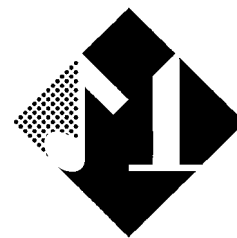


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Australia's representative to the International Music Council



Music Council of Australia

Lynne Uptin
Chair, CMC Standing Committee
c/o Arts Tasmania
161 Davey St
Hobart Tas 7000
June 18 2002

Dear Ms Uptin

RE: Report to Ministers on an Examination of the Small to Medium Performing Arts Sector

The Music Council of Australia welcomes the publication of this report. It paints a sympathetic and insightful picture of the Small to Medium Performing Arts (henceforth SMPA) sector and its contribution to Australian life and culture. It gives much useful and interesting information.

However, if we give more than superficial consideration to the issues it raises, at every turn questions arise which are not answered by the information provided. It is certainly recognised that this limitation must result primarily from the restricted time and resources available to the investigators.

The outside observer is drawn to one of two conclusions: the report was intended as a quick scan of the sector which could guide an investigation as thorough as, though preferably not modelled upon, the “Nugent Inquiry” into the major performing arts organisations; or alternatively, it was intended only as an empty gesture of response to the calls for action in support of the SMPA following the Nugent Inquiry.

We prefer to believe the former. Therefore, the following comments seek to add information and observations which may assist the Working Party and the Cultural Ministers Council.

THE FINANCIAL ANALYSIS OF THE SMPA COMPANIES

1. The report of the “Nugent Inquiry” was able to show that collectively the major performing arts companies would exhaust their capital reserves within a year and go into deficit. Financial collapses and closures were anticipated. The probable collapse of some of these high profile companies brought urgent action from governments.
2. The SMPA report does not attempt the detailed analysis found in the Nugent report. It shows that the sector as a whole has been in modest surplus for the years 1998-2000, but we do not know the state of individual companies. The period under review concludes with the Olympic year, 2000, with plainly atypical results from

the largest State, NSW, and possibly elsewhere. This undermines much of the trend analysis. At the least, the study should be repeated to show the outcome and trends through the year 2001 and identify the anomalous results in 2000.

3. There is a collective deficit for the SMPA *music* organisations: \$212,000 in 2000. Again, we do not know what proportion of music expenditures this represents, nor the extent of the problem for particular organisations. In the body of the report, the special difficulties in music, and to a lesser extent dance, are noted; and in that context the report proposes the need for action. *But this issue is not taken up in the final recommendations.*
4. Figures provided by the report show that overall, the SMPA companies are collectively in surplus by about 2%. In a way, this is to be expected. These companies are small and would not harbour unrealistic expectations of government bail-outs if they slip into serious deficit. The real world demands that they manage their affairs in such a way as to avoid financial oblivion. Excepting possibly the larger ones, with access to corporate sponsorship, the companies are unlikely to have the means nor, therefore, the motivation, to build substantial capital reserves. Their vision is artistic, and not driven by profit; the production of a large surplus would not be a major objective. Nor would they be confident that their funding would not be penalised if they did produce a substantial profit. Financially, they will aim to use their subsidies to mount the best possible program, achieve a small surplus and hope at least to break even.

So the fact that they are not in financial crisis indicates not that there is no financial problem in the sector, but that the companies are being managed with appropriate prudence with the funds available.

This level of financial diligence averts the financial crisis that brought supportive action to the major performing arts companies. But as the report indicates, staying within budget, the companies are confronted with many other problems.

5. It might be noted that the methodology of this inquiry investigates companies that are still operating. We do not discover whether other companies have gone out of existence before or during the period under investigation. Nor do we know the circumstances of the one third of companies that did not respond. While a 2/3 response is statistically very good, it is possible that those that did not respond shared characteristics atypical of the other respondents (e.g. one characteristic was that they did not respond!).

ARTISTIC STATUS

6. The real issue is whether the available funds allow the companies to carry out their missions to a satisfactory level. The report includes comments to indicate that for many, in 2000 the level achieved was lower than it was even two years earlier, in 1998. "...over a third of survey respondents stated that there were reduced opportunities to innovate, experiment, conduct research and develop work. The effects of this included restrictions on the diversity, size and scale of repertoire; fewer new works produced and more remounts; reduced production values; reduced use of screen/digital design; shorter rehearsal, creative development and rehearsal periods; engagement of less experienced artistic personnel and reduced cast sizes." In other words, the companies suffered serious constraints in the very activities which are their special contribution to Australian life and culture.
7. The particular contribution of the SMPA companies is, of course, encouraged by the funding bodies. Innovation and experimentation, research and development, are specific objectives of funding under the Australia Council's current Corporate Plan and, indeed, have been a major funding priority virtually since its inception. If it

were otherwise, the companies would not exist in their present form, since they are so substantially dependent upon subsidy.

CONTRADICTIONARY EXPECTATIONS FROM GOVERNMENTS

8. However, the report points out that, paradoxically, there is an opposing pressure from governments/funding bodies: to be 'self-sustaining' which presumably requires more income from larger audiences or sponsorships. Neither is stimulated by activities much to the left of *My Fair Lady*.

The SMPA report's first recommendation proposes that "To address this dual focus (of 'self-/sustainability and excellence in artistic development' -- including innovation etc), Ministers are asked to consider either a greater focusing of recurrent resources, which may in the end support fewer organisations in the Sector, or a targeted increase of resources to enhance the organisations' current contribution..." In other words, self-sustainability will result from more subsidy, not larger audiences for less innovative programs. While the report's implicit support to artistic risk-taking is appreciated, more subsidy does not result in more self-sustainability in the usual sense of the term: i.e. less dependence upon subsidy.

This does seem to be a crucial issue, and it would be a pity if the report's recommendations in this area foundered on self-contradiction. The difficulty is acknowledged. Would some attempt to define self-sustainability in the context of artistic experimentation and innovation and the other values that here deter a mass audience offer a solution?

There plainly cannot be any realistic expectation that an organisation which is maintaining its role in experimentation will survive without any subsidy at all. Vague but forceful invocations to maintain artistic purity (thereby justifying funding) *and* achieve large audiences can only lead to tears, especially if the funding is insufficient to market the production effectively. In setting forth their expectations, governments and funding bodies need to show a level of professional insight and responsibility at least equal to those required of their clients. They might be assisted with some data on what level of earned income can be expected in various types of experimental work (or work with emerging artists or work in small regional communities), based on experiences here and overseas.

FUNDING CONTRIBUTIONS FROM THE STATE AND FEDERAL GOVERNMENTS

9. Looking at the relative contributions of Commonwealth and States: the Commonwealth, through the Australia Council, provides 39% of the funding. In discussions about Commonwealth vs. state responsibilities in the 80s, the Australia Council decided that it had a special responsibility, as the national funding body, for e.g. funding individual artists, whose quality was in principle independent of state of residence. It also decided that one of its special tasks was to fund innovation. Of course, it can do so only to the extent that the government provides the funds. Given that this is the sector that especially invests in innovation, it would be logically consistent for the Commonwealth to be providing a higher percentage of the funding.

It might be noted that the Federal government's funding to the sector through the Australia Council was essentially static over the period 1998-2000 – even though it is the Council that has the most explicit objective for support to innovative art. State government funding to the SMPA sector, which traditionally has not placed as much emphasis upon artistic innovation, increased by about 7% over the period. This is paradoxical.

10. Commitments vary among States. Consider their populations as a percentage of national population, and their subsidies to the SMPA sector as a percentage of the total of state subsidies.

	STATE POPULATION AS % OF NATIONAL	STATE SMPA FUNDING AS % OF NATIONAL
ACT	2	7
NSW	34	26
NT	1	5
QLD	19	19
SA	8	11
TAS	2	4
VIC	25	17
WA	10	18

Thus, for instance, while the ACT has only 2% of the population, it gives 7% of the total funds going to the SMPA sector. If an SMPA organisation wished to improve its chance of funding, on the face of it, it would move to the ACT, NT, Tasmania, Western Australia or South Australia, all of which subsidise the sector relatively generously. Queensland meets its obligations more or less exactly. NSW gives about 22% less; it has long benefited from high Commonwealth funding of national performing arts companies such as Opera Australia, without itself contributing proportionately to services received. Victoria, self-proclaimed national capital of culture, is worst: it gives about a third less than its proportionate share.

It might be noted that ACT and NT do not have to sustain a major performing arts organisation, so their SMPA funding may be their total funding to the performing arts.

SOME SUBSIDY ISSUES

11. Given the static Australia Council funding and the 7% increase in State funding, the constraints on the sector, as described above, apparently do not result from an overall major diminution of nominal subsidy. However, the increase in subsidy probably does not equal the increase in costs due to inflation, which in other studies has been shown to be higher for the performing arts than CPI. (The report does not tell us whether the number of companies over which the funds were distributed increased. If it did increase, that would reduce the *average* subsidy and could contribute to some of the difficulties.)
12. It might be noted that the report of the Arts Council of England, *The Bigger Picture*, states that “Standstill funding (assuming inflation at 3%) results in a 5% reduction in levels of activity (performances, exhibitions etc.) and in attendances... (Source: Arts Council Analysis)”. We may conjecture, therefore, that static core funding from the Australia Council (and setting aside the effect of State funding) has led to a 10% reduction in activity from 1998 to 2000. In fact, the Australia Council core funding has been static for far longer.

The Arts Council of England proposes that the consequences of this static funding are that:

“- some arts organisations face insolvency

- few arts organisations are able to operate at optimum cost-efficiency, meaning that their economic, social, educational and innovatory potential remains under-developed

- an impact on the quality of work and a consequent drain in talent

- a focus on established markets rather than new audiences.”

13. The sector is highly subsidised. 56% of income came from subsidy in 1998, -though this had dropped to 51% by 2000. By extrapolation, since the total subsidy funds increased slightly, that is a consequence of an increase in earned income higher than the increase in subsidy.

14. However, the report does not tell us how much of the funding was for core subsidies and how much for projects. Nugent pointed out that one of the difficulties for the major companies was that core funding had declined and special project subsidies increased, but that the latter often were not sufficient to cover project costs and actually worsened a company’s financial situation rather than improved it. Since the predilection for project funding seems to apply across all art forms, we might expect that it is also a feature of SMPA funding.

HOW MUCH SUBSIDY IS ENOUGH?

15. The arts sector will always want more subsidy than has been provided. In the SMPA sector as it exists, with the emphasis on new work, emerging artists, regional arts and so on, and the intrinsic difficulty of attracting large audiences and box office, there is great dependence upon subsidy and probably an almost limitless capacity to absorb it in expressing ideas. If we are to argue for more subsidy, what is the basis? How much is enough?

- a) A comparison could be made with the practices of other developed-world governments that accept a responsibility for cultural activity. (This therefore essentially excludes the USA.) Australian artists work in a global market. This applies not only when they take their performances overseas, but when they perform in Australia to audiences that know international standards and are acquainted with ideas from other countries. We need conditions of creation and production that can compete with those in roughly comparable countries.
- b) In this context, it is interesting that *The Bigger Picture*, the report of the Arts Council of England, claims on the basis of its analysis that a “10% increase in funding delivers a 25% increase in activity levels and a corresponding increase in attendance” and “a 20% increase in funding produces an even larger step change in activity – and increase of 57% with a corresponding increase in attendance.” Assuming these figures stand up to scrutiny, in themselves they contribute powerfully to an argument for more funding.
- c) The total number of SMPA arts-producing organisations receiving funding was 186. This is about one organisation per 100,000 population. The report does not inform us how many are full time or part time. On the face of it, a city the size of Townsville would be serviced by about 1¼ SMPA organisations, Wollongong 2½. Melbourne would have 33. Is that an adequate basis for a rich professional performing arts life? How could that assessment be attempted? What do we find in other countries?
- d) There are artistic forms that embody enormously significant traditions and achievements, and these should be alive and well in a country of Australia’s culture and standing. In music, these obviously include orchestras and opera companies. Perhaps less obviously but just as convincingly, they include choirs

and string quartets. Australia has only one professional classical a cappella ensemble. (It happens to be world class.) Do we need twenty? No. Do we need more than one? It's very difficult to have a culture of a cappella singing if there is only one professional group, and the tradition more or less hinges on its survival. In the natural ecology, that would be seen as a disaster waiting to happen. Jazz has not a single artistic administrator funded for full time work. We have the best jazz musicians in our entire history, but it is unlikely that more than two or three can earn a living playing jazz. We have general policies firmly in support of multiculturalism, but it would be virtually impossible in Australia for any musician, no matter how accomplished, to earn a living through performance of any non-Western musical style. And so on, for musicians experimenting in virtually any musical style.

- e) Without reference to any external standard, is the current subsidy per organisation sufficient? On the face of it, "restrictions on the diversity, size and scale of repertoire; fewer new works produced and more remounts; reduced production values; reduced use of screen/digital design; shorter rehearsal, creative development and rehearsal periods; engagement of less experienced artistic personnel and reduced cast sizes" suggests not. Add here the dependence on volunteers for both the artistic production and management simply to function at all.

MUSIC

- 16. The report (page 18) hypothesises that the deficit for the music sector, which naturally is of special concern to the Music Council of Australia, "may reflect a consistent under-resourcing of the Music sub-sector that would require new income, either earned or through subsidy, being found at a greater level than any rise in expenditure". It is fair to assume that the organisations in question would dearly love to increase their earned income and already apply their efforts, with insufficient success, to that outcome. But no detail is provided that would indicate the nature or incidence of the problem.
- 17. The Music Council calls for more in-depth analysis of this situation and constructive steps to secure the future of small to medium music organisations.
- 18. The Music Council notes again that having identified the music sector as facing special problems, the report does not in its recommendations specifically address this issue.

THE LARGER SMALLER COMPANIES

- 19. The report reveals that the SMPA companies with larger expenditures are on average in greater financial difficulty than the smaller companies. The report does not inform us as to whether these companies also receive larger subsidies, or whether their subsidy as a proportion of total income is different from that for smaller companies. It does note that it is only the larger companies that are able to generate any significant sponsorship income – but apparently this does not rescue them financially. What accounts for this phenomenon?
- 20. Even the Major Performing Arts Sector companies acknowledge that the SMPA companies are the main source of training, innovation, Australian work and so on. There is an implicit comparison with their own activities. Clearly, when companies reach the size of those in the Majors sector, they are seeking consistently larger audiences with "safer" programming. Does this characteristic appear also in the larger companies in the SMPA sector? We don't know. The provision of larger subsidies may give them more protection from market forces, lessen the need for more popular programming, increase their ability to further the special qualities of

the SMPA sector. (Or it might seduce them into seeking to become major companies and abandoning their experimentalism; expectations should be made clear by funding bodies.)

MANAGEMENT

21. The second of the Report's recommendations has to do with "The need to strengthen the Sector's administrative capacity to provide a more stable business and operating environment." Its solution here is to create training programs in management, marketing and audience development, and in board governance. It also proposes "networking of resources between a number of arts organisations".
22. This recommendation by the Report perhaps echoes one of the findings of the Nugent Inquiry: that the smaller among the 29 companies under investigation, including most of the companies operating in the cities other than Sydney and Melbourne, were in the greatest peril. This was said to be partly because they could not afford to purchase the quality of management and marketing skills necessary to their achieving financial viability.

If that was true of these companies, it is not surprising that it should apply also to the small to medium performing arts companies. *To what extent*, therefore, is it realistic to expect skilled and sophisticated management, even among the larger of these companies? While challenging incompetent management standards, it is important that expectations should not outstrip the abilities of small companies with limited resources.
23. We might note also that more than half of the management 'employees' in the sector are volunteers. It is fair to assume that while volunteerism is laudable and in the circumstances, the volunteers are indispensable, they hardly contribute to achieving the level of competence the report is advocating. The report seems to acknowledge this.
24. While the report says that quality of marketing and management is a problem for the sector, we might expect that the large companies are more able to hire adequate expertise than the smaller ones. Although the report recommends steps to raise the competence of management, this subsector's more expert management accompanies greater financial difficulties. What do we make of that?
24. Elsewhere it notes that on average across all organisations, less than one full time management person is employed. We all know the situation where one person manages a small performing arts organisation, can succeed only by working day and night, and being expert in all aspects of the operation from book-keeping to marketing to box office to governance. It needs to be recognised that once a person is so employed, there is little prospect of finding time for serious training.
25. The proposal for sharing (networking?) resources seems to make a lot of sense. However, this is not a new idea and so experience is available to show that it seems to be resisted. Perhaps these organisations tend to see themselves as competitors rather than collaborators, and are jealous of their distinctiveness and autonomy. Also, for organisations with only one administrative employee and minute 'discretionary' funds for, e.g. marketing, it may be difficult to envisage an effective administrative collaboration. Perhaps a way to test the report's proposal is through inducement: for instance, set up a small marketing agency and offer its services to a number of organisations on very favourable (subsidised) terms. If benefits are demonstrated, and fears are allayed, the model can evolve and become, possibly, more self-sustaining.

COMMONWEALTH / STATE CONSULTATION

26. The report recommends that the states and Commonwealth should consult with each other about the funding of these organisations. This recommendation has been heard in various forms for at least 20 years. It is surprising that it has not been addressed. As the report observes, there are cases where organisations face quite opposing demands from their national and state funding bodies, not to mention different application and reporting requirements.

We offer these observations:

- a) The report notes that the SMPA sector is the main source of innovation in the subsidised performing arts. It also notes that more than half of the sector's income derives from subsidy. There is therefore a close link between subsidiser and subsidised. Innovation requires great flexibility on the part of the arts company, and therefore also, to a considerable extent, from the subsidising agencies.
- b) Consultation between Commonwealth and State funding agencies therefore should not place them in lockstep. Funding decisions in the arts, though we wish them to be as objective as possible, inevitably depend in part on the subjective assessments by decision makers and they might be opposed. The funding relationship should permit funding by one funding source and not the other. It should permit each to fund the one organisation for different purposes; while funding for the same purpose would be more comfortable for all concerned, agreement between funding bodies should not become a prerequisite to any funding at all. Commonwealth and State agendas may differ, quite appropriately. The system should be such as to recognise and accept this.
- c) Retaining this necessary flexibility therefore would seem to preclude the Nugent solution of establishing formulae for shared funding responsibilities between Commonwealth and State. If there is to be a formula, it perhaps should apply only to the totality of funds provided to the sector, or to subsectors within it, rather than to specific organisations.
- d) The purpose of Commonwealth/State consultations therefore is to remove unnecessary work in applications and reporting, as suggested by the report, and unknowing contradictions in the expectations of the two funding agencies on any single organisation.
- e) The primary concern is benefit to the arts. The benefits to the processes of the funding bodies should not be the primary concern, and rather should follow from finding improved ways of supporting the arts.

INTERNATIONAL TOURING

27. The report recommends more resources to facilitate international touring by the SMPA organisations. It is these organisations rather than the large orchestras, opera companies, theatre and dance companies, that do most of the international touring. They are, as it were, more portable, and more affordable.

The purpose of the present funding tends to be conceived at base as paying for intercontinental travel expenses. The subsidy removes an aspect of the market disadvantage for Australian performers consequent upon our distance from major markets and the cost of reaching the stage door of the first venue on a tour. An ensemble needs to build a considerable international following over a period of years to earn enough to cover the intercontinental travel costs, and without this subsidy may not be able to reach the market to begin that process.

It is suggested that an investigation might be made of the value of providing also some promotional funds to assist in marketing performing groups on their early

tours. Without such funding, they are totally dependent upon the marketing by presenters, and since they are by definition unknown in these new markets, the marketing is unlikely to be intense. The hypothesis is that an early application of additional marketing funds might hasten the build-up towards success and financial viability.

It might be noted that the \$2.3 million generated by 'reported cases' of international touring is added to the pool of funds available to sustain SMPA artists. It would be interesting to know how much is generated by artists who once were subsidised for international touring and now are able to tour without public assistance. The benefits of this subsidy can extend well beyond the period of subsidy.

LOOSE ENDS

28. Among other proposals or observations in the report which did not figure in the final recommendations:
- a) The decline in in-school performances over the three year period.
 - b) The 27% decline in attendances for regional and national touring. The touring difficulties experienced by 1/6 of touring organisations.
 - c) The various challenges for companies that wish to tour internationally. The apparent failure of government arts bodies to keep up with the funding consequences of the success of funding agency international marketing (e.g. the Performing Arts Market).
 - d) The barriers to audience development.
 - e) The dependence upon unpaid workers, against the report's observation of the need for increased professionalism especially in management and marketing.

CONCLUSION

The Music Council of Australia calls upon the Cultural Ministers' Council to respond constructively to this report and to the circumstances of the SMPA sector. It asks that this response should be framed in time for action in the 2003-04 financial year.

The response could, initially, take the form of a thorough but not prolonged inquiry into the sector, following up on the data revealed by the SMPA report. The inquiry should be completed in time to allow for action in 2003-04.

We can anticipate that one of the key recommendations of such an inquiry would be for the need for more core funding to the SMPA companies (even at the expense of project funding). This was a key recommendation by Nugent for the major performing arts sector and there is even more reason to expect that it will be found to be a primary need for the smaller companies.

Although the inquiry may produce other useful recommendations, the sector would probably happily forego the inquiry if core funding were forthwith increased!

Thank you for your consideration of this submission.

Sincerely

Dr Richard Letts AM
Executive Director