the Edinburgh Festival Fringe. In 2018, the Fringe witnessed performances from 30,000 artists from over 50 countries. The festival is second only to the Olympic Games in terms of global ticketed events,⁸² as its open-access nature means that artists are only bound by the number of venues.

However, Edinburgh's status as the pre-eminent festival city was perceived to be under threat in the mid-2000s, with concerns that the festivals were becoming complacent and facing under-funding. A report was commissioned and found that while there were grounds for short term optimism, longer term changes needed to be made and carefully monitored to ensure that Edinburgh kept pace with other festival cities around the world.⁸³ This report was recommissioned in 2015, which outlined that while growth of the festivals was strong, new challenges were imminent in the form of fledgling public investment and the ever changing digital revolution.⁸⁴

At the time of the first report in 2005, Edinburgh's festivals attracted 3.2 million attendances;⁸⁵ this had increased to 4.5 million by the second report in 2015⁸⁶ — comparable to Adelaide's 4.5 million in 2018.⁸⁷ This may indicate that some insights can be gained from Edinburgh's approach and growth strategy. Broadly, the recommendations include: festivals adopting a leadership role in infrastructure development; coordinating engagement and educational initiatives; continuing a 'joined up' approach to marketing Edinburgh as a festival city; embracing new technologies; suggesting new funding models; and coordinating across the festivals through the Festivals Forum.⁸⁸



3.2 Current and potential future size of the festivals

The economic benefits associated with Adelaide’s festivals have typically been assessed on a historical basis — considering the previous year’s festivals, their visitation and associated expenditure. Few studies have attempted to capture the *potential* of the sector into the future.

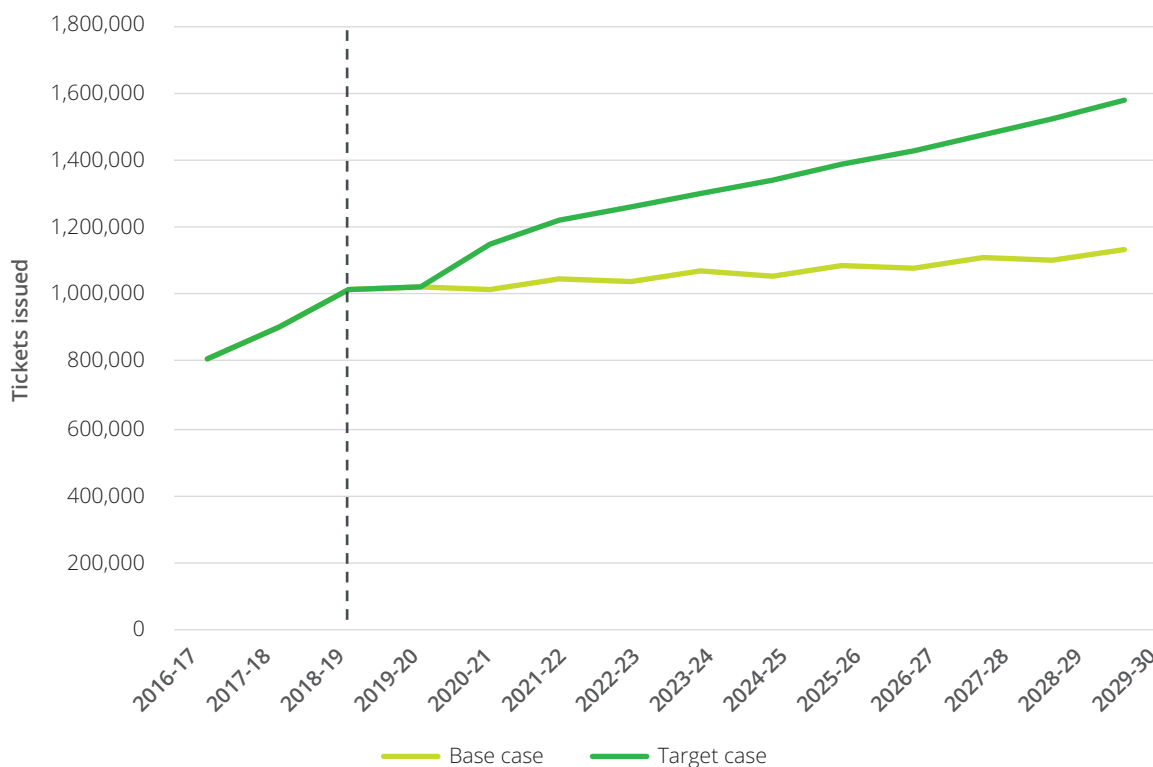
Deloitte Access Economics has considered the potential economic impact of Adelaide’s festivals achieving their attendance growth targets over the next ten years. These targets were provided by each festival and assume there are material changes in how the festivals are delivered — whether that be going annual, having access to more venues, or greater support in tourism marketing.

Due to limitations in available data, five festivals were included in this analysis: Adelaide Fringe, Adelaide Festival, WOMADelaide, Adelaide Film Festival and OzAsia. This reflects the festivals which have identified targets, as well as a focus on the visitor economy.

This analysis does not attempt to model the specific effects of individual initiatives aimed at increasing tourism visitation, nor does it model the specific effects of the initiatives identified in the previous section; rather, it models the overall effect of the festivals meeting their growth targets.

The following chart shows the number of tickets issued by these five festivals historically, and as projected under the base case and target case. By 2029-30, an additional 440,000 tickets could be sold, based on festival targets.

Chart 3.1: Projected tickets issued by five Adelaide festivals under the base case and target case



Source: Deloitte Access Economics, using data from Adelaide Fringe, Adelaide Festival, WOMADelaide, Adelaide Film Festival and OzAsia.



SALA Finissage Closing Party by Sam Roberts

Importantly, this analysis centres on the impact of tourism expenditure associated with an increase in attendance to each festival, with the ticket sales above converted to tourism visitation and expenditure. It therefore excludes a wide variety of other flow-on impacts — such as more opportunities for South Australian artists to export work domestically and internationally — which form a crucial part of the festivals' economic benefits, but are more difficult to forecast and quantify.

3.2.1 Methodology

This study utilises the Deloitte Access Economics Regional General Equilibrium Model (DAE-RGEM) to estimate the impact of increased tourism expenditure associated with Adelaide's festivals achieving their growth targets. DAE-RGEM is a large scale, dynamic, multi-region, multi-commodity computable general equilibrium (CGE) model of the world economy, with bottom-up modelling of Australian regions. DAE-RGEM encompasses all economic activity — including production, consumption, employment, taxes and trade — and the inter-linkages between them.

The modelling undertaken quantifies the economic impact of increased tourism expenditure in South Australia, relative to a 'base case' where those targets are not achieved. Our analysis focuses only on *induced* visitation — that is, the increase in the number of people who identify a festival as their primary reason to visit South Australia (derived from survey results). While this reflects a conservative approach, it minimises the risk of double-counting visitor dollars during March, and ensures the analysis is focused on visitors who are motivated by the festivals, rather than other reasons.

The current CGE modelling results assume that the low unemployment conditions of recent years continue. However, in a world where unemployment increases — a real possibility due to COVID-19 — the net job effects may be higher than modelled. This is because the additional investment in the economy may result in less crowding out. In other words, instead of competing with other sectors in the economy for labour and capital resources, the additional expenditure will first draw labour from the unemployment pool and other resources from underutilised capital.

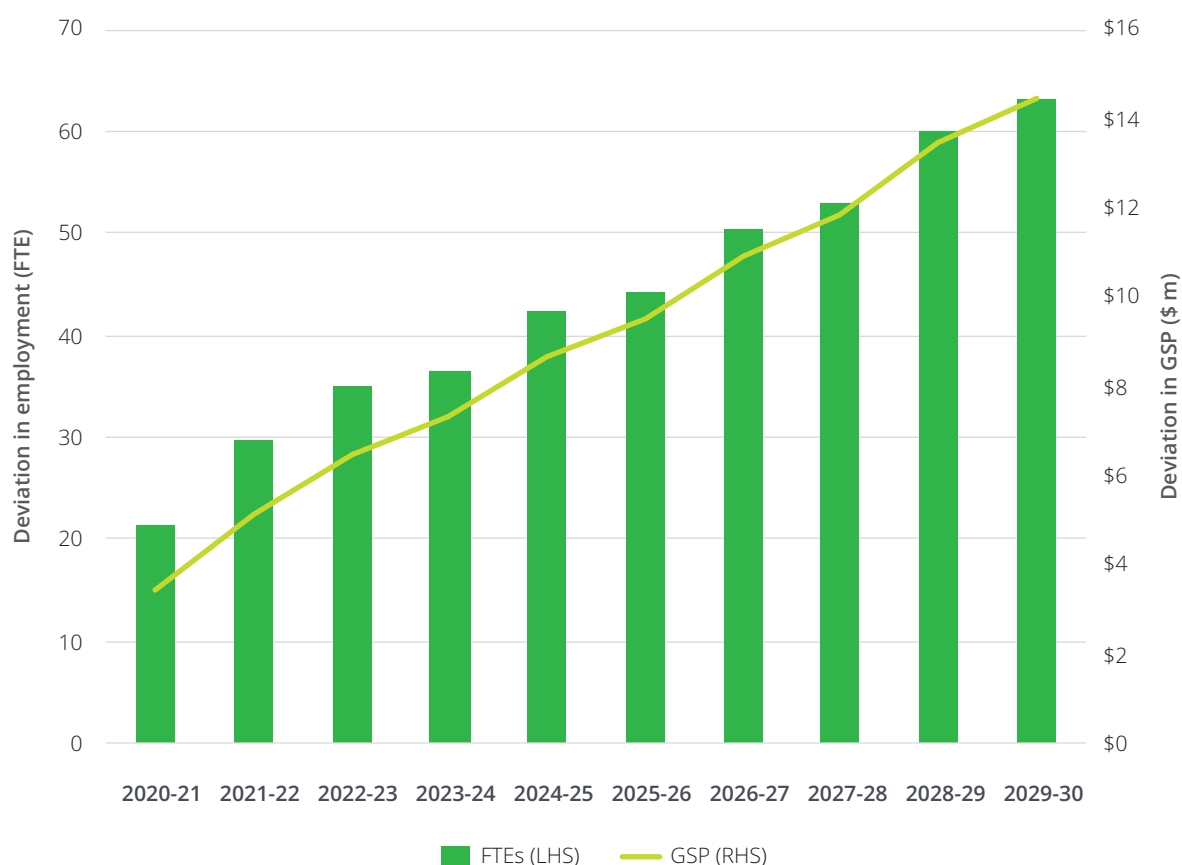
Based on the festivals' growth targets, it is estimated that there will be an additional 24,900 visitors on average annually between 2020-21 and 2029-30, with a total additional tourism spend of \$182 million in net present value (NPV) terms (in 2019-20 dollars, with a 7 per cent discount rate). Notably, this visitation and expenditure is over and above what could be expected in the base case, rather than a total. However, it is possible that the longer-lasting effects of COVID-19 may see visitation to festivals decline, although the precise impacts are not possible to anticipate at this stage. The current forecasts assume that all festivals remain on their current growth trajectory, both in the base case and in the higher-growth scenario.

Further detail as to the modelling framework is provided in Appendix B.

3.2.2 Economic impact

Deloitte Access Economics estimates that if the festivals achieved their growth targets and tourism expenditure increased, gross state product (GSP) would be \$59 million higher over a ten-year period in NPV terms. Employment would also be higher overall, with an additional 44 full time equivalent (FTE) jobs on average annually, peaking at 63 FTEs in 2029-30 as visitation increases year-on-year. Chart 3.2 shows the deviation in GSP and employment (FTEs) under the target scenario between 2020-21 and 2029-30.

Chart 3.2: Deviation in gross state product (in real terms), and employment (FTEs), 2020-21 to 2029-30



Source: Deloitte Access Economics.

Economic impact of growing Adelaide's festivals

Impacts are moderate in the initial years modelled, as attendances (and therefore visitation) build up year on year. By 2029-30, an additional 63 FTEs are expected to be employed in South Australia compared to the base case scenario, and GSP is expected to be \$14 million higher. Additional tourism expenditure filters through the economy in various ways — increasing demand for goods and services such as food and beverage, or recreational activities. Higher visitation to South Australia also translates to higher demand for a range of other tourism related services, such as transport, retail and accommodation.

It is noted that these results capture only the impacts of *additional* and *induced* visitation — a small proportion of overall visitation associated with the festivals. The total economic contribution in 2029-30 — the equivalent of historical figures published today — would be significantly greater, as this captures *all* festival-related expenditures in the state.

The expenditure of local South Australian residents is crucial for the festivals and their sustainability, but is not considered in this analysis, which focuses on spending from outside the state economy.

As highlighted earlier, there is a range of other potential economic effects associated with growing Adelaide's festivals. For example, larger festivals with greater links to international markets may produce better outcomes for artists selling their work, therefore increasing South Australian exports. This analysis also does not consider the broader economic benefits of larger festivals (beyond visitation), such as creating a favourable environment for skills development and training, or marketing Adelaide as an attractive tourism and residential destination. These are benefits which tend to emerge over time, often without a clear driving change, but are nevertheless important to consider in the context of growing Adelaide's festivals.



South Australia's History Festival by Jiayuan Liang

Modelling approach and limitations

Estimating the impact of growing Adelaide's festivals requires the development of a base case (where the South Australian economy continues to grow on its current trajectory, and the festivals perform as would be expected if they did not innovate) to compare to the target case (in which the festivals meet their identified growth targets, and the festivals benefit from the impact of identified growth initiatives).

The festivals considered in this analysis include those with a particular focus on tourism, and with sufficient historical and target data: the Adelaide Fringe, Adelaide Festival, WOMADelaide, OzAsia and the Adelaide Film Festival. While all festivals attract a number of tourists, these festivals attract visitors in sufficient volumes to meaningfully model the impact of potential growth.

In the base case, it is assumed that the South Australian economy continues to grow on its current long-term trajectory. Attendances to each festival were projected based on historical results and/or mid-range forecasts for Adelaide's population growth. It is therefore assumed that all festivals would continue to grow attendance and tourism visitation in the base case, but at a much slower rate than if they sought to innovate and implement growth initiatives.

For the target case, Deloitte Access Economics was provided with attendance targets for each of the festivals considered. These figures — and attendance figures under the base case — were converted to induced visitation and tourism expenditure using historical results. With the exception of the Adelaide Fringe which has a specific visitation target, it is assumed for all other festivals that visitors remain a constant proportion of overall attendances. This likely underestimates the potential for new visitors to be encouraged to visit Adelaide due to the festivals, however it represents a conservative approach. In addition, only 'induced' tourists are considered — those visitors who identified a festival as their primary reason for visiting South Australia, according to surveys undertaken by individual festivals. This limits the scope of the economic modelling to the impacts of the festivals only (rather than other extraneous factors), and also ensures there is no double-counting across festivals. Tourism expenditure is exclusive of spending on tickets.

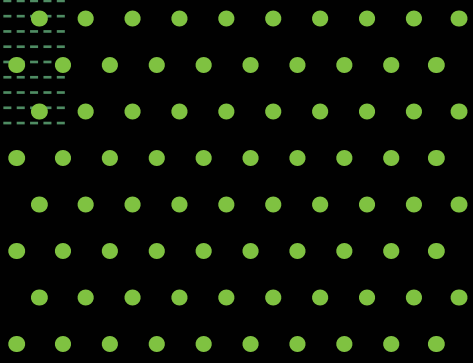
Historical data for each festival, with the exception of bookings data, is sourced from annual surveys undertaken by festivals. This data is collated and analysed by Barry Burgan for Festivals Adelaide on an annual basis. It is noted that there is potential for bias when using survey data, given that those who respond to the survey may be those who are more likely to attend festivals regularly (with a higher spend) in addition to errors when respondents recall their expenditure after the event. Average expenditures may therefore be lower (or higher) than suggested by survey results.

This analysis primarily focuses on increasing demand — that is, considering the economic impact of additional tourists visiting South Australia for the purpose of attending a festival. Given the cluster of events during March in particular, Deloitte Access Economics undertook sensitivity testing to ensure that the number of additional tourists projected does not exceed available hotel rooms.

This testing confirmed that, when considering the average proportion of visitors who stay in hotels and similar accommodation during their stay in South Australia,⁸⁹ it is anticipated there will be adequate accommodation for those visitors, based upon the current pipeline of hotel development in Adelaide.⁹⁰ However, it is noted that capacity within the accommodation market is a potential risk in this modelling, in particular if a significant proportion of planned hotel projects do not proceed.



WOMADelaide by Jack Fenby



Appendices



Appendix A: Growth initiatives

The following sections summarise a series of growth initiatives identified by the festivals during consultations with Deloitte Access Economics, with a focus on export opportunities.

A.1. Supporting export platforms for South Australian artists

While many attendees only consider the festivals through an audience lens, there is an additional benefit for artists presenting at many of Adelaide's festivals: the opportunity to be discovered and booked for future events worldwide. Whether through a formal program or as a by-product, several festivals provide a platform for South Australian artists — and those from Australia or overseas — to connect with an international industry.

As noted earlier, these programs can have significant benefits for artists, with bookings providing revenue streams beyond a single festival or event. This in effect represents exports for South Australia — as incomes from shows flow back to the artist's home state. The national body promoting Australian performing artists, the Australian Performing Arts Market (APAM), is now based in Melbourne, with only one or two APAM gatherings at festivals nationally each year. This highlights the importance of continued support for the Adelaide Fringe Honey Pot, which facilitates these connections for Fringe artists annually. Honey Pot is currently supported by the South Australian Government's SA Export Accelerator programme, as well as a series of grants from the Department of Foreign Affairs and Trade to host international delegates.⁹¹

It is noted that export platforms look different across each festival. SALA, for example, is the largest open access visual arts festival in Australia. Visitors to the festival — whether at a gallery or a non-traditional art space — have the opportunity to discover the works of South Australian artists, which can lead to sales or to exhibitions interstate. Media coverage of events such as SALA further broaden the festival's reach, with a total 2,816 traditional and social media mentions of SALA for the 2019 festival. An online platform could further expand the reach and discoverability of South Australian living artists.

Taking a different approach, the Adelaide Film Festival Fund provides equity investment in Australian screen production, with objectives including economic and cultural outcomes for South Australia. In supporting South Australia's screen industry, the fund provides benefits to South Australian filmmakers and the potential for direct financial returns to the state. Uniquely, the fund links its investment to Adelaide Film Festival premieres, elevating the role of South Australia's film industry to a broad audience, while attracting tourists from across the nation.

Further growth in South Australia's creative industries could be driven through expanded support for these platforms, given the demonstrated potential for South Australian artists to export worldwide.

A.2. Establishing a headliner fund across Adelaide's festivals

South Australia's events and festivals are a well-recognised driver of visitation to the state, as noted in the South Australian Tourism Commission's *2030 Plan*. Events often act as a 'trigger' for potential tourists, encouraging those who are undecided to visit at a particular time.

However, it is crucial that festivals and events are unique. It was noted in consultations that exclusive performances are more likely to drive interstate or international visitation — as people are less inclined to travel for an event they can see at home. Ensuring that Adelaide's festivals are perceived as unique, and feature acts not seen elsewhere in Australia, is therefore crucial to the visitor proposition. This remains a focus for many of Adelaide's festivals, although securing international acts with exclusivity is reported to be increasingly hard in a competitive bookings market (especially with the eastern states) and a depreciating Australian dollar.

The festivals therefore identified the potential significance of a headliner fund — to be shared across Adelaide's festivals — to help secure exclusive acts and encourage greater tourism visitation.

While a headliner fund would assist in securing exclusive international acts, it is equally important to acknowledge the potential for South Australian stories to attract visitors. Many festivals commission South Australian work as part of their program, or have done so in the past. However, commissioning a new piece of work can be expensive for individual festivals — even though there is ongoing potential for that work to be exported worldwide. Any consideration of a headliner fund should therefore be balanced with the importance of featuring South Australian work, and telling local stories, at Adelaide’s festivals.

A.3. Ensuring Adelaide’s festivals have the capacity and capability to grow

Many of Adelaide’s festivals have seen year-on-year growth in recent times. However, there are some natural constraints to growth, which will need to be addressed to facilitate the festivals increasing in size and attracting more attendances.

Firstly, some festivals will begin to be constrained by venue size over the coming years. WOMADelaide, for example, advised it is limited by the boundaries of Botanic Park. Although different configurations can increase its capacity — by, for example, moving non-essential services to other areas of the park — it is important that any increase in capacity is designed such that the nature of the festival does not change. This would require a design which distributes attendees across the festival geographically. While the Adelaide Festival will see an increase in available capacity with the re-opening of Her Majesty’s Theatre, it also noted that Adelaide lacks a venue of sufficient size and acoustics for orchestral and other music performances.

Another supply constraint relates to capability. A number of festivals highlighted the need for more trained staff in order to deliver larger events of the same high standard. From a festivals’ management perspective, the UniSA degree is designed to address this gap. However, there is high demand for technical staff, particularly with more festivals on the calendar across Australia. A renewed focus on education and training opportunities for technical staff may assist in addressing this gap over the medium term.

A.4. Creating stability in Adelaide’s festival calendar

A number of festivals have, in recent years, become annual events. These include the Adelaide Fringe, Adelaide Festival and WOMADelaide, all of which were previously held biennially (with WOMADelaide in alternate years). These festivals have seen growth in attendance in aggregate, and particularly in the most recent four years, despite the fact that there are now more events to attend within the February-March period.

Annual festivals, anecdotally, can deliver additional benefits in the right circumstances. For example, the regularity of annual events may mean that interstate or international visitors are more likely to have that event front-of-mind when making travel plans. Annual events also avoid the confusion associated with pop-ups in the off-years, which often assist in keeping a festival prominent in the calendar without a full event.

From an operational perspective, annual events may also enable festivals to gain efficiencies in planning and delivery. It may also be easier to attract philanthropic support and sponsorship, with greater regularity and therefore exposure. In addition, there may be further efficiencies or greater marketing exposure with the clustering of events — as occurs in February and March.

The success of Adelaide’s summer festivals becoming annual, as well as good attendances at biennial festival pop-up events, would tend to suggest the Adelaide Film Festival and other festivals could attract more attendances as an annual fixture. However, an annual event is likely to require greater investment, particularly in the initial stages, and some adjustment as the market absorbs an increased supply.

A.5. Embedding the festivals in Adelaide's tourism offering

Adelaide's festivals are recognised as a core part of South Australia's brand. As highlighted in the recent *South Australian Visitor Economy Sector Plan 2030*, festivals are a strength for the state, with 30 per cent of interstate travellers surveyed associating 'festivals' with South Australia. While this association has been consistent over time, interstate competition is strong.

The plan also notes the difficulties for events in allocating sufficient funds for marketing and promotion, given the resource-intensive nature of events. This can be exacerbated by limited funds and the need to prioritise the delivery of a successful event over its promotion. It was noted by the festivals that the cost of marketing interstate or overseas can be prohibitive, with better results achieved from local promotion.

Importantly, the benefit of marketing Adelaide's festivals is not limited to attendance at a singular event. As demonstrated with Edinburgh's Festival City branding, incorporating festivals into destination marketing can promote a particular brand for a city as a whole, while also supporting visitation at individual festivals.

Additional tourists at festivals — while paying the same ticket prices as locals, from a festival perspective — assist in boosting the broader visitor economy, an important outcome given the increasing hotel room supply expected in the coming years.⁹²

The festivals have identified a need for greater support in targeted marketing campaigns to the right potential visitors, while also suggesting the inclusion of the festivals in broader destination marketing initiatives, to convert awareness into visitation. However, this would only be additive to the South Australian economy as long as expenditure is genuinely additional to the visitor economy marketing budget.

The festivals' tourism offering could also be enhanced in other ways. For example, the festivals could become more accessible for domestic and international visitors through increasing engagement with the travel distribution system to ensure events feature within product and itineraries assembled by inbound and other tour operators.





Appendix B: Economic impact methodology

B.1. Technical background for CGE modelling

A change in any one part of the economy will have impacts that reverberate throughout the entire economy. For example, the building of a new mine will involve increased economic activity in the mining industry but it will also have a range of impacts in other parts of the economy:

- There will be effects up and down the **supply chain**. As a sector expands it will draw in an increased volume of intermediate inputs from related sectors resulting in an increased demand for their output and an expansion in production. If the expansion in the sector is demand driven (especially foreign demand) then the price of its output will increase putting pressure on those who use it as an intermediate input meaning their production may contract.
- The expansion in both the sector directly affected and those which supply it will result in an increased competition in **factor markets** (like those for labour and capital). Factors will move between industries in response to changes in demand and the price (wage) they can earn. This will result in the 'crowding out' of some activity in competing sectors as they lose workers and capital.
- At an aggregate level (across the whole economy) there may be an increase in demand for labour such that it induces increased labour supply (the encouraged worker effect) or an inflow of capital as relative rates of return shift. This **induced factor supply** enables an expansion of the economy, meaning more income and consumption which can stimulate sectors oriented toward this.
- If the expanding sector is export-oriented, then the expansion of its production which resulted in increased export income and could be associated with a positive shift in the terms of trade. However, this positive effect — in conjunction with an inflow of investment — would increase demand for local currency, causing **real exchange rate** appreciation with consequences for other exporting industries.

Computable general equilibrium (CGE) models are the best-practice method available for examining the impacts of a change in one part of the economy on the broader economy as they can capture the multitude of impacts highlighted above. Not only can CGE models account for these effects, the results from the models can be used to build a narrative which stakeholders respect — because it is based on accepted economic theory and the latest data — and one which is easily understood.

B.1.1. DAE-RGEM

The Deloitte Access Economics regional general equilibrium model (DAE-RGEM) belongs to the class of models known as recursive dynamic regional CGE models.⁹³ Other examples of models in this class are the Global Trade and Analysis Project Dynamic (GDyn) model, the Victoria University Regional Model (VURM) and The Enormous Regional Model (TERM).

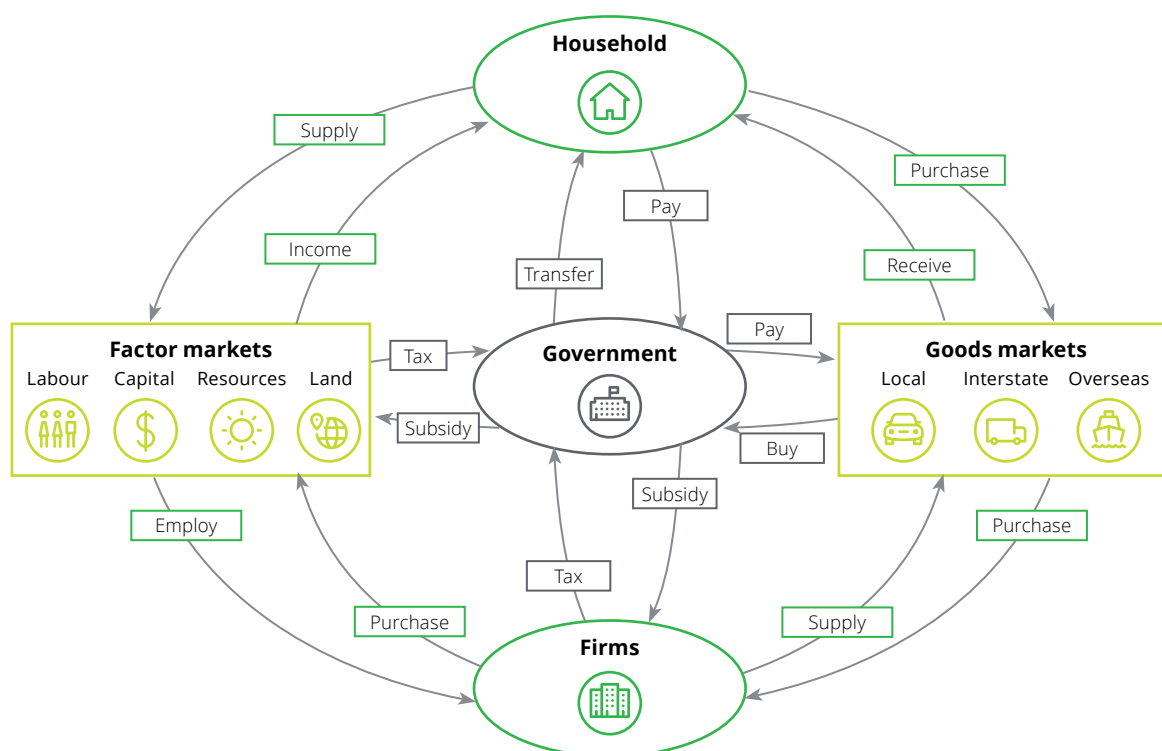
Like GDyn, DAE-RGEM is a global model, able to simulate the impact of changes in any of the 140 countries in the GTAP database (including Australia) onto each of the 140 countries. The ability to incorporate the flow-on impacts of changes that may occur in rest of the world is a key feature of global models that is not available in single-country models, such as the VURM Model or TERM.

However, like those models, DAE-RGEM is a bottom-up model of regional Australia. So DAE-RGEM is able to project the impacts on different States and sub-State regions of Australia of changes occurring in any region of Australia or in rest of the world within a single, robust, integrated economic framework.

This model projects changes in macroeconomic aggregates such as GDP, employment, export volumes, investment and private consumption. At the sectoral level, detailed results such as output, exports, imports by commodity and employment by industry are also produced.

The following diagram gives a stylised representation of DAE-RGEM, specifically a system of interconnected markets with appropriate specifications of demand, supply and the market clearing conditions determine the equilibrium prices and quantity produced, consumed and traded.

Figure B.1: A stylised representation of DAE-RGEM



The model rests on the following key assumptions:

- All markets are competitive and all agents are price takers.
- All markets clear, regardless of the size of the shock, within the year.
- It takes one year to build the capital stock from investment and investors take future prices to be the same as present ones as they cannot see the future perfectly.
- Supply of land and skills are exogenous. In the business as usual case, supply of natural resource adjusts to keep its price unchanged; productivity of land adjusts to keep the land rental constant at the base year level.
- All factors sluggishly move across sectors. Land moves within agricultural sectors; natural resource is specific to the resource using sector. Labour and capital move imperfectly across sectors in response to the differences in factor returns. Inter-sectoral factor movement is controlled by overall return maximizing behaviour subject to a CET function. By raising the size of the elasticity of transformation to a large number we can mimic the perfect mobility of a factor across sectors and by setting the number close to zero we can make the factor sector specific. This formulation allows the model to acknowledge the sector specificity of part of the capital stock used by each sector and also the sector specific skills acquired by labour while remaining in the industry for a long time. Any movement of such labour to another sector will mean a reduction in the efficiency of labour as a part of the skills embodied will not be used in the new industry of employment.

DAE-RGEM is based on a substantial body of accepted microeconomic theory. Key features of the model are:

- The model contains a 'regional household' that receives all income from factor ownerships (labour, capital, land and natural resources), tax revenues and net income from foreign asset holdings. In other words, the regional household receives the gross national income (GNI) as its income.
- The regional household allocates its income across private consumption, government consumption and savings so as to maximise a Cobb-Douglas utility function. This optimisation process determines national savings, private and government consumption expenditure levels.
- Given the budget levels, household demand for a source-generic composite goods are determined by minimising a CDE (Constant Differences of Elasticities) expenditure function. For most regions, households can source consumption goods only from domestic and foreign sources. In the Australian regions, however, households can also source goods from interstate. In all cases, the choice of sources of each commodity is determined by minimising the cost using a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function defined over the sources of the commodity (using the Armington assumption).
- Government demand for source-generic composite goods, and goods from different sources (domestic, imported and interstate), is determined by maximising utility via Cobb-Douglas utility functions in two stages.
- All savings generated in each region are used to purchase bonds from the global market whose price movements reflect movements in the price of creating capital across all regions.
- Financial investments across the world follow higher rates of return with some allowance for country specific risk differences, captured by the differences in rates of return in the base year data. A conceptual global financial market (or a global bank) facilitates the sale of the bond and finance investments in all countries/regions. The global saving-investment market is cleared by a flexible interest rate.
- Once aggregate investment level is determined in each region, the demand for the capital good is met by a dedicated regional capital goods sector that constructs capital goods by combining intermediate inputs in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these intermediate inputs subject to a CRESH aggregation function.
- Producers supply goods by combining aggregate intermediate inputs and primary factors in fixed proportions (the Leontief assumption). Source-generic composite intermediate inputs are also combined in fixed proportions (or with a very small elasticity of substitution under a CES function), whereas individual primary factors are chosen to minimise the total primary factor input costs subject to a CES (production) aggregating function.

B.2. Data sources and limitations

Estimating the impact of increasing attendances at Adelaide's festivals required data from each festival, in addition to a range of public data sources. Deloitte Access Economics customised the methodology for this analysis to overcome some limitations in data availability or quality. These limitations are explained in more detail below.

Historical data for each festival, with the exception of bookings data, is sourced from annual surveys undertaken by festivals. This data is collated and analysed by Barry Burgan for Festivals Adelaide on an annual basis. It is noted that there is potential for bias when using survey data, given that those who respond to the survey may be those who are more likely to attend festivals regularly (with a higher spend) in addition to errors when respondents recall their expenditure after the event. Average expenditures may therefore be lower (or higher) than suggested by survey results.

Overall, analysis of survey results over time suggested a relatively low sample of tourists (the key cohort in question for this analysis) for a number of the smaller festivals. While smaller festivals are not as likely to see large cohorts of tourists, there was a large variation in figures such as visitor expenditure and source market (interstate or international). For those festivals to be incorporated in future analysis, it is suggested that robust sub-quotas are established for tourist categories within visitor surveys, and that, where possible, data is captured directly at the point of sale or interaction. This could include, for example, data collection through online booking or payment platforms, credit cards or mobile phones.

The festivals considered in this analysis included those with a particular focus on attracting visitors from outside South Australia, and with sufficient historical and target data: the Adelaide Fringe, Adelaide Festival, WOMADelaide, OzAsia and the Adelaide Film Festival. While all festivals attract a number of tourists, these festivals attract visitors in sufficient volumes to meaningfully model the impact of potential growth. Future analyses could include a broader range of festivals where sufficient data is available and targets have been established by those festivals.

It is noted that, for many festivals, tourism visitation is not a core objective and thus was not measured as part of this analysis. However, many of those festivals have broader export objectives or functions within South Australia's creative industries. Data collection focusing on these activities could also support economic modelling of a broader range of exports in the future.

Other data collection activities which could support economic modelling include developing an understanding of the induced expenditure at a local level.



Adelaide Guitar Festival
by Adelaide Festival Centre

Limitation of our work

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