

# RESPONSE TO THE RECOMMENDATIONS OF THE INQUIRY INTO THE MAJOR PERFORMING ARTS.

## EXECUTIVE SUMMARY

**1. The Music Council of Australia congratulates the Commonwealth Government** on its instigation of the Inquiry into the Major Performing Arts, and its Committee of Inquiry on the production of an excellent report.

**2. The Music Council of Australia recommends that Commonwealth and State Governments should adopt the recommendations of the Inquiry Report.** Among the reasons for this recommendation are the following:

- the Inquiry has identified a financial and artistic crisis which threatens the survival of major performing arts companies;
- through expert analysis it has proposed remedies which will rationalise the funding structure, provide at least the minimum subsidies necessary for the companies to achieve appropriate objectives, renovate or upgrade aspects of the management of the companies and collaborations between them, and put in place more effective accountability mechanisms;
- in making its recommendations, the Inquiry has recognised that the *raison d'être* for public support to these companies is the artistic value of their activities and the public benefit it confers.

2.1 In supporting the recommendation for additional funding for the major performing arts companies, the Music Council is adamant that this should be new money, and **should not come at the expense of other entities supported from the existing arts budget.**

3. While the Music Council of Australia supports the Recommendations of the Inquiry, it suggests that **the following matters will benefit from further consideration.**

4. The Music Council notes that the **primary purpose of arts subsidy is to produce public cultural benefits** rather than economic benefits.

### **5. A culture of innovation**

Both the Minister and the Committee of Inquiry give especial priority to fostering a culture of innovation. There is a need to clarify the Report's financial provisions for achievement of this objective to ensure that they are adequate.

### **7. The Australian Chamber Orchestra**

The Music Council notes an anomalous situation in the Inquiry's treatment of the Australian Chamber Orchestra.

### **8. Collaboration with smaller companies**

The Music Council recommends caution in obliging collaborations between major and other performing arts companies, and consideration of the alternative of more direct subsidy to the non-major companies.

### **9. Becoming a major company**

The Music Council suggests that further clarification is needed on how a company, participating in a culture of innovation, can succeed in becoming a "major" company under the definition.

### **10. Commonwealth and State funding responsibilities**

Whatever funding formulae are finally agreed, the Music Council proposes that having met its formula responsibilities, any state should be free to provide supplemental core or project funding to any company.

There may be a need to revisit the issue of equity of Commonwealth funding between states.

### **11. The Major Performing Arts Board**

11.1 The Music Council of Australia supports the recommendation to establish a Major Performing Arts Board under the auspices of the Australia Council to serve as the conduit for all Commonwealth funding to the major performing arts companies, with the funding level decided by the Commonwealth.

11.2 However, the Music Council recommends the following provisions for the structure and operations of this board:

that it should implement a credible and expert process of artistic assessment of the major performing arts companies;

that it be given a measure of flexibility in varying subsidies for, or otherwise rewarding, artistic achievement;

given the assurance of its overall funding level, that the proposal that the Major Performing Arts Board should be further exempt from certain types of decision of the Australia Council should be rejected;

that the proposal that it should have more than one representative on the Australia Council should be rejected, but that it should have a formal consultative arrangement with the three other performing arts boards.

### **12. Performance contracts**

Performance contracts if implemented should be carefully designed to avoid obstruction to the artistic process.

### **13. Financial situation of the rest of the arts sector**

By extrapolation from the findings of the Inquiry, the “non-major” performing arts companies face most of the problems confronting the major companies but are even less equipped to contend with them.

Further, their relative position will worsen if the Inquiry’s recommendations for the major companies are successfully implemented, since all compete within the same market.

The Music Council calls on governments to increase core funding to the remainder of the performing arts sector, and to the other artforms.

TO THE CULTURAL MINISTERS’ COUNCIL

Response to the Report of the Inquiry into Major Performing Arts

February 11, 2000

**1. The Music Council of Australia congratulates the Commonwealth Government** on its instigation of the Inquiry into the Major Performing Arts, and its Committee of Inquiry on the production of an excellent report.

**2. The Music Council of Australia recommends that Commonwealth and State Governments should adopt the recommendations of the Inquiry Report. Among the reasons for this recommendation are the following:**

- **the Inquiry has identified a financial and artistic crisis which threatens the survival of major performing arts companies;**
- **through expert analysis it has proposed remedies which will rationalise the funding structure, provide at least the minimum subsidies necessary for the companies to achieve appropriate objectives, renovate or upgrade aspects of the management of the companies and collaborations between them, and put in place more effective accountability mechanisms;**
- **in making its recommendations, the Inquiry has recognised that the raison d’être for public support to these companies is the artistic value of their activities and the public benefit it confers.**

**2.1 In supporting the recommendation for additional funding for the major performing arts companies, the Music Council is adamant that this should be new money, and should not come at the expense of other entities supported from the existing arts budget.**

**3. While the Music Council of Australia supports the Recommendations of the Inquiry, it suggests that the following matters will benefit from further consideration.**

**4. The Music Council notes that the primary purpose of arts subsidy is to produce public cultural benefits rather than economic benefits.**

4.1 Governments provide “subsidy”, not “industry assistance”, to the major performing arts companies. Industry assistance is intended to assist an industry or company to achieve a financial profit; it is terminated whether the assisted company consequently makes a profit (success), or fails to do so (the strategy was not effective). By contrast, arts subsidy can continue regardless of profitability because the purpose is to support certain activity deemed to be of value to society but which is demonstrably unable to be financially self-sustaining.

4.2 Therefore, while the managements of subsidised companies should be expert in every respect, their primary task is not to achieve profitability but to use their subsidies to manifest to the fullest possible extent the artistic values deemed to be important to the society.

4.3 While the economic benefits of the not for profit arts are important, they are secondary to the public cultural benefits.

### **5. A culture of innovation**

**Both the Minister and the Committee of Inquiry give especial priority to fostering a culture of innovation. There is a need to clarify the Report’s financial provisions for achievement of this objective to ensure that they are adequate.**

5.1 One of the primary values intended to be achieved by the subsidised companies, as laid down by the Minister for the Arts, is a **culture of innovation**. As the Minister has acknowledged, such a culture will result only if companies are able financially to support artistic risk.

5.2 It should be noted that if subsidy is provided to foster a culture of innovation, subsidised companies that pursue profitability through conventional programming would not be addressing the purpose for which they are subsidised.

5.3 It must be recognised that innovative programming will produce lower box office income and possibly sponsorship income than popular programming, and therefore may require higher subsidy levels. While the Inquiry

recommendations purport to address this issue, evidence is not presented to show that that they do so adequately or realistically.

5.4 Furthermore, they propose continuing subsidy for that purpose for only three years, although by definition continuing innovation involves continuing risk.

5.5 The major Australian companies generally have not shown a strong commitment to innovation, even before the recent decline in their financial circumstances. This may be partially ascribed to their low subsidy levels by comparison, for instance, with those of comparable European and British companies. Restoration of subsidy to previous levels may not suffice to achieve the objective of an innovative culture.

5.6 In the musical sphere, there has been virtually no commissioning or production of new works by the major opera companies. The Inquiry proposes no specific remedy.

5.7 The Inquiry recommends that funding levels to the concert orchestras should be reduced. This will render them less capable of programmatic risk-taking, and further threaten a record that is recently not impressive (i.e. one commissioned work per orchestra for the Symphony Australia orchestras in 1998).

5.8 It should be noted that the recommended greater dependence upon corporate sponsorship funds actually could operate against the development of an innovative culture since usually sponsors' commercial interests are better served through larger audiences resulting from conservative or popular programming.

## **7. The Australian Chamber Orchestra**

**The Music Council notes an anomalous situation in the Inquiry's treatment of the Australian Chamber Orchestra.**

7.1 For unstated reasons, the Inquiry classifies the ACO as a chamber music organisation, not a concert orchestra, and places it in the same category as Music Viva Australia, an organisation of quite different nature. As a chamber music organisation, the ACO qualifies for 15% subsidy, as a concert orchestra, for 50%, the minimum level received by its principal competitors.

## **8. Collaboration with smaller companies**

**The Music Council recommends caution in obliging collaborations between major and other performing arts companies, and consideration of the alternative of more direct subsidy to the non-major companies.**

8.1 The Music Council supports the proposed collaboration of major companies with regional companies because it will provide the latter with valuable direct access to city resources and possibly audiences.

8.2 The Music Council notes that the proposed collaboration of the major companies with smaller city-based innovative companies may have benefits for both, but also has the collateral effect of giving even greater control to the major companies.

## **9. Becoming a major company**

**The Music Council suggests that further clarification is needed on how a company, participating in a culture of innovation, can succeed in becoming a "major" company under the definition.**

9.1 The Inquiry sets forth the defining characteristics for a major company under the proposed funding regime, and procedures by which a company may lose that status. It does not address the issue of how a company may *achieve* major status. With subsidy levels required for financial viability acknowledged as ranging up to 86%, in some art forms it will not be possible to become a major company without receipt of the subsidy level of a major company in advance of the decision. This is especially the case if companies are required to demonstrate their credentials in a culture of innovation. This paradox is likely, *inter alia*, to obstruct the development of major companies in large regional centres.

## **10. Commonwealth and State funding responsibilities**

**Whatever funding formulae are finally agreed, the Music Council proposes that having met its formula responsibilities, any state should be free to provide supplemental core or project funding to any company.**

**There may be a need to revisit the issue of equity of Commonwealth funding between states.**

10.1 It has been noted by some states that because they are not home to global or national flagship companies, the Commonwealth contribution to funding their companies is inequitably low overall.

10.2 One way in which the Report measures equity in funding is the calculation of subsidy per seat sold. This tends to be higher where the audience is smaller, in the smaller cities. A more usual calculation is on the basis of funding per capita based on total state population. So, Commonwealth funding to orchestras and opera in, e.g., Queensland, is very low, whereas its funding per seat sold is by comparison high.

## **11. The Major Performing Arts Board**

**11.1 The Music Council of Australia supports the recommendation to establish a Major Performing Arts Board under the auspices of the Australia Council to serve as the conduit for all Commonwealth funding to the major performing arts companies, with the funding level decided by the Commonwealth.**

**11.2 However, the Music Council recommends the following provisions for the structure and operations of this board:**

**that it should implement a credible and expert process of artistic assessment of the major performing arts companies;**

**that it be given a measure of flexibility in varying subsidies for, or otherwise rewarding, artistic achievement;**

**given the assurance of its overall funding level, that the proposal that the Major Performing Arts Board should be further exempt from certain types of decision of the Australia Council should be rejected;**

**that the proposal that it should have more than one representative on the Australia Council should be rejected, but that it should have a formal consultative arrangement with the three other performing arts boards.** The proposal that Chairs of two of the performing arts Funds should sit as members of the Major Performing Arts Board has unacknowledged consequences: a) since all Fund Chairs are also members of the Australia Council, the Major Performing Arts Board will have three representatives on the Council, not one; b) a major additional and possibly unfeasible work burden on the Fund Chairs.

## **12. Performance contracts**

**Performance contracts if implemented should be carefully designed to avoid obstruction to the artistic process.**

12.1 The limitations imposed by the funding bodies on a company's activity; the categorisation of companies, the related proportional funding responsibilities set for State and Federal governments, the performance contracts: all add rigour and transparency, but also can lead to a considerable loss of flexibility which might have deleterious artistic consequences

## **13. Financial situation of the rest of the arts sector**

**By extrapolation from the findings of the Inquiry, the "non-major" performing arts companies face most of the problems confronting the major companies but are even less equipped to contend with them.**

**Further, their relative position will worsen if the Inquiry's recommendations for the major companies are successfully implemented, since all compete within the same market.**

**The Music Council calls on governments to increase core funding to the remainder of the performing arts sector, and to the other artforms.**

13.1 While it was not the task of the Inquiry into the Major Performing Arts to investigate conditions outside of that sub-sector, it is reasonable to assume that many of its findings apply to the rest of the performing arts sector and to a degree, to the other art forms. For example, smaller performing arts companies also must contend with costs that inflate faster than the general inflation rate in the community, with declining subsidy levels in real terms, and with the effects of globalisation.

13.2 The Inquiry notes that the major performing arts companies in cities other than Sydney and Melbourne do not have sufficient resources to mount effective marketing and sponsorship campaigns, and recommends collaborations and mergers in order to achieve the critical mass necessary to fund these activities. If even the largest companies in those cities are faced with these problems, imagine then the predicament of smaller companies everywhere.

13.3 This predicament will be exacerbated by the improved performance of the major companies. All must compete for artists and audiences in the same market. While the Music Council supports the recommended increases in subsidies for the major companies, it must be recognised that their competitive position with respect to the smaller companies will be further advantaged, placing the smaller companies at higher risk.

13.4 Although statistical data provided by the Report purport to show the dominance of the major companies (the basis for the statistics is not provided), this should not obscure the fact that they do not and can not constitute the totality of the performing arts, that there is an interdependence between the major and "minor" sectors, that the quality of smaller companies is in some cases equal to that of the majors, and that a culture of innovation is much more apparent among the smaller than the larger companies.

13.5 It should be noted that the companies investigated by the Inquiry do not constitute the entirety of the major performing arts sector. The major venues and festivals also are important players, the latter especially so in the matter of fostering a culture of innovation. A similar investigation may assist in clarifying their roles and circumstances.