

Finance '101 for Performing Arts Shows

A variety of financial relationships occur in touring, depending upon the circuit and the stakeholders. Over time the different arrangements have become more negotiable to meet the different presenters and producers needs.

When identifying whether to take a tour you need to first establish it is funded tour through Playing Australia or another funding body and then what the actual purchase price includes.

You need to know :-

- How many performances does that give me for example a daily purchase fee for a children's production may mean you can deliver three performances on the one day?
- Is there a royalty on the box office? How much is this going to equate to if you sell a certain amount of tickets?

Example

200 tickets @ \$30/ ticket = \$6000.

If your royalty is 15% then this is an extra \$900 and most times this is on top of your performance fee and some presenters have not realised this when budgeting.

- Does it include accommodation or is this additional to be covered by the presenter
What level of accommodation is expected eg 4 star?
If supplying accommodation is breakfast to be supplied?
- Do I need to pay any other additional expenses eg per diems (a daily set cost to cover meals and incidentals)
- What technical staff and equipment does the presenter needs to supply
can I supply the staff ?
do I need to hire this equipment?

Purchase Fee / Price / Presenter Fee

The amount that a tour will cost for one or more shows

Remount Costs

The remount cost is a fixed expense that is amortised across the entire tour and is added to the per week running cost. The person developing the application will assess the total number of weeks based on presenter interest, and develop a sell-off fee accordingly. The price is expressed as a function of the time spent in each venue, not per performance.

For example: a show with a minimum split week (will travel to only two venues in one week) buy will be the same price for two performances as for three.

The Sell Off Model

When managed through a touring coordinator, the total cost of any tour is comprised of two components:

- the cost of creating and performing the show (the sell-off or presenter fee),
- and the cost of touring the show, referred to as the 'net touring costs', which include freight, touring allowances, accommodation and travel costs

The presenter usually covers and supplies all the venue and marketing costs this includes all the technical and front of house expenses to put the actual show on.

Many of the funded tours will have some technical staff on the road that may or not operate the show.

It is important to have a clear understanding of what you will need to supply technical for each production, as there also may be additional technical staff and technical equipment.

Delivered Fee

This arrangement is also known as a straight buy and means travel and accommodation and all extras are included in the performance fee.

Tip – this is often a simple way to be able to budget. Ask the Producer, “What is the fully delivered fee?” that way there will be no hidden surprises. Be sure to check, “Does this include royalties?”

Box Office Split

This may be where the Box Office is split for example 50/50 and that both parties then need to ensure their costs are covered from their share of the split. For example for the presenter expenses incurred would be venue hire, venue marketing, Front of House, Technical staffing and this would need to be taken from the presenters 50% split of the Box Office. This model ensures both parties have an investment in the production to have a great box office outcome but equally if the box office income does not cover the expenses each incurs each party has to cover their own expenses. Splits may be any combination from 70% producer /30% presenter to the reverse.

Minimum guarantee

Many commercial shows instead of a box office split only will ask for a minimum guarantee this means that what ever the box office is they will receive a flat fee and then after this amount is reached in the net box office there is a split. In some agreements there may be a minimum guarantee to the producer, then the presenter expenses from the box office and then a split to both parties.

Share /Risk

Can take the form of many different ways from a box office split, to minimum guarantee

Royalties

Often a royalty will be levied, which is expressed as a percentage of box office income. Royalties are calculated on the total box office income, less booking charges, merchant cards fees and GST. Royalties are paid to the playwright, and to the creative team (director, sound designers etc). There may also be a royalty to the producer. For a funded tour a breakdown of royalties must be declared by the producer for a commercial based tour you request but they are not obliged to give you a breakdown. In the commercial environment you may be able to negotiate this fee.

Deposits

Presenters may be required to pay a deposit for a production of the total fee payable, well in advance of the production coming to the venue.

This amount can vary and may have cancellation clauses of non refundable attached so check the contract.

Funded Tours eg Playing Australia

If the tour is a funded tour and being managed by a tour co-ordinator, the presenter will enter into a contract with the tour co-ordinator and the tour co-ordinator will contract the producer.

The producer and the tour coordinator contract will reflect the sale price of the production, comprised of the cost of creating and performing the production. The net touring costs are either met by funding from government sources, or added to the fee. The touring coordinator then contracts the production to each presenter, who takes the box office risk.

A coordination fee may also be levied by the touring coordinator to cover the cost of funding application and tour delivery. If such fee is levied then it must be declared.

Non funded Tours

If the tour is not funded a contract will be issued between the producer and the presenter. It is important you read and have a complete understanding of your obligations under the contract. In many commercial touring contracts elements of the contract can be negotiated. For example you may have a sponsorship arrangement with a local accommodation supplier so it is in your interest to supply the accommodation and factor the real cost into your part of the expenses.

Doing a detailed budget to know what your break even numbers are and how much ticket prices need to be is very important and to establish exactly how much a production is going to cost you as the Presenter.

Tip – it is always safer to budget your attendance conservatively and then be pleasantly surprised if you exceed your budget.

In any arrangement you need to know read the contract in detail so as you can understand what exactly what expenses you need to cover as the presenter and where your risk lies. This document is intended as a guide only, so ensure you do your own research and are 100% Comfortable before entering into a contract. Please seek professional advice as needed.