Securing the Future

Final Report

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The Secretary

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Department of Communications Information Technology and the Arts

Major Performing Arts Inquiry
Sydney Office

Senator the Hon Richard Alston
Minister for Communications, Information Technology and the Arts
Parliament House
CANBERRA ACT 2600

Dear Minister,

We are pleased to submit the Final Report of the Major Performing Arts Inquiry.

Our Report contains 95 recommendations designed, as required under our Terms of Reference, to secure the artistic vitality, accessibility, and financial viability of the major performing arts sector.

Securing the future of the sector is important.

The major performing arts companies make a significant contribution to Australia's cultural life: their performances inspire and thrill audiences; they help define what it means to be an Australian; and they send a message to the rest of the world that Australia is a vibrant and innovative society that has its own rich and distinct cultural identity.

The companies also make an economic contribution. Their direct economic contribution is reflected in the people they employ and the income they generate. Indirectly, they support other artists and companies with whom they work; they help attract cultural tourists who stay longer and spend more; and the image they portray of Australia as an innovative country makes it easier to export high quality goods and services.

Finally, they reach out into the community. There are over three million paid attendances each year; the companies tour extensively—including to regional and rural Australia—and their schools education programs are extensive.

On each of these dimensions, however, the companies are under severe pressure. The Discussion Paper released in August identified the nature of those challenges.

This Report, entitled *Securing the Future*, recommends how the sector can be stabilised and repositioned to enhance its contribution to Australia.

Yours sincerely,

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Overview

This is the Final Report of the Inquiry into the Major Performing Arts.

The 31 major performing arts companies that are the subject of this Inquiry make a disproportionate artistic, access and financial contribution to Australian life. In the subsidised performing arts sector, they represent 17% of the number of companies and receive 49% of the government funding, but provide 86% of the employment, bring in 79% of the total self-generated income and reach 71% of the total paying audiences.

However, the demographic, technology and globalisation trends that are affecting other parts of the economy have put the major performing arts sector under great strain. The resulting deterioration in the companies' financial performance has adversely impacted their artistic vibrancy and accessibility.

The viability of the sector and the survival of many companies are threatened.

This Report, when read with the Discussion Paper released in August 1999, outlines the nature of those challenges, the principles that have guided the Inquiry and the conclusions the Inquiry has reached.

The Inquiry has sought a balanced and interconnected solution in reaching the 95 recommendations contained in this Report, which are designed to stabilise the sector and reposition it to take advantage of the changes that are taking place.

The fundamental principles on which the Inquiry's recommendations are based are that Australia should have a vibrant major performing arts sector that enriches Australian life and builds its image as an innovative and sophisticated nation; that Australia should cost-effectively deliver broad access to the major performing arts—recognising that the arts are for everyone; and that Australia should have a financially viable major performing arts sector that supports artistic vibrancy.

In addition, given the essential role governments play in the sector, the Inquiry endorses the principle that government support for the major performing arts should be transparent and should be based on an understanding of the responsibilities of all parties.

Actions by governments and the companies are required to address the situation facing the sector.

Actions by governments

The Inquiry makes 41 recommendations for actions by governments. (Chapters 2 to 9.)

The Inquiry recommends that governments endorse the Inquiry's guiding principles (Recommendation 2.1.1) and the following key initiatives:

- **Establish formal criteria for being recognised as a Major Performing Arts Company**: The Inquiry recommends criteria for admission as a major company as well as a process for reviewing whether a company should retain that status. (Recommendations 5.1.1 to 5.1.3.)

- **Determine the strategic role each major company could play in Australian life and designate accordingly**: The Inquiry recommends that, based on an assessment of a company's economics, artistic quality and breadth of product, each company should be designated—for its core activities—as a Global, Australian Flagship, Niche or Regional Flagship company. (Recommendations 5.2.1 to 5.2.4.) The Inquiry makes these recommendations so that Australia can benefit—artistically and economically—from each company's artistic capabilities. In turn, the companies can more readily take advantage of the changing external environment; focus their activities on what they do well; and avoid having their limited resources stretched too thinly by being asked to be 'all things to all people'.

- **Base Commonwealth and State Governments' funding responsibilities on the designation of each company**: It is recommended that the funding responsibility for each company should be shared between the Commonwealth and State Governments and that it should be linked to the strategic role of the companies on a sliding scale. The Commonwealth Government should take greater responsibility for funding Global and Australian Flagship companies; State Governments should take greater responsibility for Regional Flagship companies; and Niche company responsibilities should be evenly split. All companies should move immediately to this funding structure, except for the orchestras, where a process of adjustment, over time, will be required. (Recommendations 6.1.1 and 6.1.2.)

- **Establish a new funding model**: The Inquiry recommends the endorsement of a new funding model that reflects the cost of the artforms; each company's strategic role; and the commitment to geographic access. (Recommendation 7.1.1 and 7.1.2.) The proposed funding model is quantifiable, rigorous and transparent and is developed through five key steps:

  1. It establishes a 'normalised' cost base for each company that recognises its strategic role but does not reward inefficiency;
  2. It establishes a base level of government funding for companies in each artform, based on applying a standard artform funding ratio to the 'normalised' costs developed in step 1. These ratios can be adjusted over time to reflect higher growth rates in earned income, resulting from the implementation of the Report's other recommendations;
  3. For the companies based in Adelaide, Brisbane, Hobart, and Perth, it applies a geographic adjustment factor to the base level of funding developed in step 2. This reflects these companies' current inability to generate the same proportion of revenue from box office and the private sector as is possible for companies based in Sydney and Melbourne. The geographic adjustment factor would be reviewed every three years;
  4. In addition, for four companies based in Sydney and Melbourne, it applies an artistic risk adjustment factor to the base level of funding developed in step 2. These four companies are all heavily committed to the development of new work, with an associated higher level of artistic and box office risk. The companies are Playbox, Company B, Bangarra and Sydney Dance Company. The artistic risk adjustment factor would be reviewed every three years; and
  5. It allocates the amount of funding responsibility to the Commonwealth and State Governments according to the strategic designation of the companies, as discussed above.

- **Agree to a minimum level of ongoing additional funding by the Commonwealth and State Governments**: Based on the funding model, and to stabilise and reposition the sector, the Inquiry recommends additional, ongoing funding of $8.09 million in years one and two, and $10.29 million in year three. These amounts are the minimum required to secure the sector's survival. (Recommendation 7.1.3.)

- **Agree to a one-off Commonwealth and State Government industry adjustment funding package**: To change the companies' financial dynamics—particularly to increase income earned from box office and the private sector—the Inquiry recommends an industry adjustment package of $25.25 million. This package has three components:
  - $8.05 million provided over three years to improve the companies' financial performance by lifting artistic vibrancy;
  - $2.5 million provided over three years to assist with industry restructuring; and
  - $14.7 million provided over four years ($4 million in the fourth year) to help change the companies' cost-revenue dynamics, including through increased access. (Recommendations 7.2.1 to 7.2.4.)

- **Establish rolling triennial funding on a calendar year basis**: The Inquiry recommends moving to rolling triennial funding, with a major three yearly review. This will allow companies in all years of a triennial grant to plan forward with greater certainty. All State Governments should adopt calendar year planning to facilitate tripartite agreements as outlined below. (Recommendations 7.1.6 and 7.1.7.)

- **Utilise Playing Australia funding for touring on a triennial basis**: The Inquiry recommends three year, as opposed to annual, funding for companies where touring is a core activity. This would allow those companies to plan their touring activities with greater certainty. (Recommendation 7.1.5.)

- **Establish the Major Performing Arts Board to undertake all Commonwealth funding**: The Inquiry recommends the establishment of the Major Performing Arts Board within the Australia Council as the funding agency of the Commonwealth Government. All major performing arts companies—including the orchestras—should be funded through the Board, which should operate on principles similar to the Major Organisations Fund. Because of the companies' size and significance, the Commonwealth Government should specifically identify funding for the companies within the Australia Council's overall budget appropriation. (Recommendations 6.2.1 to 6.2.5 and 6.3.1 to 6.3.3.)

- **Establish tripartite funding agreements, with rigorous and publicly available performance measures**: The Inquiry recommends the establishment of a single funding agreement between a company and the Commonwealth and State Government funding bodies. Rigorous key performance indicators should be agreed based on the criteria for being a Major Performing Arts Company and a company's strategic designation. Performance against these indicators would be made publicly available. (Recommendations 8.1.1 to 8.1.4.)

- **Improved processes for monitoring access**: The Inquiry recommends that consistent data should be regularly published on the profile of audiences, including total attendees and their geographic and demographic composition. (Recommendations 9.1.1 to 9.1.3.)
- **Adopt a reserves policy**: The Inquiry recommends that a reserves policy should be adopted, where companies are encouraged to build reserves up to 20% of their annual costs, without adversely affecting their ongoing level of government funding. Companies would be expected to use those reserves first, if they experienced financial difficulties. In addition, the Inquiry recommends that the Commonwealth Government explore the possibility of establishing a 'Reserves Bank', where companies that maintain prescribed high standards of prudential management would be able to access, under stringent conditions, a pool of funds in times of difficulty. (Recommendations 6.4.1 to 6.4.4 and 17.1.1 to 17.1.3.)

Actions by companies

The Inquiry makes 53 recommendations for action by the companies. (Chapters 10 to 18.)

The Inquiry suggests that the companies should adopt the following key initiatives.

- **Invest in the development of new works, new productions and the quality of performances**: Over time, to increase box office revenue and build a differentiated image of Australia, the Inquiry recommends that companies invest in artistic vibrancy and be required, as part of their performance agreements, to develop more innovative works and productions. A few companies should be supported—as part of their audience building activities—to modestly increase their ensemble size. In addition, opportunities to increase artistic vitality and take Australian artistic product to the rest of the world should be encouraged through collaborations with smaller companies and festivals. In this context, an initial investment should be made in Circus Oz to support its becoming a global player, with no need for ongoing government funding. (Recommendations in Chapter 10.)
- **Increase access for Australians in ways that are most cost effective**: To increase box office revenue and provide access, the Inquiry recommends that companies—particularly those whose economics support touring—be encouraged to extend their audience reach by increasing their commitment to regional and rural performances. Companies that do not tour as much should establish a 'mentor' relationship with regional and rural companies; and others should experiment with the wider use of the Internet—both to extend performance access and for marketing. In addition, access programs for youth and non-English speaking audiences should be piloted. (Recommendations in Chapter 11.)

- **Change the companies' financial dynamics by pursuing initiatives in key areas**:
  - **Through artform cooperation**:
    - **Opera**: To achieve greater economies of scale, while meeting distinct market needs, the three state opera companies should agree that all new mainstage subscription season productions must be either jointly commissioned by all three companies, purchased from Opera Australia, or purchased from an overseas company;
    - **Theatre**: To reduce costs and improve quality, theatre companies should be encouraged to continue to undertake co-productions and buy-ins;
    - **Dance**: To enhance revenue and enlarge audience choice, the West Australian Ballet and the Queensland Ballet should, in their respective States, undertake joint dance subscription seasons with The Australian Ballet;
    - **Orchestral Music**: To improve artistic standards and revenue and to ensure greater operating efficiencies, a 'community of musicians' concept should be explored in Melbourne between the Melbourne Symphony Orchestra and the State Orchestra of Victoria; and in Brisbane between the Queensland Symphony Orchestra and the Queensland Philharmonic Orchestra. Each orchestra's brand should be maintained; and
    - **Chamber Music**: To capitalise on the potential for shared artistic direction and to provide a stronger administrative infrastructure to support the Australian Chamber Orchestra becoming a Global company, the Inquiry recommends that the Australian Chamber Orchestra and Musica Viva should further explore the possibility of a merger. (Recommendations in Chapter 12.)
- **Through geographic cooperation**: To enhance revenue, particularly by flexibly strengthening marketing and development capability:
  - **South Australia**: The State Opera of South Australia and the Adelaide Symphony Orchestra should explore establishing a shared resources company to provide finance, marketing and development functions;
  - **Queensland**: Over time, the new Queensland orchestra, Queensland Ballet and Opera Queensland should explore establishing a shared resources company along the same lines as suggested for South Australia; and
  - **Western Australia**: West Australian Opera and West Australian Ballet should establish a holding company structure, with each organisation's identity being separately maintained. (Recommendations in Chapter 13.)
- **Through improved box office and fee income**: The Inquiry recommends that the companies undertake detailed market segmentation work and improve the capabilities of marketing staff. The single biggest immediate opportunity for each company is to fill all available seats for existing performances—hence the importance of these basic, yet important, initiatives. (Recommendations in Chapter 14.)

- **Through strengthened private sector support**: The Inquiry supports the companies being required—as part of their funding agreement—to put in place a private philanthropy and bequests program; being encouraged to take advantage of a capped special 'reserves incentive program' linked to measurable improvements in private sector support; and smaller companies being able to access a government initiative to 'seed fund' development staff for up to two years. Over time, private sector support offers the greatest potential for the companies to grow earned income. (Recommendations in Chapter 15.)
- **Through reduced costs**: The Inquiry recommends that companies should work to lower their costs by opening up major production expenses to a tender process; establishing a cooperative to improve their buying power in advertising rates; working with venues to improve backstage processes; and—in the case of the orchestras—working proactively with musicians and the relevant union to increase the flexibility of work practices. (Recommendations in Chapter 16.)

A final recommendation in Chapter 19 outlines an implementation program over the next three years.

Background

1 Introduction

This is the Final Report of the Inquiry into Australia's subsidised major performing arts sector. It sets out the Inquiry's conclusions and recommendations.

The Inquiry was requested to identify options and make recommendations on actions that can be taken both by governments and the participants to ensure that Australia has a financially healthy, artistically vibrant and broadly accessible major performing arts sector. The Inquiry is also required to report on an implementation strategy that can be put into effect over a three-year timeframe.

More specifically, the Inquiry has been asked to identify and report on:

- the current financial position of Australia's 31 major subsidised performing arts companies, including the managerial and governance capabilities of the companies; their cost and revenue dynamics; the extent to which the financial health of the companies enhances or impedes their ability to achieve artistic outcomes; and the extent of their accessibility across Australia;
- the forces driving further change in the sector, including the impact of global and local competition, new technologies, and governments' funding policies on the sector;
- structural, financial, managerial and governance barriers that may impede the sector's sustainability and development; and
- measures for action by the companies and the Commonwealth and State/Territory Governments to ensure an artistically vibrant and financially stable sector, including structural, financial, managerial and organisational initiatives.

This Final Report should be read in conjunction with the Discussion Paper released in August 1999. Together they discharge the Inquiry's responsibilities under its Terms of Reference.

The *Background* section of the Discussion Paper outlined the financial position of the companies, the forces driving change in the sector, and the factors impeding the sector's sustainability and development. For ease of reference, this part of the Discussion Paper is reproduced as Appendix 2 to this Final Report.

The *Issues for Discussion* section of the Discussion Paper canvassed 94 options for dealing with the challenges facing the companies.

From August to November 1999, following the release of the Discussion Paper, the members of the Inquiry met formally with each of the 31 companies, five venues, five festivals and 10 Government funding agencies covered by the Inquiry's Terms of Reference[1]. They also met with other parties who might be affected by the Inquiry's recommendations and received additional submissions. Many key stakeholders provided additional data to the Inquiry that allowed detailed testing of the financial implications of the options outlined in the Discussion Paper.

[1] For full list of participants see Appendix 1 of Discussion Paper, Appendix 2.3.1 of this Final Report.

Andersen Consulting and the Boston Consulting Group provided staff who assisted with analysis of the options. More specifically, the Committee would like to acknowledge the assistance of Ms Caroline Chernov and Ms Lisa Boothby (Andersen Consulting), Ms Joanne Smith (Boston Consulting Group), as well as Ms Su Banovits and Ms Karen Miller who have worked with the Inquiry since the release of the Discussion Paper.

The Department of Communications, Information Technology and the Arts (DOCITA) and the Australia Council have also continued to provide staff and other support for the Inquiry.

The Committee is grateful for the assistance it has received from all of those mentioned above and the others who have contributed to the Discussion Paper and the Final Report.

2 Guiding principles

The Inquiry has concluded that the following three fundamental principles should drive decisions as to the future of Australia's major performing arts sector:

2.1 Australia should have a vibrant major performing arts sector that enriches Australian life and builds its image as an innovative and sophisticated nation;

2.2 Australia should cost-effectively deliver broad access to the major performing arts; and

2.3 Australia should have a financially viable major performing arts sector that supports artistic vibrancy.

As outlined in Section 2.3 below, ongoing government support—together with the ability to generate higher box office and private sector income—is critical to the sector's financial viability, artistic vibrancy and accessibility.

Government's role in the sector requires an additional principle:

2.4 Government support for the major performing arts should be transparent and based on an understanding of the responsibilities of all parties.

2.1 Ensure a vibrant major performing arts sector

Australia should have a vibrant major performing arts sector that enriches Australian life and builds its image as an innovative and sophisticated nation.

This is because:

- the major performing arts enrich Australian life; help define what it means to be an Australian; and make a major contribution to the Australian economy; and
- the activities of the major performing arts sector help build Australia's image abroad as a clever and innovative country, which helps attract tourists and enhances Australia's ability to sell high quality goods and services overseas.

Mr David Malouf's Foreword to the Inquiry's Discussion Paper, reproduced in Appendix 2 of this Report, provides further and eloquent support for this principle.

For the major performing arts to play their role in helping Australia build its image as an innovative and sophisticated nation, a commitment to three specific principles is required. Those principles are:

2.1.1 Australia should nurture all four performing artforms: dance, music, opera and theatre;

2.1.2 Australia's major performing arts sector should aspire to the highest artistic standards; and

2.1.3 Australia's major performing arts sector should be a leading exponent of Australia's cultural distinctiveness within broader artistic traditions.

2.1.1 Nurture all four performing artforms

Australia should nurture all four performing artforms: dance, music, opera and theatre.

The Inquiry supports this principle because:

- each artform is critical to what defines Australia as a civilised and sophisticated nation with a rich artistic life;
- each artform is capable of inspiring its audiences, enriching their lives and fostering the creativity which Australia needs if it is to prosper in the modern world;
- each artform helps with the development of the next generation of young Australians; and
- each artform provides a basic discipline that needs to be nurtured as artforms merge and new multimedia artforms evolve.

2.1.2 Aspire to the highest artistic standards

Australia's major performing arts sector should aspire to the highest artistic standards, requiring a continued commitment to:

- **performance excellence;**
- **the ongoing development of new works and productions; and**
- **the development of artists.**

This principle is supported because:

- Australian audiences want the highest quality standards in the performances they see[1]—the sector's ongoing financial viability depends on maintaining those standards;
- Australian work needs to be of the highest standards for Australian companies to take advantage of globalisation and be in a position to take Australia to the world;
- innovation by way of new works and new productions is at the core of maintaining the highest artistic standards, in the same way as product innovation is essential to any consumer goods company; and
- creative risk taking that allows artists to experiment and grow is essential for the artforms to flourish over time.

2.1.3 Present Australia's cultural distinctiveness

Australia's major performing arts sector should be a leading exponent of Australia's cultural distinctiveness within broader artistic traditions.

This principle is supported for the following reasons:

- the presentation of distinctively Australian works and productions is important because:
  - it helps Australians define their national identity; and
  - it helps build a distinctively Australian image abroad; and
- the major performing arts sector already plays a leading role in performing such works.

[1] Discussion Paper, Section 4.1.

2.2 Deliver cost-effective broad access

Australia should cost-effectively deliver broad access to the major performing arts.

Delivering broad access to the major performing arts is a matter of basic fairness and equity, and as a principle, should be supported. However, access comes at a cost. The challenge is to find a way of providing the broadest possible access in the most cost-effective way.

In this context, the geographic, demographic and artform dimensions of access need to be considered.

2.2.1 Geographic

Australia should cost-effectively deliver broad geographic access to the major performing arts.

More specifically, this means that:

- **Australians in all major geographic areas should have 'on-stage' access to the major performing arts.** In other words, all capital cities should have 'seasons of performances' that are roughly proportional to their share of the population.
- **Rural Australia should, at a minimum, receive 'seasons of performances' in proportion to its share of the population.** In other words, rural Australia should be equitably treated in the overall representation it receives. Regionally, among States, equitable treatment should prevail; and
- **Technology should be utilised to make the major performing arts accessible to all Australians.** The cost of touring some artforms, particularly to small population areas, is prohibitively high. Accessibility in these cases will require creative uses of modern technology.

2.2.2 Demographic

Australia should cost-effectively deliver broad demographic access to the major performing arts.

Encouraging a broad cross-section of attendees at major performing arts events is critical to the future success of the major performing arts.

More specifically, attendance should be encouraged from individuals:

- **with diverse income backgrounds.** The major performing arts sector needs to shed its 'silver-tail' image and ensure attendance by the less affluent;
- **with diverse education backgrounds.** The profile of attendees needs to be broadened to include more individuals who do not have a tertiary education;
- **with diverse ethnic backgrounds.** Ways of engaging with, and encouraging the participation of individuals, regardless of their ethnic origins, need to be explored;
- **from diverse age groups.** Young people, parents with children, as well as older people who are already strong supporters should be encouraged to participate; and
- **of both genders.** Greater participation from men should be encouraged, while maintaining the support of women.

2.2.3 All four performing artforms

Australia should cost-effectively deliver access to all four performing artforms based on the cost of delivering that artform and the willingness of audiences or governments to pay for it.

In general, all major geographic areas should have access to all four performing artforms.

The cost of delivering the four performing artforms will differ widely. This has implications for where companies are based and the extent to which they tour. More specifically, concert orchestras and opera companies involve large numbers of people, which make it expensive for them to move from one location to another.

In general, therefore, it is more likely that concert orchestras and opera companies will be local companies and will not tour extensively, unless audiences or governments are willing to pay the additional cost of doing so.

2.3 Ensure financial viability

Australia should have a financially viable major performing arts sector that supports artistic vibrancy.

Financial viability is a prerequisite for Australia's major performing arts sector to build a long-term cycle of success. Unless a company is financially stable, it will not have the funds to invest in artistic vibrancy, and access will be threatened.

More specifically, building this cycle of success requires the development of a creative partnership between the sector and governments on three dimensions:

2.3.1 **Australia should realise the sector's full potential by ensuring the strategy of each company reflects its artistic capabilities and fundamental economics;**

2.3.2 **the sector should maximise box office and private sector support, while minimising the use of resources and achieving best practice management; and**

2.3.3 **Governments should fund the sector in a way that provides appropriate incentives to realise the sector's full potential.**

2.3.1 Ensure an appropriate strategy for each company

Australia should realise the sector's full potential by ensuring the strategy of each company reflects its artistic capabilities and fundamental economics.

Any decision as to how Australia can best leverage the artistic capabilities of the companies must be taken in the knowledge of the overall economics of the artforms and the quality of the companies' artistic performances relative to that offered by competitors, both in Australia and overseas.

A company's strategy should, therefore, be grounded in a realistic assessment of both these factors, as should governments' views as to how they can take advantage of what each company has to offer and how such capabilities can best be used strategically to the country's overall advantage.

2.3.2 Maximise earned income and minimise use of resources

The sector should maximise box office and private sector support, while minimising the use of resources and achieving best practice management.

In addition to fostering artistic vibrancy, a fundamental building block in creating a cycle of success is to ensure that box office is maximised by filling the available seats with paying customers.

Attracting audiences also has advantages in generating private sector sponsorship—the larger the audience, the more likely the corporate sector will see a marketing edge in providing sponsorship.

The challenge, however, is for the major performing arts companies to generate the maximum amount of revenue with the minimum level of resources.

2.3.3 Provide appropriate funding

Governments should fund the sector in a way that provides appropriate incentives to realise the sector's full potential.

Government funding is essential to the major performing arts sector.

All major Western countries provide a subsidy to their performing arts sector in one form or another—either through direct funding (as is the predominant approach in Europe) or indirectly through the tax system (as is the primary approach in the United States of America).

Government funding makes performances more broadly accessible by supporting a company's core performance activities, which keeps ticket prices at affordable levels. Artform costs vary widely and, without government funding, some artforms would be prohibitively expensive and inaccessible to the general public. Very few companies, without government support, generate adequate revenue to cover their direct performance costs[2].

Government funding also allows an investment in artistic quality and risk taking, both integral to the artistic endeavour.

2.4 Provide transparent government funding

Government support for the major performing arts should be transparent and based on an understanding of the responsibilities of all parties.

More specifically:

2.4.1 **the rationale for funding should be clear and transparent; and**

2.4.2 **the funding responsibilities of the Commonwealth and State Governments should be clear and transparent, as should the performance obligations of the companies.**

[2] Discussion Paper, Chapter 6.

2.4.1 Ensure clear and transparent funding rationale

The rationale for funding should be clear and transparent.

Government funding should be provided on a more rational and equitable basis than is the case today[3]. More specifically, the funding criteria should reflect the cost of the artform; support the strategic objectives that governments have for a company; and take into account governments' access objectives.

2.4.2 Clarify responsibilities of all parties

The funding responsibilities of the Commonwealth and State Governments should be clear and transparent, as should the performance obligations of the companies.

Building a supportive partnership between governments and the sector requires that the roles and responsibilities of all parties be clear.

In addition, the investment of government funds brings with it obligations on the part of the companies, which should be met through performance obligations that are clear, measurable and publicly known. They should cover artistic, access and financial issues.

* * *

The four major principles and 11 additional supporting principles set out in this chapter have shaped the recommendations put forward in this Report.

Recommendation 2.1.1 The Commonwealth and State/Territory Governments should endorse these guiding principles.

3 Discussion Paper, Chapter 14.

3 Issues to be addressed

The 31 companies that are the subject of this Inquiry make a substantial contribution to Australia's cultural life. The nature of that contribution is described in detail in the Discussion Paper[1]. In summary, it includes:

- **a major artistic contribution**, seen in:
  - *the size of their artistic presence*[2]. The companies present more than 11 mainstage performances per day. The larger companies present more performances annually than their international peers;
  - *their large and diverse repertoire*[3]. The companies present an even balance of popular and challenging works, more than half of which are 20th century works;
  - *their commitment to Australian product*[4]. More than half of the theatre and dance works are Australian in origin; and
  - *their commitment to developing Australian artists*[5]. The companies have significant young artists development programs.
- **a major contribution to the accessibility of the performing arts**, through:
  - *their commitment to touring*[6]. In 1998, each capital city except Darwin had access to at least nine Inquiry Companies; 22 of the companies toured regionally; and 17 toured to other capital cities; and
  - *the number of attendees at performances*[7]. Australians in 1998 bought over three million tickets to the companies' performances.
- **a contribution, both direct and indirect, to the Australian economy**, through:
  - *the income earned*[8]. In 1998, the companies generated $124 million or 79% of the box office and private sector income for the subsidised performing arts sector;
  - *the people employed*[9]. In the same year, the companies employed over 3,300 people or 86% of the staff[10] in the subsidised performing arts sector; and
  - *the multiplier effect*[11]. An additional $2.80 is estimated to be generated for every dollar earned by the companies.

1 Discussion Paper, Chapter 2.
2 Discussion Paper, Section 2.1.1.
3 Discussion Paper, Section 2.1.2.
4 Discussion Paper, Section 2.1.3.
5 Discussion Paper, Section 2.1.4.
6 Discussion Paper, Section 2.2.1.
7 Discussion Paper, Section 2.2.2.
8 Discussion Paper, Section 2.3.1.
9 Discussion Paper, Section 2.3.3.
10 Full-time equivalent staff.
11 Discussion Paper, Section 2.3.4.

Despite the importance of this contribution, the sector faces many challenges. Chapters 4 and 5 of the Discussion Paper described the forces driving change and the companies' response, while Chapter 6 examined the impact on the companies.

These challenges materially affect the implementation of the four guiding principles set out in Chapter 2 of this Report: artistic vibrancy, accessibility, and financial viability, as well as the need for funding transparency.

3.1 Artistic vibrancy

The companies' artistic standards are being put at risk as a result of financial problems. The major areas of risk from an artistic point of view are as follows:

3.1.1 **Fewer new works**[12]: The number has declined from 50 to 32 between 1997 and 1998.

3.1.2 **Fewer new productions of existing works**[13]: The percentage has declined from 60% to 49% between 1997 and 1998.

3.1.3 **Less risk taking**[14]: Companies experiencing difficulties are programming more popular, less risky repertoire, and theatre and dance companies are producing less work by new playwrights or choreographers.

3.1.4 **Increased co-productions and buy-ins**[15]: Between 1997 and 1998, co-productions and buy-ins in theatre have increased from 23% to 30% while co-productions and buy-ins in opera have stayed relatively static at just over 40%.

3.1.5 **Reduced or subscale ensemble sizes**[16]: The ballet companies have reduced their ensembles by 14% and Opera Australia has reduced its resident principals by 40% between 1992 and 1998. Bangarra is operating without any dancers to cover injuries or illness.

3.1.6 **Reduced scale of works**[17]: Between 1992 and 1998, the average number of actors per production in the state theatre companies has reduced by up to 30%.

3.1.7 **Use of less experienced artists**[18]: Music and opera companies are utilising, in major roles, young and less experienced artists, who are not always ready artistically to assume such roles.

3.1.8 **Fewer opportunities for young artists development**[19]: All the opera companies have eliminated or scaled back their young artists development programs.

3.1.9 **Reduced ability to present Australia's cultural distinctiveness**[20]: The reduced number of new works and new productions, as well as the erosion of artistic standards, is having an impact on the companies' ability to present distinctively Australian works.

12 Discussion Paper, Section 6.2.1.
13 Discussion Paper, Section 6.2.2.
14 Discussion Paper, Sections 5.1.1.1 and 6.2.4.
15 Discussion Paper, Sections 5.5.1.1, 5.5.1.2 and 6.2.3.1.
16 Discussion Paper, Sections 5.5.2.2 and 6.2.3.2.
17 Discussion Paper, Sections 5.5.2.3 and 6.2.3.2.
18 Discussion Paper, Section 5.5.2.1.
19 Discussion Paper, Section 6.2.4.2.
20 Discussion Paper, Section 6.2.

3.2 Access

While definitive conclusions on access are constrained by the lack of detailed information on attendances at all major performing arts events[21], a range of access issues need to be addressed.

Key **geographic** access issues that need to be addressed are:

3.2.1 **Reduced regional touring**[22]: The number of companies touring to regional areas decreased by 7% between 1997 and 1998, and the number of regional seasons decreased by 10% in the same period.

3.2.2 **Reduced mainstage performances**[23]: The extent of touring to smaller capital city markets, such as Darwin and Hobart, has reduced between 1997 and 1998 as has the number of mainstage performances by state theatre companies and Opera Queensland. Other companies are considering similar reductions.

3.2.3 **Low participation rates in some cities**[24]: The 'implicit' participation rates are 34% in Sydney; 26% in Melbourne; 16% in Canberra; 15% in Adelaide; 14% in Brisbane; 13% in Darwin and 11% in Hobart and Perth.

3.2.4 **Reduced broadcasts**[25]: The ABC has recently reduced television coverage of complete productions by the companies.

Key **demographic** access issues that need to be addressed are:

3.2.5 **Low youth and ethnic participation**[26]: Less than 20% of companies' audiences are under the age of 25, compared with 38% of the population. Participation of the ethnic population is low[27].

3.2.6 **Pressure on schools education programs**[28]: The concert orchestras and Opera Australia have refocussed their education programs to control costs.

3.3 Financial viability

The major performing arts sector is not financially stable and the viability of many companies is threatened. Companies are regularly incurring operating losses, which reserves do not cover. These losses are forcing the companies to make decisions which, as described above, are adversely affecting artistic vibrancy and access.

These financial pressures are the result of fundamental demographic changes—particularly an aging, better educated and more travelled population—and technology developments—such as compact discs and the Internet—together with the impact of globalisation, that have changed both the demand for, and supply of, major performing arts product.

21 Discussion Paper, Section 2.2.2.
22 Discussion Paper, Section 6.3.2.2.
23 Discussion Paper, Sections 6.3.2.1 and 6.3.3.
24 Discussion Paper, Section 2.2.2.
25 Discussion Paper, Section 2.2.4.
26 Discussion Paper, Section 4.1.4 (indirect reference).
27 *Overseas-born persons and the Arts*, CMC Report, 1996.
28 Discussion Paper, Section 6.3.1.

The three broad areas where financial pressures need to be addressed are:

3.3.1 **Financial dynamics unsustainable**: Costs are rising at a rate that is not matched by the growth in earned income from box office and the private sector or by government funding.

3.3.1.1 *Costs rising rapidly*[29]: Between 1992 and 1998, expenses increased at 4.1% per annum for the companies other than the orchestras (5.1% if the orchestras are included), driven by the need to lift artistic and production standards (reflecting audience expectations and the artistic standards of international competitors); higher artist costs, in response to salaries set by a global market place; and the need to advertise more heavily to attract audiences, who are now purchasing later and wanting fewer, smaller, and more flexible subscription packages. Few productivity gains are available in the performing arts to offset these cost increases.

3.3.1.2 *Box office growth constrained*[30]: Between 1992 and 1998, box office revenue increased at 3.4% per annum (4.4% per annum if the orchestras are included), a rate slower than that for expenses. Box office was constrained by competitive pressures, particularly from international competitors. In addition, the large opera, theatre and dance companies already put on more performances than their international peers and play to near capacity houses, which limits their ability to increase box office significantly.

3.3.1.3 *Private sector income growing but small*[31]: Between 1992 and 1998, private sector income increased by 8.9% per annum (12.9% if the orchestras are included). However, it constitutes only 13% of total income (11% including the orchestras).

3.3.1.4 *Government funding rising more slowly*[32]: Government funding has risen by 3.7% per annum over the past six years (4.8% if the orchestras are included). In particular, over the past three years, Commonwealth Government base funding has been flat and has declined in real terms.

3.3.2 **Impact on opera, dance and theatre adverse**[33]: Large scale commercial musicals, festivals, opera and dance spectaculars, as well as film and compact disc sales, are affecting all artforms, but particularly opera, dance and theatre.

3.3.3 **Impact on Adelaide, Brisbane and Perth adverse**[34]: The companies based in the less populous States are experiencing more severe financial pressures because their ability to generate box office and private sector income is less; and their cost-revenue dynamics are less favourable.

[29] Discussion Paper, Sections 6.1.2.1 and 12.3.1.
[30] Discussion Paper, Sections 6.1.2.2 and 12.1.
[31] Discussion Paper, Sections 6.1.2.3 and 12.2.
[32] Discussion Paper, Sections 4.3 and 14.2.1.
[33] Discussion Paper, Section 6.1.3.
[34] Discussion Paper, Section 6.1.4.

To support the Inquiry's financial viability principles, the following more specific issues need to be addressed:

3.3.4 **Companies' strategic roles unclear**[35]: Companies' strategies are not adequately focused; and there is an inadequate alignment between the companies' strategies and governments' objectives for the sector. Companies' resources are stretched too thin as they take on more activities to obtain additional government funding; and opportunities, particularly to compete globally, are being lost because companies lack the resources to compete in a globalising world. In this context, inadequate clarity exists as to who should be a 'major' or a 'national' company.

3.3.5 **Inadequate resources to increase earned income**[36]: Many companies, particularly the smaller ones based in the less populous States, do not have the critical mass to employ an adequate number of staff with the necessary skills to increase earned income.

3.3.6 **Cost reduction opportunities exist**[37]: 75% of the companies' costs are in salaries and production. Artform cooperation, therefore, offers the greatest potential to reduce cost. Geographic cooperation has some, but more limited potential, as do improving work practices for the concert orchestras; improving relationships with venues; tendering for productions; and improving buying power in advertising rates.

3.3.7 **Inappropriate incentives in government funding**[38]: An increase in project funding between 1993 and 1997 from 8.3% to 12.6% of total funding has stretched the companies' resources by providing an incentive to undertake additional—usually not fully funded—activities. In addition, incentives do not exist for the companies to build reserves and there is a concern that building reserves would reduce future funding.

3.4 Transparency

Government funding is very important to the sector.

The Commonwealth Government provides the majority of funding (71.8% in 1997), with most of the balance being supplied by the State Governments.

Of the Commonwealth Government funding in 1997, 79% came directly from DOCITA, with the remaining 21% coming from the Australia Council.

A number of issues affecting the rationale for government funding and the responsibilities of the various parties need to be addressed.

3.4.1 **Rationale for government funding unclear**[39]: The current basis of funding is primarily a result of history, with no clear rationale. In addition, 'bail-outs' have distorted any underpinning logic, as has the historic nature of funding for the concert orchestras, which is now more apparent with their corporatisation. For these reasons, current funding is not seen to be equitable.

[35] Discussion Paper, Sections 8.3 and 14.2.1.
[36] Discussion Paper, Sections 5.6.1 and 9.2.2.
[37] Discussion Paper, Sections 9.1, 9.2, 9.3, 12.3.3.7, 12.3.3.8 and 12.3.3.10.
[38] Discussion Paper, Section 14.2.1.
[39] Discussion Paper, Section 14.1.2.

3.4.2 **Commonwealth and State funding responsibilities unclear**[40]: The logic for whether a company should be funded by the Commonwealth Government, the State Government, or by a combination of the two, and to what level, is not readily apparent. For instance, concert orchestras are highly funded by the Commonwealth Government; dance and theatre companies receive some Commonwealth funding; and state opera companies receive no Commonwealth base funding.

3.4.3 **Commonwealth Government funding rationale unclear**[41]: Currently, DOCITA and the Australia Council both fund the companies. Commonwealth Government funding for the theatre, dance and chamber music companies comes from the Australia Council via the Major Organisations Fund, as does a supplementary grant for the Sydney Symphony Orchestra. On the other hand, Opera Australia, the concert orchestras and two of the three pit orchestras (the Australian Opera and Ballet Orchestra and the State Orchestra of Victoria) are funded by DOCITA.

3.4.4 **Nature of companies' performance obligations differ**[42]: Different funding bodies have diverse expectations of the companies and are not consistently rigorous in monitoring the companies' performance against these expectations. Even though each funding body's requests may be reasonable if considered in isolation, the lack of consistency in funding and reporting requirements magnifies the pressures facing the companies.

* * *

Addressing the issues facing the companies in the areas of artistic vibrancy, access, financial viability and transparency of government funding is important. Doing so in a way that is consistent with the principles articulated in Chapter 2 is critical to the way ahead.

[40] Discussion Paper, Sections 14.3.1 and 14.3.2.

[41] Discussion Paper, Sections 14.3.1 and 14.3.2.

[42] Discussion Paper, Section 14.4.1.

4 The way forward: overview

This Inquiry provides a unique opportunity for Australia's major performing arts sector to ensure its rightful place in the nation's cultural and economic life.

Because, over the past decade, the sector has been adversely affected by demographic and technology changes as well as by the forces of globalisation, it has been in a reactive mode as the financial pressures facing the companies have eroded their artistic vibrancy.

But while the forces of change have hitherto posed a threat, proactively managed, they can be harnessed to the sector's benefit.

Australia has companies that are among the best in the world in their artform. They are able to take their work—distinctively Australian work—to the rest of the world.

Equally, changing demographic trends can work to the advantage of Australian-based companies, whose economics do not support overseas touring.

Australians are spending more on entertainment, including live entertainment, than ever before. The aging of the population means that a larger number of people have more time and money to spend on such events.

The growth in tourists, including cultural tourists, who stay longer and spend more in Australia, can also work to the sector's benefit.

In addition, private philanthropy should grow as an inter-generational wealth transfer takes place.

On the technology front, the Internet offers rich opportunities to reach new audiences both through marketing live performances and by bringing an online performance experience into the homes of millions of individuals both in Australia and overseas. This opportunity will be enhanced as broadband access becomes available.

Taking advantage of these trends can position the companies not just to enrich the lives of Australians, but also to assist Australia promote its image as a culturally rich, creative and energetic society to the overall benefit of the economy.

But to benefit from these trends, the issues confronting the sector's artistic vibrancy must be addressed. This is not a question of 'art for art's sake'. It is a hard-nosed judgement about audience needs and expectations. Simply put, audiences expect performances by Australia's major performing arts companies to be of an international standard. They will not settle for less. Unless each company aspires to and, over time, reaches those standards, it will not have a future. Audiences will go elsewhere and, in the face of eroding attendances, governments will shift their support to other endeavours.

The challenge facing governments and the sector, therefore, is to decide to turn the forces of change to advantage—to be proactive and to manage change, rather than to react to it.

Taking up this challenge requires commitment and action from governments (both Commonwealth and State) as well as from the companies.

More specifically, **governments need to**:

- agree on the strategy for the sector;
- clearly define funding and managerial responsibilities between the Commonwealth and State Governments and within the Commonwealth (Australia Council and DOCITA);
- assist with the stabilisation and repositioning of the sector, as well as with initiatives to increase artistic vibrancy and improve box office and private sector support;
- agree on clear and appropriate performance objectives with each company; and
- ensure cost-effective access for all Australians.

These issues are addressed in Chapters 5 to 9.

Companies need to:

- ensure artistic vibrancy;
- provide access; and
- change their existing financial dynamics, by:
  - enhancing artform cooperation;
  - enhancing geographic cooperation;
  - improving box office and fee income;
  - strengthening private sector support;
  - reducing costs;
  - strengthening their balance sheets; and
  - implementing best practice management and governance.

These issues for the companies are discussed in Chapters 10 to 18.

Finally, as required by the Inquiry's Terms of Reference, an implementation plan and timetable is proposed in Chapter 19.

Actions by governments

5 Actions by governments: agree strategy for the sector

The Inquiry endorses the principle that Australia should realise the sector's full potential by ensuring the strategy of each company reflects its artistic capabilities and fundamental economics[1]. Equally, it supports the principle that government support for the major performing arts should clearly define the responsibilities of all parties and be transparent[2].

Putting this principle into action requires a clear view as to where the sector should head and a more strategic, less reactive, approach to how funding should occur.

In that context, Australia should decide it wants to take advantage of the demographic, technology and globalisation trends that are occurring; determine the extent to which it wants to assist companies in the sector to compete on an international and/or domestic stage; aspire to the highest artistic standards; and be accessible to audiences and artists in all States.

Implicitly, such judgements are already being made because of the level of government funding for the sector. Going forward, the basis for such decisions should be more transparent.

In taking a more strategic approach, governments need to make fundamental decisions in two areas—who should be designated as a major company and what role designated major performing arts companies should play in Australian life.

5.1 Designation as a major performing arts company

The Inquiry's recommendations as to which companies should be designated as major companies are based on the principles that all performing artforms should be nurtured; that companies should aspire to the highest artistic standards; that they should cost-effectively deliver broad access; and that they should be financially viable[3].

More specifically, it is recommended that the Commonwealth and State/Territory Governments should agree that:

Recommendation 5.1.1 A company that meets all of the following criteria should be designated as a major performing arts company:

- be a dance, music, opera or theatre company or a hybrid thereof;
- demonstrate the highest artistic standards in performances;
- show an ongoing commitment to the development of the artform;
- demonstrate an ongoing commitment to the development of artists within the artform;
- show evidence of a sizeable and increasing audience base;
- have a minimum average annual total income of $1.2 million[4] over the previous three year time period; and

1 See Section 2.3.1.
2 See Section 2.4.
3 See Sections 2.1.1, 2.1.2, 2.2 and 2.3.
4 Previously $1 million—adjusted for inflation.

- demonstrate an ongoing ability to be financially viable, including increasing levels of financial support from the broader community.

These criteria are supported because:

- they align with the principles earlier enunciated;
- they provide for the major companies to support the sector, particularly artists and smaller companies within their artform; and
- they build in a commitment to increasing levels of box office and private sector support which will underpin the companies' long-term viability.

Recommendation 5.1.2 Companies that do not continue to meet the criteria defined in Recommendation 5.1.1 should be put on notice that, in the absence of tangible evidence to the contrary, they will lose their major performing arts company status. If termination occurred, the funding agencies could agree to fund a replacement company, subject to it qualifying as a major performing arts company.

This recommendation is supported because a company's major performing arts company designation should depend on its ongoing ability to meet these criteria. No company can assume it has a continuing right to the status of being a major company.

Recommendation 5.1.3 The Commonwealth and relevant State/Territory funding agency should decide which companies should be designated as major performing arts companies and if a company should lose its designation. The period of notice given to a company for withdrawal of its status would be at the discretion of the funding bodies, but would typically be between one and two years, with immediate termination being possible in exceptional circumstances. The notice of withdrawal could be revoked should both agencies agree that the company has rectified the circumstances leading to the notice being issued.

This recommendation is supported because:

- it allows for a national, as well as a State, perspective to be considered;
- decisions on designation and, therefore, funding for major companies need to be taken by both the Commonwealth and State Governments; and
- a period of notice allows companies time to redress a breach of the criteria or make alternative funding arrangements.

5.2 Strategy for companies

While the umbrella title of 'major performing arts company' is a useful classification from governments' perspective, in reality, the companies are a diverse group. They differ in fundamental economics, artistic quality and breadth of product offering.

Economics

Artform differences drive fundamentally different economics for the companies. For instance, concert orchestras and opera have a far higher cost structure than theatre and contemporary dance companies[5]. As a result, the economics of touring differ widely across artforms.

[5] Discussion Paper, Section 6.1.4.3.

This has major implications for the extent to which companies in certain artforms tour, other than as a one-off showcase event. For instance, major touring initiatives by concert orchestras and opera companies are very expensive—almost prohibitively so. In contrast, contemporary dance companies, being relatively small and having an insufficient market to fully employ their ensembles in any one city, tour prodigiously.

Artistic quality

While all companies must aspire to international standards, some companies in each artform have already fulfilled that aspiration. They are recognised by their international peers as being leaders in their field, and in some cases, are competing head-on with those peers in the international arena. Others have not yet reached that standard.

Breadth of product offering

Some companies offer a broad-based product within their artform. Other companies, in contrast, offer a distinctive, but much narrower range in their product offering. Such companies are typically leading product innovators, who take significantly greater artistic risk as a way of maintaining a competitive edge.

These three areas of difference—fundamental economics; artistic quality; and breadth of product range—result in the companies, in their core activities, 'competing' in different ways. In other words, these differences drive distinct strategic approaches by the companies.

Those companies whose economics support international touring and who can compete artistically with the best in the world are able to take advantage of globalisation and take Australian product to the rest of the world. The Australian Chamber Orchestra, with its smaller ensemble size and its leading international reputation, is an example of one company with the potential to pursue such a strategic approach.

Other companies, which artistically offer an internationally competitive product, but whose economics do not support international touring as a core activity, can provide an excellent cultural experience for Australians. They can also play a role in supporting Australia's burgeoning tourism industry by attracting cultural tourists. Opera Australia and The Australian Ballet exemplify such an approach. In the summer of 1999, at least one-third of Opera Australia's attendees were foreign tourists.

Other companies, with a distinctive narrower product offering and whose economics support touring, experiment with their product domestically before 'exporting' successful product to the rest of the world. Australia's distinctiveness will often be reflected in the nature of such product. Company B's recent initiative in taking *Cloudstreet* overseas, after an extensive development phase in Australia, is one such example.

Cooperation with major Australian festivals often provides an opportunity to produce such creative and distinctive work in an environment that is more receptive to greater risk taking. In addition, Australian festivals provide international visibility for such work, as foreign festival directors tour the circuit to seek out rare product.

Alternatively, companies with distinctive, niche product may attract international visitors to Australia. For example, the State Opera of South Australia's staging of *The Ring* in 1998, in conjunction with the Adelaide Symphony Orchestra, attracted Wagnerians from around the world.

Finally, other companies focus on their home state to enrich the lives of Australians. They play a vital incubator role for artists and for the development of the artform in their State. They also have a major responsibility for increasing audiences, including through schools education programs. The Queensland Theatre Company provides such an example.

These strategic distinctions allow the companies to add value for Australia in diverse ways—by building an image of Australia abroad and with local tourists; by enriching the lives of ordinary Australians; by assisting with Australia's balance of trade; and by providing jobs for thousands of individual Australians.

In the past, this subtlety of distinction in the role each company plays was not always recognised by governments. Nor was it reflected in the way companies were funded.

The lack of recognition of these distinctions had consequences for the companies and governments alike.

Firstly, the companies' capabilities have not been leveraged to their full potential. Business opportunities have been lost. In other cases, artists have pursued career opportunities outside Australia.

Secondly, the companies' pressured financial situation has been exacerbated by governments imposing a standard, undifferentiated set of performance obligations on companies. At the very least, companies' resources have been stretched more thinly, increasing the complexity of management's task.

The Inquiry is, therefore, of the view that these differences among companies need to be recognised as a basic platform of government policy and recommends that the Commonwealth and State Governments should agree that:

Recommendation 5.2.1 Companies should be designated according to the role they are expected to play in their core activities. These designations are:

- Global companies;
- Australian Flagship companies—resident or touring;
- Niche companies; and
- Regional Flagship companies.

Recommendation 5.2.2 Designation to one of the four categories will depend on the company's ability to meet the following criteria.

1. GLOBAL COMPANY

- The company's product is recognised as being internationally competitive because the company:
  - is represented by top international agents;
  - is regularly invited to perform in major venues/festivals in Europe, North America and potentially in Asia; and
  - receives positive international critical responses to its performances;
- The company performs internationally and in Australia each year, with international performances constituting at least 20% of the company's mainstage performances each year; and
- The company's economics support international touring:
  - it makes marginal surpluses from its international performances or has a structured plan to achieve this result over the next three years; and
  - government support for international touring represents less than 10% of its total international touring income.

2. AUSTRALIAN FLAGSHIP COMPANY—RESIDENT OR TOURING

- The company's product is recognised as being internationally competitive by:
  - acceptance of the company's position in its artform from leading international companies;
  - positive critical responses when the company undertakes showcase international tours;
  - the company's ability to regularly attract leading international creative and performing artists; and
  - the company's ability to establish artistic/management exchange programs with leading international companies in the artform;
- The company presents an extensive and broad-ranging mainstage program annually; and
- The company plays a leadership role in its artform nationally, particularly in relation to the development of artists.

Resident company

- Where the company's economics do not support regular touring within Australia, it will focus its mainstage activities on its primary markets. Any other capital city or regional touring which it undertakes will be on a break-even or marginal surplus basis.

Touring company

- Where the company's economics require touring within Australia, it will tour mainstage product within Australia annually, with a focus on achieving an overall positive marginal financial outcome from its touring activities in the short to medium term.

3. Niche company

- ▸ The company's mainstage product focuses on a particular part of the artform repertoire or on a particular type of work;
- ▸ The company seeks to access an audience within Australia and/or internationally which is of a sufficient size to support its product;
- ▸ The company is likely to undertake regular partnerships with major Australian festivals to develop distinctively Australian product (particularly works of scale);
- ▸ In cases where the company's distinctively Australian product becomes highly successful, the international festival circuit should be used as one way of securing international presentation of such work; and
- ▸ The company plays a national leadership role in its artform in relation to its niche product, particularly with respect to the development of artists and possibly education.

4. Regional Flagship company

- ▸ The company's product is of high quality, with aspirations to international standards. This is recognised by:
  - local and national acceptance of the company's position in its artform within its State;
  - the company's ability to regularly attract leading national creative and performing artists and also, in some cases, to attract international artists of quality; and
  - positive local and national critical response;
- ▸ The company presents a broad ranging mainstage program annually;
- ▸ The company plays a leadership role in its artform within its State, particularly in relation to the development and employment of local artists;
- ▸ The company undertakes annual intrastate regional touring; and
- ▸ The company undertakes a significant education program within its State.

This recommendation is consistent with the principles of artistic vibrancy and financial stability articulated in Chapter 2.

This recommendation is supported because:

- it provides a basis for aligning the strategy of each company with a view as to where the sector should head;
- it provides a basis for recognising the differences among the companies and focusing their activities, while avoiding stretching the companies' resources too thinly;
- it provides one basis for funding by government; and
- it provides the platform for establishing performance agreements with the companies.

Recommendation 5.2.3 The Commonwealth and relevant State/Territory funding agencies may agree, after consulting with their respective governments if necessary, that a company's designation may be changed, subject to the company demonstrating its ability to meet the performance obligations associated with the proposed category.

Recommendation 5.2.4 The Commonwealth and State Governments should agree that the initial assignment of companies to the four categories, recognising other recommendations in the Report, should be as follows:

Global companies: Australian Chamber Orchestra[a]; Circus Oz; Sydney Dance Company

Australian Flagship companies:

Resident: Melbourne Symphony Orchestra; Opera Australia[b]; Sydney Symphony Orchestra; Sydney Theatre Company

Touring: Musica Viva; The Australian Ballet

Niche companies: Bangarra Dance Theatre; Bell Shakespeare Company; Black Swan Theatre Company[c]; Company B; Playbox Theatre Centre; State Opera of South Australia

Regional Flagship companies: Adelaide Symphony Orchestra; Australian Dance Theatre[d]; Melbourne Theatre Company[e]; Opera Queensland; Queensland Ballet; Queensland Symphony Orchestra; Queensland Theatre Company; State Theatre Company of South Australia; West Australian Ballet; West Australian Opera; West Australian Symphony Orchestra; Tasmanian Symphony Orchestra

(a) Provided a way can be found to have an administrative infrastructure for the Australian Chamber Orchestra that supports its global ambitions, either through a merger with Musica Viva or through another approach.

(b) Including the Australian Opera and Ballet Orchestra.

(c) Subject to review once the company's future strategic direction is decided (see Recommendation 12.3.3).

(d) Subject to review once the company's future strategic direction is clarified.

(e) Likely to be reviewed as a potential Australian Flagship company once the benefits of the company's new artistic leadership are demonstrated.

These specific designations have been developed based on the Inquiry's understanding of each company's artistic standing, its economics, and its breadth of product range. It is based on each company's core activities only.

* * *

Governments' agreement on where the sector should head is an essential first step in ensuring that the sector's full potential is realised. This view of the future needs to be grounded in realism—a realistic assessment of each company's artistic capabilities and a realistic understanding of each company's financial situation. The powerful combination of vision grounded in realism can work to the sector's and Australia's advantage.

6 Actions by governments: agree funding responsibilities

With the objective of promoting financial stability, the Inquiry supports the principle that the funding responsibilities of the Commonwealth and State Governments should be clear and transparent[1]. The Inquiry also supports the simplification of administrative processes.

Currently, funding to the major companies is provided in a range of ways without any apparent underlying rationale[2]. While the Commonwealth Government provides the bulk of base funding for the 'state' orchestras, it provides none to the state opera companies and some to the state theatre companies. The term 'national' companies is loosely used to define a varying number of companies, but no underpinning rationale can be identified[3].

Equally, the rationale for why Commonwealth funding is provided through DOCITA for some companies and activities, whereas funding for other companies and initiatives is channelled through the Australia Council is unclear[4].

In both cases, the legacy of history seems to be the best explanation.

In the interest of achieving clarity, transparency and simplicity, recommendations in four key areas of government funding are proposed below.

6.1 Responsibilities for funding: Commonwealth and State Governments

The Discussion Paper canvassed five options as to whether the Commonwealth or State Governments should be responsible for funding the major companies. The alternatives covered were: Commonwealth funding for all companies; State funding for all companies; Commonwealth funding for some companies, State funding for others; joint Commonwealth and State funding on a sliding scale; or maintain the status quo[5].

Face to face consultations with each company subsequent to the release of the Discussion Paper provided unanimous support for one of those options—namely, joint Commonwealth and State funding on a sliding scale, with the scale being determined by the strategic role the companies are expected to play[6].

While somewhat more administratively complex, the Inquiry supports this option over a single funder for each company because:

- over time, shared responsibility will make it easier for governments to encourage greater cooperation among companies—including within the same artform;
- shared responsibility is more likely to foster initiatives for the continued improvement of the sector;

[1] See Section 2.4.1.
[2] See Sections 3.4.1 and 3.4.2.
[3] Discussion Paper, Section 8.3.1.
[4] See Section 3.4.3.
[5] Discussion Paper, Section 14.3.3.
[6] See Section 5.2.

- it is more likely to result in a greater alignment between the activity levels in each State, the market demand for those activities, and the cost structure of the artform and the company;
- it is more likely to facilitate benchmarking, as a spur to improved performance;
- it provides a basis for ensuring greater equity and transparency in funding; and
- such an approach can be made to operate in a way that will accommodate the objectives of individual States.

However, the full implementation of such a recommendation would require a significant funding shift from the Commonwealth to the State Governments, because of the large amount of funding currently provided by the Commonwealth Government to the orchestras.

The orchestras are going through a period of rapid change due to their corporatisation. They have had relatively little time to operate in this new environment and a major shift in the balance of funding at this time may be destabilising. While some small change in this direction can be taken now, over time a way of moving the balance of orchestral funding should be explored in a way that does not disadvantage the States.

It is, therefore, recommended initially that a shift to a new model be made for all but the orchestras, where only a small change is possible in the short term.

More specifically, the Inquiry recommends that the Commonwealth and State Governments should agree to the following.

Recommendation 6.1.1 Funding arrangements between the Commonwealth and State Governments should be on the following basis:

- all major performing arts companies should be funded by both the Commonwealth and State Government (or Governments) where the company is based or puts on a significant proportion of its performances;
- the extent of funding between the Commonwealth and State Governments should, apart from the orchestras, be on a sliding scale according to the designation of the companies as outlined in Recommendations 5.2.1 to 5.2.4; and
- the benchmark proportion of funding for each of the companies apart from the orchestras should be:

	Commonwealth	*State*
• Global companies	90%	10%
• Australian Flagship companies	80%	20%
• Niche companies	50%	50%
• Regional Flagship companies	20%	80%

- the benchmark proportion of funding for each of the orchestras, as a small movement towards the funding distribution of the other companies, should be:

• Australian Flagship companies	85%	15%
• Regional Flagship companies	75%	25%

Recommendation 6.1.2 The Orchestral Working Party of the Cultural Ministers Council should be used as a forum to explore the timeframe and the processes by which the orchestras can be moved to the funding approach outlined in Recommendation 6.1.1.

6.2 Responsibilities for funding—Commonwealth Government

As outlined in Section 3.4, Commonwealth funding responsibilities are currently carried out by both DOCITA and the Australia Council. The question has been raised as to whether this dual funding arrangement should continue.

The Discussion Paper posed three options—all Commonwealth funding should be carried out by DOCITA; it should all be carried out by the Australia Council; or, the status quo should be maintained.

The Inquiry supports moving to a single funding agency to provide one point of consistent management for the companies, thereby facilitating communication of policy and practice across the major performing arts. Moreover, the Inquiry takes the view that the Australia Council should be that single point of contact. More specifically:

Recommendation 6.2.1 The Commonwealth Government should agree that all Commonwealth Government funding (including for the orchestras) should be undertaken by the Australia Council through a Board of the Council, operating on principles similar to the Major Organisations Fund. This group should be known as the Major Performing Arts Board.

The Inquiry supports this recommendation because:

- the Australia Council is an independent arm's length funding body;
- the Major Organisations Fund has demonstrated its ability to add value to, and to work constructively with, the companies and to provide an early warning signal of possible difficulties; and
- this approach will not represent a significant change for the dance, theatre, and chamber music companies, while the state opera companies have not previously received core funding at a Commonwealth Government level and have little experience of either funding body.

At the same time, the Inquiry recognises that this change will require a process of adjustment by Opera Australia and the orchestras. The concerns of some of these companies in making such a shift are addressed in Section 6.3 below.

The role and responsibility of the Major Performing Arts Board and its proposed governance and management structure are outlined in the following recommendations.

Recommendation 6.2.2 The role of the Major Performing Arts Board should be:

- to decide, with the agreement of the relevant State/Territory Government funding agency and in consultation with other relevant Australia Council Funds, which companies should be designated as major companies;
- to determine, with the agreement of the relevant State/Territory Government funding agency, the category to which each company should be assigned;

- to maintain the funding model as proposed in Recommendation 7.1.2 and to advise on adjustments every three years;
- to decide on the distribution of Commonwealth Government funding for the major companies and to distribute funds accordingly;
- to agree on the terms of performance agreements (including conditions of funding) with State Government funding agencies and to negotiate them with the companies in a tripartite arrangement;
- to decide, with the agreement of the relevant State/Territory Government funding agency, whether a company should be put on notice, the conditions of such notice, whether these conditions have been met and whether the company should have its major company status withdrawn;
- to work with the companies to improve their management and governance practices;
- in consultation with the Commonwealth and State Governments, to take or facilitate such other initiatives as may improve the artistic vibrancy, access and financial viability of the companies;
- to provide advice to the Australia Council, as required, on issues relating to the performing arts in general and the major companies in particular; and
- to perform specific monitoring tasks on behalf of the Commonwealth and State Governments, as required.

Recommendation 6.2.3 The Commonwealth Government should agree that the Major Performing Arts Board should consist of up to seven members, with five members, including the Chair, being individuals who, while understanding artform issues, bring a broader perspective on the business challenges facing the companies. The other two members should be other members of the Australia Council preferably, but not limited to, the Chairs of either the Dance, Music or Theatre Funds. In deciding the five members, due regard should be paid to the State of residence of members and to gender. The Chair of the Board should become a member of the Australia Council. The General Manager of the Australia Council should be represented at all Board meetings.

The Inquiry supports the composition of a Board of this nature because the experience of the Major Organisations Fund has been that significant value is added by having a majority of board members who are experienced in business, but who are sensitive to the needs of the arts. While members of the Major Organisations Fund have business skills and come from many States, the inclusion of the two members from other areas of the Australia Council will increase artform expertise and encourage greater cooperation with other Australia Council Funds. These two members should not play the role of advocate for their specific artform, but rather should take a broader industry perspective.

Recommendation 6.2.4 The Australia Council should agree that the value adding role of the staff of the Major Performing Arts Board should be similar to that currently performed by the Major Organisations Fund.

As the companies currently funded by the Major Organisations Fund acknowledge, the founding Manager of the Major Organisations Fund has added great value to the companies in a way that is constructive and supportive. Such an approach should continue. Since the staff of the Major Organisations Fund currently consists of only the Manager and an assistant, it will necessitate recruiting several more staff members with the arts, business and interpersonal skills required to add value in a way that the companies regard as supportive.

Because of the size and significance of the companies, and to attract and retain staff with the necessary level of skills, it is appropriate that the person heading up the Major Performing Arts Board should be a senior appointment of the Australia Council.

Recommendation 6.2.5 The Australia Council should agree that a small high calibre staff should be established, managed by a Director reporting directly to the General Manager of the Australia Council and the Major Performing Arts Board Chair.

6.3 Responsibilities for funding—within Australia Council

Shifting all Commonwealth Government funding responsibility for the major performing arts companies to the Australia Council will result in a significant increase in funds distributed through the Australia Council.

Whereas funds distributed through the Major Organisations Fund had previously represented 17% of the overall funds allocated through the Australia Council, that percentage will now be closer to 52%.

In view of this shift in funding, and recognising the concerns of companies currently funded directly by DOCITA, the following arrangements are proposed:

Recommendation 6.3.1 The Commonwealth Government should agree that the overall level of funding for the Major Performing Arts Board should be specifically identified within the Australia Council's budget appropriation.

The Inquiry supports this recommendation because it will ensure an ongoing specific commitment to the funding of the major companies and will make the transition from current funding arrangements more manageable. This recommendation also recognises the size and significance of the major performing arts companies.

Recommendation 6.3.2 The Australia Council should agree that it will not exercise its power to overturn funding decisions made by the Major Performing Arts Board, although the Council may suggest to the Major Performing Arts Board that a decision should be reviewed.

Recommendation 6.3.3 The Australia Council should agree that the Major Performing Arts Board should implement specific strategic initiatives proposed for the whole of the Australia Council, except where the Major Performing Arts Board deems them to be inappropriate for the companies it funds.

These recommendations are put forward recognising the size and significance of the major performing arts companies and the extent to which their needs differ from other Australia Council funding recipients. But while differences exist, two way learning between the major companies and other parts of the Australia Council should be encouraged. Artform cooperation and exchange of information should also be valued. For this reason, these three recommendations and Recommendation 6.2.3 put in place mechanisms to encourage greater cooperation between the Major Performing Arts Board and the other Australia Council Funds.

6.4 Responsibility for dealing with companies in difficulty

As described in Section 3.3, the balance sheets of the major performing arts companies are not strong, with six companies currently having negative net assets.

The Inquiry does not support 'bail-outs' of companies in difficulty. Providing 'bail-outs' creates inappropriate incentives over the long term and sends the wrong messages to managers of the companies.

Rather, the Inquiry wants to encourage initiatives that will result in the financial dynamics of the companies improving over the long term. Chapters 15 and 17 outline a range of such initiatives designed to strengthen the companies' balance sheets and to help the companies better manage their intrinsic box office risks relative to the size of their reserves.

However, it is recognised that some companies will, particularly in the short run, be unable to build a level of reserves that will insulate them from the inherent risk in the nature of their activities. The Inquiry, therefore, recommends that the Commonwealth and State/Territory Governments should agree to the following.

Recommendation 6.4.1 A clearly articulated reserves policy should be adopted that allows each company to build reserves up to 20% of its annual costs and acknowledges that the building of such financial reserves will not adversely affect a company's ongoing funding levels. The Commonwealth Government should seek adoption of this policy through the Cultural Ministers Council, with bipartisan support.

The Inquiry supports this recommendation because it provides an appropriate incentive for the companies to strengthen their balance sheets and provides security against a future change in policy.

Recommendation 6.4.2 The establishment of a 'Reserves Bank' should be explored by the Commonwealth and State/Territory Governments through the Cultural Ministers Council, whereby companies that maintain prescribed high standards of prudential management will be able to access, under stringent conditions, a pool of funds in times of difficulty.

The Inquiry supports this recommendation because:

- it provides a safety net in the case of real hardship, but one that comes with major conditions;
- to be eligible to apply to the 'Reserves Bank', companies will need to have adopted improved management practices, thereby reducing the need for the companies to access the 'Bank' in the first place;
- it should prevent Governments from having to deal with requests for 'supplementary' funds on an ad hoc basis; and
- where provided through loans, the funds would be repayable and thus reusable.

Recommendation 6.4.3 The Major Performing Arts Board should, in agreement with each relevant State Government funding agency, act in a second capacity as the Board of the 'Reserves Bank', if it were to be established.

The advantage of this approach is that it minimises the need for additional staff and Board members, while providing individuals who have the appropriate skill and knowledge to help improve management and take hard decisions if access to the 'Reserves Bank' is required.

Recommendation 6.4.4 The 'Reserves Bank', if it were to be established, acting in agreement with each relevant State/Territory Government funding agency, should decide on:

- the prudential standards required of the companies if they are to be eligible to access the 'Reserves Bank' in times of difficulty;
- the funds that might be allocated to a company in difficulty and the conditions under which that would occur; and
- initiatives that might be required by the companies to raise management and governance capabilities to ensure that future difficulties are avoided.

In a perfect world, an initiative such as a 'Reserves Bank' would not be necessary. However, in the short run and until the sector can be stabilised, such a measure steers a course that is sensitive to the financial vulnerability of the companies, but avoids creating a culture of dependence.

* * *

Clarifying governments' responsibilities and streamlining funding processes will, in combination with other initiatives proposed in this Report, improve administrative efficiency and provide appropriate incentives to build a more financially viable future for the companies.

7 Actions by governments: provide funding

Government funding for the major performing arts is critical.

It increases accessibility—both geographically and demographically—and enriches the lives of Australians by making lower ticket prices possible; it helps ensure ongoing artistic vibrancy by supporting the development of new works and productions; and it helps Australia build its image as an innovative and sophisticated nation, indirectly supporting other parts of the economy.

On this basis, the Inquiry recognises the need for government funding for the major performing arts, while supporting the principle that the rationale for such funding should be clear and transparent and provide appropriate incentives to realise the sector's full potential.

Currently, this is not the case.

Firstly, the strategic rationale for the level of government funding for each company is not clear. It does not reflect the contribution each company is expected to make to Australian life and to the development of its artform.

Secondly, Commonwealth Government core funding for the companies reflects 'implicit' rather than overt support for the principles of accessibility. The linkage between geographic accessibility and core funding is not clear.

Thirdly, the Commonwealth Government's decision to hold base grant funding steady over the last three to four years, as the impact of the efficiency dividend has taken effect[1], has had three unintended consequences:

- it has coincided with a period of increased pressure on the companies' cost base as demographic and technology trends, as well as the forces of globalisation, have destabilised the companies. Increased competitive pressures have constrained the companies' ability to recover rising costs through the box office, while healthy private sector increases are off too small a base to offset the impact of rising costs. The overall result has been to threaten the sector's viability and the existence of many companies;
- it has resulted in the companies generating additional project funding, which has stretched their resources more thinly. The project funding has rarely fully supported the additional activities and it has pushed up the companies' cost bases; and
- it has increased the companies' risk profile as a lower proportion of funding comes from triennial funding. Triennial funding is important because it allows companies to enter into legally binding forward commitments with artists with some degree of financial certainty. Securing the best artists, particularly Australians, in an international market, requires companies in artforms such as ballet, orchestral music and opera to enter into contracts up to two or three years in advance of the performance. Triennial funding, at least in its first—and perhaps its second year—provides the companies with the financial certainty to enter such contracts. The third year of a triennial grant provides no more certainty than a one year project grant and, therefore, does not provide a basis for forward planning.

[1] Discussion Paper, Section 4.3.

Going forward, therefore, governments have a critical role to play in stabilising and repositioning the companies by providing funding on rational and transparent bases; and by enabling the companies to add value to Australia. They also have an important role to play in ensuring that, over the next three to five years, appropriate incentives exist to change the companies' financial dynamics so that revenue rises faster than costs.

7.1 Fund to stabilise and reposition the companies

To stabilise and reposition the companies, ongoing government funding for the sector should be on a basis that is transparent, provides appropriate incentives, and recognises the companies' strategic position in Australian life, the cost of the artforms, and the need for access.

This requires addressing the **level**, the **composition** and the **distribution** of government funding.

Seven initiatives are proposed:

Recommendation 7.1.1 The Commonwealth and State Governments should agree that the aggregate level of ongoing funding provided to the companies should primarily reflect the cost of delivering the artform; the strategic role the companies are expected to play; and geographic access considerations.

The Inquiry supports this approach because it establishes a transparent and rational basis for government funding that will stabilise and reposition the sector. More specifically, the proposed approach:

- establishes a basis for funding that is grounded in an understanding of the cost of each artform;
- explicitly recognises how the companies can add value for Australia and the artistic quality required to support such a role[2];
- recognises the need to support access in the less populous States. In States such as Queensland, South Australia, Tasmania, and Western Australia—where major companies are based—the companies cannot generate as much revenue from box office and the private sector as their New South Wales and Victorian counterparts; and
- ensures transparency in the nature of funding. Each component of the proposed criteria can be separately identified, enabling, for instance, the incremental cost of access born by governments (as compared to audiences and the private sector) to be separately identified.

Recommendation 7.1.2 The Commonwealth and State Governments should agree that a funding model that reflects the cost of the artform, the strategic role of the companies, and geographic access considerations should be used as the basis for determining the overall level of ongoing funding for the sector. Specific additional initiatives by Government—at either a Commonwealth or State level—could be separately identified. The data and assumptions that underpin the funding model should be reviewed every three years.

[2] See Recommendations 5.2.1 and 5.2.2.

More specifically, the funding model should operate in the following way:

1. Establish a 'normalised' cost base that recognises each company's agreed strategic role.

Each company's cost base should reflect total production, artistic and access costs, in addition to marketing and administrative costs. Activity levels could not be increased without funding agency agreement.

To produce a 'normalised' cost base, the actual costs should be adjusted to take account of:

- acceptable industry benchmarks in relation to cost. In other words, specific company inefficiencies should not be reflected in the cost base;
- an 'efficiency' dividend on marketing and administrative costs where efficiencies are possible over time, particularly through the use of improved technology. However, few productivity gains are available in artistic costs and it is not appropriate to apply an 'efficiency' dividend in this area. It takes the same number of people and time to rehearse and perform a specific piece of music today as it did 200 years ago; and
- the strategic role the companies are expected to play as reflected in the level of production expenses; the size of ensemble; the quality of guest artists; and access commitments—both geographically and demographically.

2. Establish a base level of government funding for companies in each artform.

A standard **artform funding ratio** would be applied to the 'normalised' cost base of each company to give a level of **base artform funding** for each company.

The artform funding ratio is the percentage of the 'normalised' cost which is funded by governments—both Commonwealth and State.

In the initial instance, it is recommended that the following artform funding ratios be applied consistently across all companies in that artform: theatre 13%; chamber music 15%; dance 20%; opera 25%; and concert orchestras 50%. These ratios have been developed having regard to the ability of companies based in Sydney and Melbourne to generate earned income from box office and the private sector. These artform funding ratios have been set at the minimum necessary for the companies to survive and reflect the historical performance of the companies. The Inquiry considers they are the appropriate ratios in the first instance.

However, these ratios should be examined every three years to ensure that companies have the appropriate incentives to generate additional box office and private sector income. In particular, it would be expected that the concert orchestras' ratio would reduce over time. The ability to adjust the ratios will largely depend on the success of initiatives proposed elsewhere in this Report to change the existing adverse relationship between the companies' cost base and their earned income. The ability to change the companies' cost-revenue dynamics requires implementation of the funding proposals in Section 7.2.

3. Adjust base artform funding to ensure the viability of companies based in the less populous States.

A **geographic adjustment factor** should be applied to companies based in Adelaide, Brisbane, Hobart and Perth (no major company is currently based in Canberra or Darwin). This adjustment will reflect the difference between the earned income that a benchmark Sydney or Melbourne artform company can generate as a percentage of costs and that able to be generated by a company based in a less populous State in the same artform. For instance, if The Australian Ballet can generate 80% of its costs from earned income and the Queensland Ballet can only generate 48%, the geographic adjustment factor would be 32%.

In the initial instance, the proposed geographic adjustment factors are:

EXHIBIT 7.1 Geographic adjustment factors

City	*Company*	*Adjustment factor*
Adelaide	Australian Dance Theatre	46%
	Adelaide Symphony Orchestra	14%
	State Opera of South Australia	31%
	State Theatre Company of South Australia	47%
Brisbane	Queensland Ballet	32%
	Queensland Symphony Orchestra	14%
	Opera Queensland	25%
	Queensland Theatre Company	40%
Hobart	Tasmanian Symphony Orchestra	36%
Perth	West Australian Ballet	35%
	West Australian Symphony Orchestra	15%
	West Australian Opera	27%
	Black Swan Theatre Company	39%

These geographic adjustment factors currently reflect the historical performance of the companies and should be reviewed every three years.

4. Apply an artistic risk adjustment factor for companies based in Melbourne and Sydney in a limited number of cases.

An **artistic risk adjustment factor** should be applied to four companies based in Melbourne and Sydney in recognition of their higher level of artistic risk and the subsequent implications for their ability to generate earned income relative to other companies in their artform.

The four companies where that risk adjustment should be applied are Playbox and Company B in theatre, and Bangarra and Sydney Dance Company in dance. All four companies are Niche or Global companies that are committed to developing new and innovative work and have the potential to take Australian works to the rest of the world.

This risk adjustment factor should reflect the percentage of revenue these companies can generate versus other Sydney or Melbourne based companies in their artform.

In the initial instance, the artistic risk adjustment factor should be Playbox 25%; Company B 12%; Bangarra 27% and Sydney Dance Company 10%.

These artistic risk adjustment factors should be reviewed every three years.

The Inquiry supports this funding model because it is rigorous; it provides a transparent basis for government funding; it provides—in the short run—a basis for stabilising and repositioning the companies; and over time, through agreed adjustments made to the artform funding ratios, it provides appropriate incentives for the companies to generate additional box office and private sector income.

5. Determine the amount of funding from the Commonwealth and each State Government.

The level of funding determined for each company through the application of Steps 1 to 4 should be apportioned to the Commonwealth and appropriate State Governments according to the company's categorisation and the ratios proposed in Recommendation 6.1.1. This should also be the basis on which funds are distributed to the companies.

Recommendation 7.1.3 Based on the application of the above funding model, an increase in ongoing funding is required, with a contribution coming from both the Commonwealth Government and the States. The funding requirements are as follows:

EXHIBIT 7.2 Additional government funding to stabilise and reposition ($million)

	Additional funding		
Government	*year 1*	*year 2*	*year 3*
Commonwealth	4.64	4.64	6.88
States	3.45	3.45	3.41
Total	**8.09**	**8.09**	**10.29**

The Inquiry supports this recommendation because it will provide a more transparent and rigorous basis for funding, which is linked to an overall strategic rationale.

The Inquiry has investigated possible scenarios which do not involve increases to ongoing funding levels. Such alternatives would necessitate a radical reorganisation of the sector in a way that is not consistent with the guiding principles articulated in Chapter 2. Under one such scenario, a large number of major companies, particularly those outside Sydney and Melbourne, would disappear. Alternatively, some companies would close immediately, while others would face a death by attrition—progressively cutting back further on access, education programs and artistic quality.

The Inquiry does not believe these alternatives are in the national interest.

Instead, the funding levels that are proposed represent the minimum level of ongoing funding required to stabilise the sector and allow it to reposition itself for the future—a future where the companies' strengths are used to Australia's cultural and economic advantage. This ongoing funding must, however, be provided in conjunction with other efforts to grow earned income at a rate faster than costs. Such initiatives are proposed in Chapters 10 to 18. The funding to support these initiatives is outlined in Section 7.2.

Recommendation 7.1.4 The Major Performing Arts Board and the State Government funding agencies should announce the specific level of funding for each company after agreement is reached between the Commonwealth and State Governments on the overall level and distribution of government funding.

The Inquiry supports this recommendation because the quantum of funding needs to be determined before any specific allocation can be announced. Initially, this requires that agreement be reached at a government-to-government level on the appropriateness of the proposed funding model and the distribution of funding between the Commonwealth and State Governments.

Recommendation 7.1.5 Those major companies which tour within Australia as a core activity should be funded on a three-year basis for such activities, with a commitment to appropriate performance obligations. Where there is a regular history of support through Playing Australia for such companies' touring, funding currently provided by Playing Australia should be included as a separate 'specific initiative' on a three-year basis. Where touring is not a core activity, the company should remain eligible to seek support through Playing Australia for individual tours.

The Inquiry supports this approach because it is consistent with emphasising triennial rather than project funding; it provides greater certainty for the companies; and it recognises touring commitments for some companies as being central to their activities.

Recommendation 7.1.6 The Commonwealth and State Governments should agree, as appropriate, to the continuation or introduction of rolling triennial funding (that is, governments would give three-year funding commitments, reviewable and extendable annually).

The Inquiry supports rolling triennial funding because it better matches the timing of the companies' forward commitments with government funding. It also lowers companies' risk.

Recommendation 7.1.7 The Commonwealth and State Governments should agree to all funding being provided on a calendar year basis to match the companies' planning and business cycles.

The Inquiry supports this approach because it reduces the administrative strain on companies by aligning Commonwealth and State Government funding and reporting timeframes.

7.2 Fund to undertake change

The second section of this Report (Chapters 10 to 18) contains proposals for actions by the companies.

As with the recommendations for actions by governments, these proposals are designed to enable the sector to deal with, and take advantage of, globalisation and the demographic and technology changes affecting the sector. Consistent with the strategic roles proposed for the companies in Sections 5.2.2 and 5.2.4, these recommendations seek to increase artistic vibrancy, improve access, and change the sector's cost and revenue dynamics, including through industry restructuring.

The companies urgently need to adapt to the current environment, and be in a position to respond to future developments. Artistic vibrancy needs to improve to ensure financial stability. The Inquiry also takes the view that the companies have the ability to increase their income from the private sector and, in many cases, from the box office.

These changes will not, however, happen overnight.

Financial intervention is required now to kickstart such a change.

An industry adjustment package, with three components is, therefore, proposed to improve the companies' financial performance through lifting artistic vibrancy, changing industry structure, and changing the cost-revenue dynamics. Such a package is the minimum needed, along with the proposals outlined in Section 7.1, to return the companies to financial health.

Both the Commonwealth and State Governments have a role to play in supporting the process of adjustment and in ensuring that the companies assume their rightful role in Australian life.

It is, therefore, appropriate that both the Commonwealth and State Governments contribute to these packages.

On this basis, the Inquiry recommends that the Commonwealth and State Governments should agree to the following.

Recommendation 7.2.1 To improve the companies' financial performance by lifting artistic vibrancy, a package of $8.05 million should be provided over three years to assist with the initiatives proposed in Chapter 10.

Recommendation 7.2.2 To improve the companies' financial performance by changing industry structure, a package of $2.5 million over three years should be provided to assist with the implementation of the recommendations in Chapters 12 and 13.

Recommendation 7.2.3 To improve the companies' financial performance by changing their cost-revenue dynamics, a package of $14.7 million should be provided over four years to assist with implementing the initiatives proposed in Chapter 11 and Chapters 14 to 18. A total of $4 million of this package applies to the fourth year, based on the performance of the companies in the third year.

The proposed Commonwealth and State Governments' contribution to each of these packages is outlined in the following table:

EXHIBIT 7.3 Industry adjustment package ($million)

	Government contribution		
Funding package	*Commonwealth*	*States*	*Total*
Improve financial performance by:			
Lifting artistic vibrancy	7.600	0.450	8.050
Changing industry structure	1.300	1.200	2.500
Changing cost-revenue dynamics	8.325	6.375	14.700
Total	**17.225**	**8.025**	**25.250**

* * *

The assistance identified in this chapter is essential to ensure that the opportunities outlined in later chapters of this Report are captured. In total, the Commonwealth Government is being asked to contribute $33.4 million, and the States $18.3 million, to ensure the stability of Australia's major performing arts companies is restored.

8 Actions by governments: enter performance agreements

Having defined each company's role and funding arrangements[1], governments need to enter into performance agreements that reflect their funding responsibilities and each company's performance obligations[2].

Such an approach should provide appropriate incentives for the companies and ensure their performance obligations are clear and transparent[3].

Specifically, four recommendations are proposed.

The Commonwealth and State Governments should agree to the following.

Recommendation 8.1.1 Tripartite funding agreements with each company should be established by the Major Performing Arts Board and the relevant State Government funding agency.

The Inquiry supports this recommendation because it provides a basis for discussion among all three parties as to what the company is trying to achieve strategically, what specific targets it is committing to, and how it is performing. In addition, once agreement is reached, it removes the strain on the companies of trying to meet the conditions and reporting requirements of diverse performance agreements. The experience of the Major Organisations Fund in one State suggests that this approach can be implemented.

Recommendation 8.1.2 The performance obligations of each company should reflect the criteria for being a major performing arts company and the company's designated role as a Global company, Australian Flagship company, Niche company or Regional Flagship company, as outlined in Recommendation 5.2.2.

The Inquiry supports this approach because it aligns each company's performance requirements with its envisaged role, thereby creating appropriate incentives.

Recommendation 8.1.3 The specific performance obligations of each company should be reflected in rolling three-year key performance indicators with annual targets that are measurable and rigorous.

The Inquiry supports this recommendation because it provides a rigorous basis for assessing whether companies are fulfilling their performance obligations. It will clarify performance obligations and enhance accountability.

Recommendation 8.1.4 In the interest of public accountability and transparency, each company should release an annual report which includes a set of accounts; a list of performance indicators; and progress against the year's targets.

[1] See Chapters 5 and 7.
[2] See Chapter 6.
[3] See Sections 2.3.3 and 2.4.2.

The Inquiry supports this approach because it ensures that companies are held publicly accountable for government funding. In the process, the ability to compare performance across companies will raise standards. It will increase public awareness of the role of the companies and the contribution they make to Australian life, and will provide a fact base for assessing whether progress is being made against the principles and issues outlined in this Report.

* * *

Measurable performance agreements that reflect governments' objectives for the sector are the litmus test of success. Getting them right is essential.

9 Actions by governments: ensure cost-effective access

A guiding principle articulated in this Report is that Australia should cost-effectively deliver broad geographic, demographic and artform access in the major performing arts.

Initiatives that the companies should take to further that objective are outlined in Chapter 11.

In addition, governments have an important role to play in monitoring the realisation of that objective and in supporting companies to achieve improved access.

9.1 Improve monitoring

Mechanisms for monitoring access are currently weak[1].

To address this situation, the Inquiry recommends that the Commonwealth and State/Territory Governments should require the following.

Recommendation 9.1.1 All major performing arts companies should publish in their annual report, data on paid attendances—including mainstage and touring performances by State—as well as on access through free concerts, education programs, radio and television broadcasts and the Internet.

Recommendation 9.1.2 The Major Performing Arts Board should publish an annual summary of the profile of performances and 'seasons of performances' by artform by State/Territory, including a breakdown for regional and rural areas. In addition, the participation rate of attendees for each State/Territory should be released.

Recommendation 9.1.3 The Major Performing Arts Board, working with the States and Territories, should ensure a consistent survey is undertaken of the demographics of attendees at major performing arts events. At a minimum, this should be done every three years.

These three initiatives will help support the proposed access principle and allow governments to monitor the extent to which current areas of weakness are being addressed.

9.2 Support companies' initiatives

The Commonwealth Government can assist the companies to implement broader access programs through the encouragement it provides to other government bodies.

More specifically:

Recommendation 9.2.1 The Commonwealth Government should encourage efforts to broaden accessibility to the major performing arts sector through increased broadcasts of complete works on ABC and SBS radio and television, as well as on pay television and new digital channels.

While the ABC is increasing its arts content—particularly Australian arts—the concern exists that broadcasts of complete works have reduced. Improved access to such product is important, particularly for regional and rural areas. Government support for wider access is to be encouraged.

[1] See Section 3.2.

Recommendation 9.2.2 The Australia Council should be encouraged to pursue its broad-based arts advocacy program, with particular emphasis on increasing audience participation outside Sydney and Melbourne.

The Inquiry supports such a program because capital city participation rates in the less populous States are currently significantly lower than in New South Wales and Victoria[2]. Improved participation rates will ensure equitable access and will increase the companies' revenue.

* * *

While the primary responsibility for improving access rests with the companies, governments have a vital role to play in monitoring the companies' progress and in supporting their efforts to improve access through other government agencies.

[2] Discussion Paper, Exhibit 2.12 and see Section 3.2.2.

Actions by companies

10 Actions by companies: ensure artistic vibrancy

For Australia's major performing arts sector to flourish, the international quality of performances is not a matter of choice. It is a necessity, both to increase audiences and to ensure financial stability.

A culture of innovation is required where new works and productions that reflect Australia's cultural distinctiveness can be staged in an environment of uncompromising commitment to performance excellence.

Some Australian companies already demonstrate those characteristics. Others aspire to them.

It is not the role of this Inquiry to intrude on a company's artistic policy—it has neither the mandate nor the expertise.

However, the Inquiry is in a position to propose a range of initiatives that support a culture of innovation through the development of new works and productions; and that build a commitment to performance excellence by investing in the quality of people. Supporting such initiatives represents an investment in the sector's financial viability.

10.1 Develop new works and productions

Four initiatives are proposed as follows.

Recommendation 10.1.1 Companies should be encouraged, as part of their performance agreements, to actively support the commissioning of new works and the performance of new productions in a way that is consistent with their roles.

The Inquiry supports this recommendation because performance agreements are a key way of influencing artistic outcomes without governments intruding into the artistic management of a company. The development of new works and productions is as essential to the financial stability of the companies as is research and development to a consumer goods or technology company.

Recommendation 10.1.2 Companies should be encouraged to undertake the commissioning of new works with smaller companies and individuals, where such collaborations can enhance the artistic development process.

The Inquiry supports the major companies forming alliances and 'mentor' relationships with smaller companies and taking responsibility for the wider development of their artform in the community. The innovative approach of many smaller companies can be used to the mutual benefit of both the larger and the smaller company. One such example is the co-production between the Queensland Theatre Company and Kooemba Jdarra of Louis Nowra's *Radiance*. Similarly, Playbox's co-production with the Ilbijerri Aboriginal and Torres Strait Islander Theatre Co-operative, of Jane Harrison's work, *Stolen*, will be performed in New York in 2000, following its recent Australian success. Such collaborations are also a way of ensuring the major companies reach out into the broader artistic community.

Recommendation 10.1.3 Companies, particularly those designated as Niche and Regional Flagship companies, should be encouraged to work with festivals to showcase new and innovative Australian works that are well developed and, within a festival's overall programming mix, meet its needs for rare artistic product. The goal of such collaboration should be to give Australian product the best chance of selection for the international festival circuit. Funding initiatives should encourage such collaboration.

The Inquiry supports this approach because a favourable reception at one of Australia's major internationally respected festivals offers an opportunity for innovative Niche or Regional Flagship companies to reach an international market via the festival circuit. This is one of the most cost-effective ways for smaller companies to reach an international market.

Such work, however, must be well developed before being presented at a festival. It will be competing for recognition against high quality international productions, which have benefited from extensive development and refinement. In this context, initiatives such as those taken by the Perth International Arts Festival to allocate development funds to Australian works are to be encouraged.

Recommendation 10.1.4 Festival management should be encouraged to make programming decisions up to two years in advance of a festival to allow adequate time for the development of new Australian work.

The Inquiry supports this recommendation because the success of Recommendation 10.1.3 requires that works be well developed and workshopped before being put on the stage. In addition, Festival Directors usually have specific themes for their festivals. Therefore, for the companies to be in a position to work collaboratively with the festivals, such initiatives need to be programmed years in advance.

10.2 Invest in quality of performances

Six initiatives are proposed.

Recommendation 10.2.1 A small number of companies should be supported to adjust the size of their ensembles to levels that allow them to build audiences through improved artistic quality and access.

The funding proposals described under Recommendation 7.2.1 assume such changes in ensemble sizes.

The Inquiry supports this recommendation for the following reasons:

- in the case of a small number of companies, a larger ensemble will provide a minimum base from which to improve artistic standards—essential to building audiences and improving the companies' financial viability;
- it will assist in addressing the reduction in ensemble size that has occurred in some companies as a result of financial pressures; and
- it will allow the selected companies to fulfil their strategic roles as outlined in Recommendation 5.2.4.

Recommendation 10.2.2 Circus Oz should be supported for three years to establish itself in the global marketplace. Thereafter, government funding for Circus Oz should cease.

The Inquiry supports this recommendation because:

- Circus Oz is uniquely placed to take a broadly accessible and distinctly Australian product to the rest of the world;
- Circus Oz has the artistic standards and management capabilities to become a major export generator for Australia; and
- the investment in Circus Oz is modest given the company's potential, and with government funding ceasing after three years, the prospect exists for a healthy return on government's initial investment.

Recommendation 10.2.3 The theatre companies and Opera Australia should be encouraged to work constructively with the relevant union to reduce constraints on bringing guest artists of international standing into Australia.

The Inquiry supports this recommendation because restrictions currently exist in both these areas on the number of overseas artists that can perform in Australia. Increasing the companies' flexibility to bring in international artists offers benefits that offset the small loss of employment for Australians. Working with a world class performer challenges the entire company to raise its artistic standards. An international 'name' can help sell a more artistically challenging work which, for financial reasons, might not otherwise be able to be staged. Finally, it is difficult to support import restrictions on foreign artists coming to Australia when Australian artists stand to gain from international experience. An international market exists for leading performers from which an individual Australian artist can benefit by working overseas. Longer term, Australia benefits by such an artist returning with greatly enhanced expertise and stature.

Recommendation 10.2.4 Companies should be encouraged to support young artists development programs, including their working overseas through company to company exchange or improved visa arrangements.

The Inquiry supports this recommendation because the major performing arts companies have an important role to play in the development of young artists. Many young artists programs have been reduced or eliminated in the face of increased financial pressures. The companies have an obligation to support such programs and wider experience for artists.

Recommendation 10.2.5 Symphony Australia and the concert orchestras should be encouraged to provide additional support for professional development programs to produce more international quality Australian conductors.

The Inquiry supports this recommendation because:

- Australia has a shortage of high quality local conductors—four orchestras are currently seeking to fill their Chief Conductor positions; and
- existing professional development programs are limited in scope and in their access to call-time with leading orchestras.

Recommendation 10.2.6 Companies should be required as part of their funding agreements to demonstrate that they have artistic succession plans in place.

The Inquiry supports this recommendation because many companies are vulnerable to the loss of artistic leadership—more so where the company is intimately identified with a particular individual. Boards should be tasked with sensitively working through the management of this critical, yet difficult, issue.

* * *

Artistic vibrancy lies at the heart of the future financial well-being of Australia's major performing arts companies. Investing in the development of new works and productions, as well as the quality of performers, is vital to the companies' financial stability and to their long-term success.

11 Actions by companies: provide access

The need to deliver broad artform, geographic and demographic access in a cost-effective way is a guiding principle endorsed by the Inquiry[1]. The Inquiry strongly supports the principle that the arts are for everyone.

In general, geographic and artform access appears to be distributed in ways that are relatively equitable, even though, faced with financial pressures, geographic access for small population areas is being reduced[2]. This trend will need to be closely monitored. (Recommendations 9.1.1 and 9.1.2 provide for such monitoring.) In addition, initiatives to ensure the major performing arts remain accessible to regional and rural Australia in cost-effective ways need to be supported.

Providing broader demographic access is a far more significant issue[3].

These are principles that the companies support and to which they are committed. They do not want to perform for only a privileged few at high prices. Rather, they seek to broaden their audiences and to play a role in their local communities, both for audiences and artists.

11.1 Ensure geographic and artform access

Four initiatives are proposed as follows.

Recommendation 11.1.1 The companies should continue to provide the current overall quantity of major performing arts product in regional and rural areas, although the company that delivers such product might vary, dependent on agreement as to the role of the companies.

The Inquiry supports this recommendation because a trend is emerging for regional and rural touring to be reduced, including to capital cities such as Hobart and Darwin. Such a trend needs to be monitored carefully.

Recommendation 11.1.2 Companies should selectively establish 'mentor' relationships with regional and rural companies to help improve the quality and accessibility of performances.

The Inquiry supports this recommendation because more needs to be done to improve the accessibility of the arts for regional and rural Australia, within the companies' financial constraints. Establishing 'mentor' relationships has advantages for audiences and artists alike[4].

Recommendation 11.1.3 The companies should work with the ABC and other broadcasters to increase the number of performances of complete works broadcast on television and radio. In this context, to facilitate radio broadcasts of opera and vocal recitals, vocalists should be encouraged to follow the practice of instrumentalists in providing rights for one radio broadcast of a performance without an additional fee.

[1] See Section 2.2.
[2] See Sections 3.2.1, 3.2.2, 3.2.3 and 3.2.4.
[3] See Sections 2.2.2, 3.2.5 and 3.2.6.
[4] See also Recommendation 10.1.2.

The Inquiry supports this recommendation because, as noted in Recommendation 9.2.1, exposure to performances of complete works, including those by the major companies, is a vital means of enabling more Australians, particularly in regional and rural areas, to experience the arts; and the number of such broadcasts has recently been reduced. Moreover, such broadcasts have proven to be successful in the past, even though the performances have not been specifically devised for the medium.

In addition, the waiving of vocalists' fees for one broadcast would allow wider access to performances of Opera Australia and recitals by Australian singers.

Recommendation 11.1.4 Drawing on the experiences of the Performing Arts Multimedia Library project, the companies should explore providing Internet access to performances. A pilot program should initially be undertaken by one company in each artform.

The Inquiry supports this recommendation because it is a low cost way of providing access to a larger number of Australians, particularly in rural and regional areas, as well as to the youth market. It also extends the reach of Australia's major performing arts companies beyond Australia. This initiative would take advantage of Australia's ready acceptance of new technology, particularly as the quality of reproduction over the Internet improves.

11.2 Ensure demographic access

Four initiatives are proposed as follows.

Recommendation 11.2.1 The companies, assisted by the Major Performing Arts Board, should develop a commercially oriented major performing arts Internet site, with links to the Internet sites of individual companies. Such a linked site should provide up to date information on current program availability, online booking facilities, and be easy to navigate. It could also be linked to Australia's Cultural Network gateway site and the calendar of cultural events being developed by the Australian International Cultural Council.

This recommendation is supported because:

- ease of booking for local and overseas audiences is essential to building audiences;
- a significant proportion of Internet users are young people who should be a target demographic group for the Inquiry Companies[5];
- a combined Internet site provides greater marketing clout;
- a combined site allows greater flexibility for Internet users by providing a single access point for information about all of the companies and their performances;
- a combined site offers easier access for overseas tourists and is a good way to build cultural tourism throughout Australia; and
- a combined site can provide navigation to individual company sites, if so desired.

[5] See Section 3.2.5.

Recommendation 11.2.2 One company in each capital city should undertake a pilot program to test ways to best appeal to non-traditional performing arts audiences, particularly the youth market and individuals from non-English speaking backgrounds.

The Inquiry supports this recommendation because:

- it will provide a low cost way of testing how best to reach a different audience; and
- if the program has been piloted, it will have a greater chance of success when it is subsequently rolled out.

Recommendation 11.2.3 The companies should be encouraged to present an adequate number of free performances, including at festivals.

The Inquiry supports this recommendation because:

- it will widen access for the population; and
- it will appeal to particular sections of the population with product that is relevant to them and act as a bridge to broader appeal for the artforms.

Recommendation 11.2.4 With the full backing of the education system, selective companies in each artform should be encouraged to work with corporations to support a major schools education initiative to build audiences for the future. In that context, an incentive scheme might be considered.

The Inquiry supports this recommendation because:

- it provides an opportunity for corporations to show that they are good corporate citizens and are interested in building a future generation which is able to take advantage of the benefits the arts can offer;
- it plays to the greater focus corporations need to place on seeing the community as stakeholders in their activities; and
- by limiting the number of companies focusing on such a program, special expertise will be developed and the quality of programs is likely to improve.

* * *

Broadening access is not just an issue of fairness and equity. It is a necessity for the companies to build audiences over the medium to long-term.

12 Actions by companies: change financial dynamics through artform cooperation

Globalisation, as well as demographic and technology factors, is driving rapidly increasing costs in the major performing arts sector. Earned income—from the box office and the private sector—is not rising fast enough to cover the growth in costs. Major losses have resulted, with some companies being vulnerable financially.

In the short run, increases in government funding[1] will help stabilise the companies, bridge their deficits and allow them to invest in artistic quality to attract larger audiences.

For most companies, however, additional government funding—however welcome and necessary—will only buy time unless other action is taken to change the relative rate of growth in costs and revenue.

The following seven chapters address this challenge. They support the artistic vibrancy and access initiatives outlined in the two previous chapters.

Specifically, this chapter deals with ways to change the companies' financial dynamics by enhancing artform cooperation.

Artform cooperation offers the largest potential to mitigate the rate of growth in costs. Salaries—particularly those for artists—and production costs account for 78% of total costs and have been growing at 4.9% and 3.8% per annum respectively[2]. Artform cooperation also offers the potential to improve artistic quality through shared production and artistic costs.

12.1 Opera

Touring by opera companies is not financially attractive because it involves transporting large numbers of singers, musicians and support staff.

However, cooperation through co-productions and buy-ins is attractive. Sets and costumes can be hired from one company to another. Artform practice supports the director of the original production being separately employed; and local artists can be engaged at the discretion of the company re-staging the production.

In addition, the economics of opera make cooperation attractive. Opera is the most expensive of the four artforms and faces significant pressure from new forms of competition. The economics of staging a new mainstage production for a Perth, Brisbane or Adelaide market alone are unattractive—the costs are high and each market sustains relatively few performances.

But in determining the appropriate level of cooperation, market differences—particularly for Perth, Brisbane and Adelaide, as opposed to Sydney and Melbourne—need to be recognised.

Sydney is a large market, where Opera Australia's long history of educating its audiences has produced a demand for diverse repertoire. Perth, Brisbane and Adelaide's market size and audience needs do not, at this stage, require as much diversity.

1 See Section 7.1.

2 Includes concert orchestras, but excludes the pit orchestras.

In this context, the Inquiry makes the following recommendations:

Recommendation 12.1.1 With the objective of achieving greater economies of scale while meeting their distinct market needs, West Australian Opera, Opera Queensland and the State Opera of South Australia should agree that all **new** productions for their mainstage subscription seasons must be either jointly commissioned by all three companies, purchased from Opera Australia, or purchased from an overseas company. None of the companies should individually undertake new mainstage subscription season productions. Existing productions from their own repertoire could be remounted.

The Inquiry supports this recommendation because it strikes an appropriate balance between recognising the high cost of opera as an artform, the need for economies of scale in staging opera productions, and the distinct needs of regional audiences. The niche activities of State Opera of South Australia, that are designed to attract large overseas and interstate attendees, should be exempt from this section.

Recommendation 12.1.2 The Opera Conference should continue to exist as a formal collaborative mechanism with funding separately identified as a 'special initiative'. It should continue to support co-productions of less well known mainstage works for use by as many companies as possible, but all such productions must have the support of Opera Australia, the only company able to stage longer runs of such works.

The Inquiry supports this recommendation because more diverse repertoire needs to be produced to ensure that the artform continues to evolve and develop. Equally, only Opera Australia has the ability to attract large enough audiences in Sydney and Melbourne over which to amortise the costs of such productions.

Recommendation 12.1.3 State opera companies should be able to undertake small scale new works and new productions in their own right.

The Inquiry supports this recommendation because it encourages the development of the artform in a way that recognises the needs of local markets. The small scale of such works means that the costs associated with such productions should be manageable.

12.2 Theatre

As with opera, cooperation in theatre is possible because of the nature of the artform.

Cooperation takes the form of co-productions between theatre companies (where works are jointly developed) and buy-ins (where they are produced by one company and bought in by another).

In 1998, 30% of the major theatre companies' productions were co-productions or buy-ins.

Co-productions and buy-ins reduce a company's overall costs, but at the expense of less artistic activity by the company.

Weighing up the advantages and disadvantages of co-productions and buy-ins, the Inquiry makes the following recommendations:

Recommendation 12.2.1 The theatre companies should be encouraged to continue to undertake co-productions, with a view not just to reducing costs, but also to improving quality, by being able to invest more in higher quality productions and being able to access recent, and otherwise unavailable, international repertoire.

The Inquiry supports this recommendation because it strikes an appropriate balance between gaining economies of production scale and investing in the artform by providing opportunities for creative artists and a wider range of artistic product.

Recommendation 12.2.2 To round out artistic seasons, theatre companies should be encouraged to buy in productions. Sydney and Melbourne companies in particular, are encouraged to explore buying in innovative product from companies based in Brisbane, Perth and Adelaide.

The Inquiry supports this recommendation because a broader product range can be provided for audiences; production costs can be amortised over a longer run; and employment for artists, particularly in the less populous States, can be increased.

Recommendation 12.2.3 The possibility of a merger between Black Swan and the Perth Theatre Company should be explored to create a company of sufficient critical mass to support new and innovative Western Australian product for the festival circuit and build audiences with more mainstream product. In addition, to assist with the development of a stronger theatre audience in Perth, a partnership of the new company with the Perth Theatre Trust should be considered, which would include a joint subscription season that tours in theatre product from other States/Territories.

The Inquiry supports this recommendation because it offers the ability to further develop Black Swan and Perth Theatre Company as a company that can take niche Australian product to the world via the festival circuit, while providing a base of mainstream theatre for Perth. The latter is essential to increase Perth's theatre audiences over time. In addition, the greater critical mass of a merged company increases the likelihood of attracting high calibre staff who can undertake more sophisticated box office marketing and private sector development.

12.3 Dance

Dance companies have more limited ability to work together to reduce costs than is the case with opera or theatre companies.

Dance companies have different performance styles and strengths that make cooperation difficult. A choreographer works with a particular company to create a work specific to that company. In addition, ownership of the work resides with the creator—the choreographer—not with the company[3].

Recognising these factors, the Inquiry makes the following recommendation:

Recommendation 12.3.1 To enhance revenue and enlarge audience choice, the West Australian Ballet and the Queensland Ballet should, in their respective States, undertake joint dance subscription seasons with The Australian Ballet.

This recommendation does not address the fundamental issue of increasing costs in dance, but is supported by the Inquiry because:

- it ensures greater formalised coordination among the ballet companies in the scheduling of performances;
- it helps, over time, build an audience for ballet in Queensland and Western Australia;
- it provides greater scale for the enhanced marketing of subscription seasons; and
- it builds on initiatives that are already underway.

[3] Discussion Paper, Section 9.1.1 provides more detail.

12.4 Music

Australia has six concert orchestras ranging in size from 47 to 110 players. Being labour intensive, they have high fixed costs. They already share some services through the coordinating role of Symphony Australia and few additional opportunities for cooperation exist.

The orchestras are based in different States and the economics of touring are unattractive. Touring is usually only for showcase purposes or to help raise orchestral standards.

In addition to the six concert orchestras, Australia has three pit orchestras—the Australian Opera and Ballet Orchestra based in Sydney; the State Orchestra of Victoria based in Melbourne; and the Queensland Philharmonic Orchestra based in Brisbane. Only one of those orchestras, the Australian Opera and Ballet Orchestra, is occupied for 100% of its time on pit work.

In 2000, the State Orchestra of Victoria will play in the pit for 50% of its available calls—down from 65% in 1998.

In Queensland, pit services are provided by the Queensland Symphony Orchestra and the Queensland Philharmonic Orchestra, with 29% of the latter orchestra's calls being spent in 1998 providing pit services for Opera Queensland, the Queensland Ballet, and The Australian Ballet.

The three pit orchestras lost in excess of $1.9 million in 1998.

Opportunities for cooperation in Melbourne and Brisbane between the concert and pit orchestras should be explored. In Sydney the Australian Opera and Ballet Orchestra is fully utilised and 'ownership' issues have not been raised.

The Inquiry has considered a range of alternatives for the provision of pit services in Melbourne, including purchasing those services from other States; ownership of the State Orchestra of Victoria by The Australian Ballet; the corporatisation of the orchestra, as well as an arrangement with the Melbourne Symphony Orchestra. Maintaining the status quo was not an option as the Victorian Arts Centre Trust indicated it no longer wished to retain 'ownership' of the orchestra.

The Inquiry makes the following recommendation:

Recommendation 12.4.1 Subject to meeting the legitimate artistic requirements of Opera Australia and The Australian Ballet, a 'community of musicians' concept should be explored between the Melbourne Symphony Orchestra and the State Orchestra of Victoria. The State Orchestra of Victoria should be maintained as a separately branded entity that provides pit services to Opera Australia and The Australian Ballet. However, musicians from the Melbourne Symphony Orchestra and the State Orchestra of Victoria should flexibly be able to cross between providing pit and orchestral services with, over time, the core number of players dedicated to the State Orchestra of Victoria being reduced.

The Inquiry considers that the 'community of musicians' approach with the Melbourne Symphony Orchestra provides the best option for the following reasons:

- the economics of this option are superior to alternatives (other options involve the injection of an additional $500,000 to $3 million per annum for the State Orchestra of Victoria alone, dependent on the extent to which their salary levels rise to those of the Melbourne Symphony Orchestra);
- the artistic outcome of this option is better than that for the alternatives—the Melbourne Symphony Orchestra will be able to add greater value from an artistic perspective than any other option;

- this option can service the needs of Opera Australia and The Australian Ballet as users of pit services;
- this option flexibly allows for augmentation in the size of the Melbourne Symphony Orchestra and hence further increases its artistic standards without additional overall cost;
- players who are part of the core group will receive higher salaries than they do today;
- the demand for, and supply of, orchestral services in Victoria can be better aligned by removing significant market oversupply of services—this has depressed the fees both orchestras can charge for orchestral services and has contributed to the State Orchestra of Victoria's losses on non-pit activities; and
- a phased in implementation program should allow the process of integration to take place gradually.

The Inquiry recognises the sensitivities associated with implementing this recommendation. Equally, however, it recognises that doing nothing is not an option. The State Orchestra of Victoria, which is funded by the Commonwealth to provide pit services, is underemployed in the pit; it is facing financial pressures; and its 'ownership' is under question.

Recommendation 12.4.2 Subject to meeting the legitimate artistic requirements of Opera Queensland and the Queensland Ballet, the Queensland Symphony Orchestra and the Queensland Philharmonic Orchestra should explore putting a 'community of musicians' concept in place, maintaining separate branding for the Queensland Symphony Orchestra and the Queensland Philharmonic Orchestra. The new combined entity should provide pit services to Opera Queensland and the Queensland Ballet as well as orchestral concerts, including the Queensland Philharmonic Orchestra's Baroque Series.

The Inquiry supports this recommendation for the following reasons:

- significant oversupply of orchestral services will be removed from the market;
- the quality of orchestral and pit services is likely to rise significantly—talented players exist in both orchestras, but neither orchestra has enough of the very best players to raise artistic standards;
- by raising orchestral standards, audience numbers are likely to rise. Queensland has fewer attendees at orchestral concerts than any other mainland State;
- the 'community of musicians' concept is likely to produce a better financial result than any alternative; and
- a phased implementation program is possible.

Recommendation 12.4.3 To provide a stronger administrative infrastructure to support the Australian Chamber Orchestra becoming a Global company, the Australian Chamber Orchestra and Musica Viva should further explore the possibility of a merger. Dual branding could be maintained, with the Australian Chamber Orchestra pursuing a 'global' strategy, with at least 20% of its mainstage performances being outside Australia, while Musica Viva would be a touring Australian Flagship company.

The Inquiry supports the further exploration of this option.

The Australian Chamber Orchestra is one the world's leading chamber orchestras and has the potential to realise the ambition implicit in its designation as a Global company. However, it has a small administrative infrastructure which, in the view of the Inquiry, is not strong enough to support the next phase of the company's global ambitions.

Musica Viva presents chamber ensembles. It is not a performing company. Its role as a presenting company complements that of the Australian Chamber Orchestra. It has a very strong administrative infrastructure that can support the Australian Chamber Orchestra's global ambitions. Moreover, because it has a long and proud track record of bringing fine chamber music into Australia and it knows the international market place, it can provide a further source of support for the Australian Chamber Orchestra.

Finally, the artistic focus of the two organisations is sufficiently similar for them to share an Artistic Director.

A strong potential strategic relationship between the two companies could be forged and should be explored further.

* * *

The opportunities for greater cooperation differ by artform. Pursuing the suggested recommendations provides an opportunity in some areas to change the sector's cost and revenue dynamics in a way that is sensitive to the need to foster artistic vibrancy and access. The structural adjustment package referred to in Recommendation 7.2.2 might assist with achieving greater cooperation in some areas.

13 Actions by companies: changing financial dynamics through geographic cooperation

While artform cooperation offers one way of changing the cost and revenue dynamics of the sector, cooperation that crosses artforms within a specific geography can also be advantageous.

Cooperation within geographies can take two forms. It can be of a scheduling nature to minimise conflicts or it can result in companies sharing resources.

Cooperation of both types is discussed below.

13.1 Scheduling

While there have been some efforts to coordinate the scheduling of performances and events by the major performing arts sector, conflicts continue to occur. Productions open on the same night, reducing the chance of more comprehensive and timely newspaper reviews, essential to the generation of single ticket sales. Major fund-raising events are also held at the same time. For instance, the Sydney Theatre Company and Opera Australia both recently held a major fund-raising event on the same night, risking reduced attendances.

The Inquiry, therefore, proposes the following.

Recommendation 13.1.1 Each year, the major venue in each city or the State funding agency should coordinate a forward planning meeting of all major users of their venues to assist with minimising scheduling conflicts between hirers. A specific objective should be to ensure that no two opening nights clash. Forward planning discussions should reflect artform lead times. This forum should also be used to discuss dates for major fund-raising events.

Recommendation 13.1.2 Venues need to ensure that venue hiring agreements are made adequately far in advance, consistent with the lead times for a particular artform, to ensure that companies are able to attract and contract the best artists.

The companies' ability to make bookings adequately far in advance is not an issue for most venues. However, it needs to be examined for the Queensland Performing Arts Trust.

13.2 Shared resources

As examined in Section 3.3.1, changing financial dynamics have had an adverse impact on the major performing arts sector. Six companies have experienced particular difficulty, with revenue declining at the same time as costs have been growing between 1992 and 1998.

All six companies are based in Queensland, South Australia and Western Australia. They are Queensland Ballet; Opera Queensland and Queensland Theatre Company; State Opera of South Australia and State Theatre Company of South Australia; and West Australian Ballet.

These companies are small.

They employ few permanent staff—less than 12 each, including artistic and production staff, except for the Queensland Theatre Company with a staff of 20. In each case, the total administrative staff, excluding the larger Queensland Theatre Company, is less than eight. Marketing and development staff numbers are particularly small—seven and four respectively for the state theatre companies in Queensland and South Australia and less than three staff members each for the four other companies.

Earned income from all these companies is also small. In 1998, Queensland Theatre Company, with earned income of only $2.4 million, had the highest level for the six companies. Indeed it had the largest earned income of all companies based in Queensland, Western Australia and South Australia, including the concert orchestras.

In essence, therefore, these six companies—together with other companies based in Western Australia, South Australia and Queensland—are potentially below a necessary critical mass, increasing the likelihood of a cycle of decline.

Being small, they cannot afford to invest in high quality marketing and development staff, which results in their not being able to optimise marketing and development income. They are then unable to invest in international quality artistic standards, which means that audience numbers decline. Every one of these six companies experienced a decline in audience numbers between 1992 and 1998. In all but the two theatre companies, development income also declined over the same period.

The challenge, therefore, is to find ways to increase the companies' critical mass so as to attract an adequate number of high calibre marketing and development staff.

In this context, the Inquiry has examined the potential for the music based companies in Western Australia, South Australia and Queensland to share administrative resources. Theatre companies are excluded because they do not have artistic synergies with the other artforms.

The attraction of this option is not so much to reduce costs, but rather to provide the scope and variety of work that will attract marketing and development staff of the calibre required to address the current financial dynamics. The pace at which such options could be put in place reflects other issues being addressed in each State.

Recommendation 13.2.1 To ensure administrative critical mass, the State Opera of South Australia and the Adelaide Symphony Orchestra should explore establishing a shared resources company to provide finance, marketing and development functions, with the former being outsourced to Symphony Australia. This might be a first step towards establishing a holding company structure, with each company's separate identity being maintained.

Recommendation 13.2.2 To ensure administrative critical mass, the new Queensland orchestra, Queensland Ballet, and Opera Queensland should, over time, explore establishing a shared resources company to provide finance, marketing and development functions, with the former being outsourced to Symphony Australia. This might be a first step towards establishing a holding company structure, with each organisation's separate identity being maintained.

Progress on this recommendation should follow the implementation of Recommendation 12.4.2.

Recommendation 13.2.3 To ensure administrative critical mass, the West Australian Opera and the West Australian Ballet should establish a holding company structure, with each organisation's identity being separately maintained. This might be a first step towards working in the same way with the West Australian Symphony Orchestra.

This recommendation is made against the background of the financial and managerial issues that the West Australian Ballet faces. Such a restructuring, combined with the funding initiatives proposed in Chapter 7, should ensure the company's viability.

However, if this initiative were not to be progressed and the West Australian Ballet were to face continued financial difficulties, The Australian Ballet could increase the seasons of performances it provides to the Western Australian market, with the State Government providing additional funding to local dance companies. The Inquiry considers this is a less desirable outcome because it would involve a reduction in local artistic access.

* * *

Encouraging greater geographic cooperation among companies can play a valuable role in facilitating revenue growth, critical to addressing the challenging cost and revenue dynamics of the sector.

14 Actions by companies: change financial dynamics through improved box office and fee income

Increasing box office and fees at a faster rate is an important factor in changing the financial dynamics facing the companies.

Firstly, the single biggest immediate opportunity any company has, with no additional artistic cost, is to fill all available seats for existing performances. That opportunity exists for many companies. In 1997, only one company had occupancy rates above 90% and only another four above 80%. Nine smaller companies were below 60%.

Secondly, to change a company's cost-revenue dynamics over the longer term by increasing production run lengths and staging more performances, audiences need to be developed. This is particularly important for the concert orchestras and the smaller companies, especially those based in the less populous States.

Thirdly, the challenge in some States is to raise ticket prices, which are significantly lower than Sydney prices, even though the cost of delivering the product is relatively similar. The ability to raise ticket prices, in part, depends on generating a sense of excitement around attendance at the event.

Faced with the marketing expertise of international and commercial competitors, the companies need to develop far greater marketing sophistication.

In that context, the Inquiry proposes three initiatives.

Recommendation 14.1.1 In each State, the companies, collectively, should undertake detailed market segmentation work to improve their understanding of audience needs; the type of repertoire required; the quality and type of advertising needed; and the requirements to make the evening 'an experience'.

The Inquiry supports this recommendation as a pre-condition for future success. Companies have little choice but to understand their market place better and to determine how to attract new and diverse audience groups. It is also supports the principle of providing broad demographic access.

Recommendation 14.1.2 The companies collectively (assisted by the Major Performing Arts Board) should undertake a series of initiatives to improve marketing capability so as to generate significant short term improvements in occupancy levels for existing performances:

14.1.2.1 by working with a search firm as a sponsor to identify a pool of high calibre potential recruits, particularly individuals from the corporate sector who are committed to the arts;

14.1.2.2 by developing a high calibre arts marketing training program in conjunction with a major tertiary institution;

14.1.2.3 by conducting training programs by specialists in the Meetings, Incentives, Conferences and Events market; and

14.1.2.4 by conducting training programs by experts in how to trade their houses and undertake other incentive programs (such as ticket specials) without undermining the structure of their ticket pricing.

The Inquiry supports this recommendation because upgrading the quality and sophistication of each company's marketing skills is critical to the future. To generate incremental revenue, it is essential to have full houses and to create a sense of excitement around the event.

Recommendation 14.1.3 The Queensland Performing Arts Trust should be encouraged to work with the companies using its venues to:

14.1.3.1 improve timely electronic access to data bases for marketing purposes;

14.1.3.2 improve the responsiveness of telephone booking facilities; and

14.1.3.3 provide Internet booking facilities.

The Inquiry notes that the Queensland Government is holding an Inquiry into the financial operations of Queensland Performing Arts Trust and would consider that this issue will be examined in that context.

The Inquiry supports these recommendations because Queensland Performing Arts Trust provides ticketing services for all users of the Queensland Arts complex and those major companies using the venue consider improvements are urgently required.

* * *

These recommendations are basic, but important, improvement initiatives necessary to change the revenue dynamics of the major performing arts sector.

15 Actions by companies: change financial dynamics through strengthened private sector support

Private sector income growth has the potential to fundamentally change the financial dynamics confronting the sector—both through private sector philanthropy and more sophisticated sponsorship relationships with corporations.

However, income from the private sector is currently low.

Capitalising on opportunities to increase individual philanthropy and corporate sponsorship income will require more, higher calibre development staff.

The Inquiry proposes six initiatives to grow private sector support by creating a receptive environment; by ensuring companies have the skills to take advantage of opportunities; and by ensuring companies take advantage of incentives offered by governments.

The Inquiry accepts that the benefits of increased private sector support will not be felt overnight. However, initiatives taken now will show benefits within the next three to five years.

15.1 Create a receptive environment

Recommendation 15.1.1 The companies should work with the Australia Foundation for Culture and the Humanities, the Major Performing Arts Board, and the Commonwealth and State Governments to support initiatives to build a better understanding among corporate Australia of the value of arts sponsorship.

The Inquiry supports this recommendation because more work is needed to demonstrate to corporate Australia how arts sponsorship can be leveraged as a marketing tool. The companies have an important role to play in helping create a receptive environment, as do other key players.

15.2 Build the required skills

Recommendation 15.2.1 Selected smaller companies should take advantage of the Inquiry's initiative for the Commonwealth Government to fund development staff for up to two years to encourage the growth of private sector income. After two years, the income generated should cover the cost of the companies maintaining the positions.

The Inquiry supports this recommendation because it enables smaller companies, particularly those based in the less populous States, to pursue private sector income opportunities more effectively. A company's ability to raise private sector revenue is strongly related to its having dedicated development staff. Funding for this initiative is included in Recommendation 7.2.3.

Recommendation 15.2.2 The companies collectively (assisted by the Major Performing Arts Board) should send their development staff to a high quality training program developed with a major tertiary institution aimed at improving the approach to generating greater corporate sector and private philanthropic support. Attendance at such a program should be a prerequisite for any company in receipt of seed funding for development staff.

The Inquiry supports this recommendation because there simply is no alternative for companies wanting to secure private sector support than to be highly sophisticated in their approach—particularly in understanding the marketing needs of the corporate sector. Education programs from a high quality education institution can help achieve that understanding.

Recommendation 15.2.3 The Board of each company should help with the growth of private sector income by ensuring:

15.2.3.1 it has a number of Board members with high level corporate connections;

15.2.3.2 it has at least one Board member with marketing and/or development expertise; and

15.2.3.3 it supports the development of a culture in the company of working with sponsors in a way that is sensitive to the artform.

The Inquiry supports this recommendation because the Board must show leadership in initiatives to raise significant private sector income. While full-time professional development staff are essential, the Board has an important role to play in creating a culture that supports private sector income generation.

15.3 Take advantage of incentives

Recommendation 15.3.1 Each company should be required, as part of its funding agreement, to put in place a private philanthropy and bequests program that will take advantage of the coming inter-generational wealth transfer and the recently introduced Commonwealth Government tax changes. The results of this initiative should be measured as part of a company's funding agreement.

The Inquiry supports this recommendation because it takes advantage of a major demographic change. Inclusion in a company's funding agreement will ensure it is actioned and measured in a way that is publicly transparent. It will also be a measurable outcome of the proposed government investment in development staff as outlined in Recommendation 15.2.1 above.

Recommendation 15.3.2 Companies which can demonstrate a quantifiable improvement in their private sector income should be able to benefit from a special 'reserves incentives program'. This program should be capped over a three year term and be linked to measurable improvements in private sector support. State Governments should also be invited to match the Commonwealth contribution or set up a similar program of their own. The funds generated from such a program could only be used to build reserves and should be held in escrow for three years.

The Inquiry supports this recommendation because, while sponsorship and philanthropy have the potential to increase in coming years, it is difficult for the companies to persuade private contributors to allow the funds to be applied to building reserves rather than supporting productions. The level of reserves maintained by almost all the companies is inadequate and an incentives program, coupled with the establishment of a clear reserves policy by governments, will allow this vital area to be addressed. Funding for this initiative is included in Recommendation 7.2.3.

This initiative is vital to helping restore the companies to financial health. Without this initiative, the need for a higher level of ongoing funding is likely to be greater.

* * *

The revenue dynamics of the major performing arts could, over time, be changed in a significant way by the generation of private sector income. Supported by government, the challenge for the companies is to seize this opportunity.

16 Actions by companies: change financial dynamics through reduced costs

Greater cooperation within artforms and across artforms within the same geography has provided initiatives for reducing costs and increasing revenue. Other cost initiatives—although less structural in nature—address the key cost areas of salaries; production costs; marketing costs; and venue charges. Five specific initiatives are proposed and outlined below.

Recommendation 16.1.1 The orchestras should work proactively with musicians and the relevant unions to continue to increase the flexibility of work practices so that musicians can be deployed to meet the variable musical and access requirements of the pit and concert orchestras.

The Inquiry supports this recommendation because the effective utilisation of orchestral musicians' professional skills—individually, in small groups and collectively—maximises each orchestra's ability to meet developing market opportunities and to improve the financial position of the orchestras.

Recommendation 16.1.2 Companies should be required as part of their funding agreements to open up major production expenses to a tender process.

The Inquiry supports this recommendation because production costs are a large expense, and a tender process provides a market test of the cost of manufacturing sets and costumes in different geographies. Cost efficiencies could result.

Recommendation 16.1.3 Companies should establish a cooperative to improve their buying power in advertising rates.

The Inquiry supports this recommendation because it will provide greater buying power and hence lower advertising costs. Advertising costs are a significant expense that have risen sharply over the last six years.

Recommendation 16.1.4 With a view to reducing costs, companies should be encouraged to work with venues to improve backstage processes.

The Inquiry supports this recommendation because backstage cost is a key expense component in a venue's hire charge to companies. A number of companies have suggested that backstage processes could be made more efficient, but this will require a cooperative effort by the venues and the companies.

Recommendation 16.1.5 Queensland Performing Arts Trust should be encouraged to examine the competitiveness of its venue hiring charges to companies.

The Inquiry notes that the Queensland Government is holding an Inquiry into the financial operations of Queensland Performing Arts Trust, and would expect that this issue will be considered in this context.

The Inquiry supports this recommendation because Queensland Performing Arts Trust's charges have risen more sharply over the past six years than those of any other venue[1].

* * *

Additional initiatives to reduce costs in key areas will help address the imbalance that exists between the rate of growth in costs and revenue. These initiatives should be pursued.

[1] Discussion Paper, Section 4.5.4.

17 Actions by companies: change financial dynamics through strengthened balance sheets

The major performing arts is an intrinsically risky business.

Companies commit to productions years in advance of the performance appearing on stage. During the intervening period, audience tastes might change or the performer's reputation might diminish.

Many works are being staged for the first time. There is no way of testing in advance whether works will be accepted by audiences.

Newspaper reviews might have a critical influence on single ticket sales or *Phantom of the Opera* might hit town in competition with a company's season.

As a buffer against such uncertainty, companies need to be able to build a certain level of reserves, confident that their government funding will not be adversely affected[1]. In return, such reserves must be the first source of funds in times of difficulty.

In this context, the following recommendations are put forward.

Recommendation 17.1.1 Each company should be encouraged, as part of its funding agreement, to build reserves up to 20% of its annual costs.

The Inquiry supports this recommendation because it will provide appropriate incentives and make the companies financially stronger. Companies with reserves will also be more confident artistically and be able to take appropriate artistic and access risk, which will enhance the vibrancy of the sector. The implementation of such a recommendation could be assisted by Recommendation 15.3.2, which provides an incentive for sponsorship revenue over a base amount to be used to build reserves.

Recommendation 17.1.2 In normal circumstances, companies experiencing financial difficulties and holding assets, either liquid or illiquid, would be expected to first sell off those assets before turning to government or a 'Reserves Bank', if it were established, for assistance.

The Inquiry supports this recommendation as the logical consequence of governments' allowing the companies to build reserves and adopting a 'no bail-outs' policy[2].

Recommendation 17.1.3 The Board of Opera Australia should seriously evaluate the sale of property to reduce its debt levels.

Opera Australia has experienced significant financial losses and has increased its level of debt to cover these losses. Consistent with Recommendation 17.1.2, Opera Australia should evaluate selling off its property assets to repay bank debt.

* * *

Providing the incentives for companies to strengthen their balance sheets is an important part of putting the sector on the road to long-term recovery. The logical consequence of such a policy is that companies should first turn to their own resources when they encounter difficulties.

1 See Recommendation 6.4.1.

2 See Section 6.4.

18 Actions by companies: change financial dynamics through best practice management

One of the enduring myths about the arts is that the companies are poorly managed.

This is not the case. The Inquiry is of the view that, for the most part, the companies are well managed, the staff are highly dedicated, and with the limited resources at their disposal, they do a fine job.

As with any organisation, however, improvement is possible. Throughout this Report, a range of initiatives has been suggested that will result in improved management practices, particularly in areas such as marketing and development, as well as in the management of costs[1].

In addition to these recommendations, three further initiatives are proposed that are directed primarily at senior management and board practices, rather than at specific functional areas:

Recommendation 18.1.1 Companies should strengthen the skills of senior management by:

18.1.1.1 providing high level training opportunities through secondments to the corporate sector or overseas arts companies; and

18.1.1.2 pursuing secondments from the private sector on a pro-bono or partial salary recovery basis.

The Australia Foundation for Culture and the Humanities may be able to assist with this initiative.

The Inquiry supports this recommendation because a well-trained senior management is a precondition for future success. In particular, management must be equipped to deal with the increasing levels of complexity facing the companies. A 'mentor' relationship with a company in the corporate sector—where senior management in the performing arts company could gain a perspective on the corporate company's marketing requirements—would be an invaluable way of gaining such skills.

Recommendation 18.1.2 Companies should strengthen planning processes by working with the Major Performing Arts Board and State Government funding agencies to support the development and dissemination of best practice information, particularly on performance measurements and key performance indicators.

The Inquiry supports this recommendation because it provides a basis for continuous improvement in the sector. Combined with the publication of performance indicators, as proposed in Recommendation 8.1.4, it will facilitate higher quality communication with governments and the private sector about each company's direction and how it is progressing against its goals.

1 See Sections 13.2, 14.1.2 and 15.2.

Recommendation 18.1.3 Companies should strengthen governance processes by:

18.1.3.1 establishing a Board induction program aimed at improving directors' understanding of management issues for performing arts companies;

18.1.3.2 encouraging Board Chairs to share best governance practices on difficult management issues; and

18.1.3.3 clarifying the Board's role in conflict resolution.

The Inquiry supports this recommendation because Boards have an important role to play in ensuring the ongoing vitality of the companies. While much Board practice can be transferred from the private sector, some issues are specific to performing arts companies. These issues can be addressed through induction programs for Board members and by debate and resolution, within and among Board Chairs, on how to address such issues on a best practice basis.

* * *

Best practice management provides the basis for the sector's long-term success. Leadership, by management and the Board on issues peculiar to the performing arts, will ensure that the necessary balance between artistic vitality and financial viability is maintained.

Implementation

19 Implementation of recommendations

This chapter outlines an implementation plan for the 94 recommendations presented in the previous chapters of this Report.

Chapter 3 summarised the range and severity of the financial challenges facing the companies and the adverse impact on their artistic vitality and accessibility. The viability of some companies is under threat. Others are facing the prospect of a slow demise.

Immediate action should be taken to address this situation.

Governments need to put in place the required policy framework outlined in Chapters 5 to 9.

Companies need to take the necessary steps to lift artistic vibrancy, improve accessibility and change their financial dynamics so that earned income starts to grow at a rate faster than costs. Moreover, the opportunities presented by globalisation, changing demographics and technology developments need to be seized. Initiatives to achieve these outcomes are outlined in Chapters 10 to 18.

However, while action is urgently needed, the complexity of the implementation task requires a phased approach.

The Inquiry, therefore, recommends the following.

Recommendation 19.1.1 The recommendations in this Report should be implemented in accordance with the Implementation Plan outlined in Appendix 1. Governments should consider the recommendations at the next meeting of the Cultural Ministers Council, which should be convened at the earliest opportunity. The Cultural Ministers Council should establish an Implementation Taskforce to monitor, and report, at least annually, on progress.

Appendices

Appendix 1: Implementation timetable

CHAPTER 2 Guiding principles

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
2.1.1	Endorsement of guiding principles	CMC*	•		

CHAPTER 5 Actions by governments: agree strategy for the sector

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
5.1	**Designation as a major performing arts company**				
5.1.1	Criteria for designation	CMC	•		
5.1.2	Loss of status	CMC	•		
5.1.3	Decision-makers on changes in status	CMC	•		
5.2	**Strategy for companies**				
5.2.1	Categorisation	CMC	•		
5.2.2	Criteria for categorisation	CMC	•		
5.2.3	Decision-makers on changes in designation	CMC	•		
5.2.4	Initial designation of companies	CMC	•		

CHAPTER 6 Actions by governments: agree funding responsibilities

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
6.1	**Responsibilities for funding: Commonwealth and State Governments**				
6.1.1	Basis of funding arrangements	CMC	•		
6.1.2	Changing orchestras' funding arrangements	CMC	—	—	→
6.2	**Responsibilities for funding: Commonwealth Government**				
6.2.1	Establishment of Major Performing Arts Board (MPAB)	Commonwealth Government	•		
6.2.2	Role of MPAB	Commonwealth Government	•		
6.2.3	Membership of MPAB	Commonwealth Government	•		
6.2.4	Staffing of MPAB	Australia Council	•		
6.2.5	Reporting relationship of MPAB	Australia Council	•		
6.3	**Responsibilities for funding: within Australia Council**				
6.3.1	Budget appropriation for MPAB	Commonwealth Government	•		
6.3.2	Reviewing MPAB decisions	Australia Council	•		
6.3.3	MPAB's role in implementing Australia Council's Strategic Initiatives	Australia Council	•		
6.4	**Responsibility for dealing with companies in difficulty**				
6.4.1	Adoption of reserves policy	CMC	•		
6.4.2	Establishment of 'Reserves Bank'	Commonwealth Government/CMC			•
6.4.3	Board of 'Reserves Bank'	CMC/Funding agencies			•
6.4.4	Role of 'Reserves Bank'	CMC/Funding agencies			•

* Cultural Ministers Council

CHAPTER 7 Actions by governments: provide funding

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
7.1	**Fund to stabilise and reposition the companies**				
7.1.1	Basis of funding	CMC	•		
7.1.2	Funding model	CMC	•		
7.1.3	Amount of funding	CMC	•		
7.1.4	Announcement of funding allocations	Funding agencies	•		
7.1.5	Changes in 'Playing Australia' funding	Commonwealth Government	•		
7.1.6	Establishment of rolling triennial funding	CMC	•		
7.1.7	Timing of funding: calendar year	CMC	•		
7.2	**Fund to undertake change**				
7.2.1	Industry assistance package: greater artistic vibrancy	CMC	•		
7.2.2	Industry assistance package: structural adjustment	CMC	•		
7.2.3	Industry assistance package: change financial dynamics	CMC	•		

CHAPTER 8 Actions by governments: enter performance agreements

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
8.1.1	Tripartite	CMC/Funding agencies	→	→	
8.1.2	Alignment with strategic role	CMC/Funding agencies	→	→	
8.1.3	Rolling key performance indicators (KPI's)	CMC/Funding agencies	→	→	
8.1.4	Publication of KPI's	Companies		→	→

CHAPTER 9 Actions by governments: ensure cost-effective access

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
9.1	**Improve monitoring**				
9.1.1	Paid and other attendances	Companies		→	→
9.1.2	Regional and rural access	MPAB	→	→	→
9.1.3	Demographics	Funding agencies		•	
9.2	**Support companies' initiatives**				
9.2.1	Access through broadcasts	Commonwealth Government	•		
9.2.2	Arts advocacy	Australia Council	•		

CHAPTER 10 Actions by companies: ensure artistic vibrancy

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
10.1	**Develop new works and productions**				
10.1.1	As part of performance agreement	Funding agencies/Companies	→	→	→
10.1.2	By working with smaller companies and individuals	Funding agencies/Companies	→	→	→
10.1.3	Through collaborations with festivals	Companies/Festivals	→	→	→
10.1.4	By improving festival programming lead times	Festivals	→	→	→
10.2	**Invest in quality of performances**				
10.2.1	Selectively increase ensemble size	Companies	→	→	→
10.2.2	Support Circus Oz's 'Global' initiative	Circus Oz	→	→	→
10.2.3	Reduce constraints on international guest artists	Companies/MEAA		→	→
10.2.4	Support young artists development programs	Companies	→	→	→
10.2.5	Provide additional support for conductor development programs	Symphony Australia & Concert Orchestras		→	→
10.2.6	Ensure artistic succession planning	Companies		→	→

CHAPTER 11 Actions by companies: provide access

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
11.1	**Ensure geographic and artform access**				
11.1.1	Through regional and rural performances	Companies	→	→	→
11.1.2	By 'mentorships' with regional/rural companies	Companies		→	→
11.1.3	By broadcasts of complete works	Companies/ABC/SBS	→	→	→
11.1.4	Through Internet performances	Companies		→	→
11.2	**Ensure demographic access**				
11.2.1	Through shared Internet site	Companies/MPAB		→	→
11.2.2	Through youth and non-English speaking pilots	Companies		→	→
11.2.3	Through free events	Companies		→	→
11.2.4	Through schools education programs	Companies		→	→

CHAPTER 12 Actions by companies: change financial dynamics through artform cooperation

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
12.1	**Opera**				
12.1.1	Through shared state opera mainstage programs	Opera companies		→	→
12.1.2	Through Opera Conference	Opera companies		→	→
12.1.3	By separate non-mainstage productions	State opera companies		→	→
12.2	**Theatre**				
12.2.1	Through continued co-productions	Theatre companies	→	→	→
12.2.2	Through continued buy-ins	Theatre companies	→	→	→
12.2.3	Through potential merger of Black Swan and Perth Theatre Company	Black Swan/Perth Theatre Company/Perth Theatre Trust			•
12.3	**Dance**				
12.3.1	Through joint dance subscription seasons	Ballet companies		→	→
12.4	**Music**				
12.4.1	Through potential 'community of musicians' structure for Melbourne Symphony Orchestra and State Orchestra of Victoria	Melbourne Symphony Orchestra/State Orchestra of Victoria	•		
12.4.2	Through potential 'community of musicians' structure for Queensland Symphony Orchestra and Queensland Philharmonic Orchestra	Queensland Symphony Orchestra/Queensland Philharmonic Orchestra	•		
12.4.3	Through further exploring Musica Viva/Australian Chamber Orchestra merger	Musica Viva/Australian Chamber Orchestra	•		

CHAPTER 13 Actions by companies: changing financial dynamics through geographic cooperation

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
13.1	**Scheduling**				
13.1.1	Minimise scheduling conflicts	Venues/State funding agencies/Companies	→	→	→
13.1.2	Improve lead times for venue hire agreements	Venues	→	→	→
13.2	**Shared resources**				
13.2.1	Explore between State Opera of South Australia and Adelaide Symphony Orchestra	State Opera of South Australia/Adelaide Symphony Orchestra		•	
13.2.2	Explore between Queensland Ballet, Opera Queensland and new Queensland orchestra	New Queensland orchestra/Queensland Ballet/Opera Queensland			•
13.2.3	Undertake between West Australian Ballet and West Australian Opera	West Australian Ballet/West Australian Opera	•		

CHAPTER 14 Actions by companies: change financial dynamics through improved box office and fee income

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
14.1.1	Undertake detailed market segmentation work	Companies/State funding agencies		•	
14.1.2	Improve marketing capability	Companies/MPAB	→	→	→
14.1.3	Improve box office services at Queensland Performing Arts Trust	Queensland Performing Arts Trust/Queensland Government	•		

CHAPTER 15 Actions by companies: change financial dynamics through strengthened private sector support

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3	4
15.1	**Create a receptive environment**					
15.1.1	Improve corporate understanding of the value of arts sponsorship	Companies/Australia Foundation for Culture and the Humanities/MPAB/Governments	→	→	→	
15.2	**Build the required skills**					
15.2.1	Seed fund development staff	MPAB	→	→	→	
15.2.2	Improve training for development staff	MPAB	→	→	→	
15.2.3	Ensure appropriate Board composition	Companies' Boards	→	→	→	
15.3	**Take advantage of incentives**					
15.3.1	Through a private philanthropy and bequests program	Companies		→	→	
15.3.2	Through a reserves incentive program	Governments		→	→	→

CHAPTER 16 Actions by companies: change financial dynamics through reduced costs

Recommendation number	Description	Key initial responsibility	Year of implementation 1	2	3
16.1.1	Improve flexibility of orchestras' work practices	Orchestras/MEAA	→	→	→
16.1.2	Tender for productions	Companies	→	→	→
16.1.3	Establish an advertising buying cooperative	Companies		→	→
16.1.4	Improve backstage processes	Venues/Companies	→	→	→
16.1.5	Improve competitiveness of venue hire charges: Queensland Performing Arts Trust	Queensland Performing Arts Trust/Queensland Government	•		

CHAPTER 17 Actions by companies: change financial dynamics through strengthened balance sheets

Recommendation number	*Description*	*Key initial responsibility*	*Year of implementation 1*	*2*	*3*
17.1.1	Build reserves	Companies	——	——	→
17.1.2	Rely on own reserves if facing difficulties	Companies	——	——	→
17.1.3	Explore selling assets to reduce debt	Opera Australia	•		

CHAPTER 18 Actions by companies: change financial dynamics through best practice management

Recommendation number	*Description*	*Key initial responsibility*	*Year of implementation 1*	*2*	*3*
18.1.1	Strengthen senior management skills	Australia Foundation for Culture and the Humanities/ Companies/MPAB		——	→
18.1.2	Strengthen planning processes	MPAB/Companies	——	——	→
18.1.3	Strengthen governance processes	Companies/Funding agencies		——	→

Appendix 2: Discussion Paper material

Several sections of the Discussion Paper have been reproduced here for ease of reference.

Foreword

Societies like the one we live in are complex phenomena, their parts deeply intricated, affecting one another in ways that are sometimes hard to assess; to isolate any one of them may be to misread the dynamics of the whole. This is certainly true of the arts. To see them as something 'added' that might also be taken away is to miss the extent to which they may be the source, as well as the product, of what we are.

The role they play in the economy is clear enough.

A large section of the working population of Australia is now employed in the arts. In the work-intensive film industry; in theatre, opera, dance, and orchestral and other musical performance, including a lively country and pop music scene. Actors, singers, dancers, circus performers, musicians, along with technicians, the many skilled artisans who work making costumes and props, administrators, and the staff of dance, drama and music schools all over the country, constitute a national resource of talent, but also of experience, that is valuable in itself for what it produces to reflect and delight us and essential for the guidance and training of those who will come after.

What is it, other than entertainment and diversion, that we take up from a theatre or dance performance, or from a night at the opera or an orchestral or chamber concert?

Such occasions are high energy events; they raise our energy level, and we take this energy back into our lives.

By bringing us into contact with high achievement they make us eager for achievements of our own. We come away from them with a quickened interest in things, a deeper awareness of our own possibility and power. And all this we carry back into daily living and into the work we do as doctors, teachers, shopkeepers, architects, nurses, scientists, students, social workers, public servants. This sort of energy exchange, which is characteristic of all advanced societies, is another form of economy, what we might call the economy of energy, diffused in a thousand places where we feel its effects but do not always recognise the source. It changes our sense of ourselves and of the world. It changes the quality of our lives and the quality of what we do and make. It is one of the clearest forms of our local identity.

When we think of other places, France or Britain or Italy or the US, what comes first to our mind as characterising their contribution to the world, their identity or style, is the arts they have produced, books, paintings, films, their orchestras and opera companies, their galleries, their music. Either consciously or not, it is this that guarantees for us that the goods we buy from them, everything from high tech to clothes and perfumes and domestic appliances, will be of the highest quality, both of performance and design. Shouldn't we assume that others will make the same assessment of us?

We have high tech and education to sell as well as wheat, wool and minerals. Mightn't our potential customers for these sophisticated commodities be more inclined to believe in the high standard of what we have to offer if they see from the films we make, the books we produce and from what we offer in the way of theatre, opera, galleries, music, that we are a society that demands and produces work of the highest quality.

Visitors to our country are still drawn mainly by the promise of exotic landscapes and creatures, by sun, surf and the special interest of our indigenous people; they are seldom disappointed. But from what they see of our cities, what they hear at the opera or in concert halls, see on the walls of galleries or at dance and theatre performances, they go away with a very much more complex vision of what we are and have achieved—one that is truer in most ways to what Australia is at the end of the twentieth century; a place that belongs not to some bucolic and more innocent world, but to the international present.

The uniqueness of a people can be invisible to those who know it only as an everyday thing. We do not always see, from within, the extent to which the things that we make are intimate reflections of us, of a local way of doing things, of thinking and feeling and interpreting. We delight in the energy these things give us, the sense we get of being alive and in our own skins. What we do not see is that the energy itself is of a unique kind, that there is a peculiar freshness and originality in the way we take what is classic and remake it as our own. It is here, unconsciously perhaps, that we catch the clearest image of ourselves as Australians; and this confirmation of identity too we take back into our lives and use in all sorts of productive and imaginative ways. What outsiders recognise as original and unique, we experience simply as what we are, what we have discovered by reflection from what we have made, and which nothing else could have revealed to us.

David Malouf

April 1999

Part A: Background

1 The Inquiry

1.1 The Inquiry's origins

The Minister for Communications, Information Technology and the Arts, Senator Richard Alston announced on 15 December 1998 that the Commonwealth would conduct an Inquiry into the subsidised major performing arts sector.

The circumstances that culminated in the announcement of the Inquiry originated in ongoing Federal and State Government concerns about the continual financial pressures faced by the major performing arts companies and the challenge posed to their artistic vitality. These concerns had been discussed at the December 1996 Cultural Ministers' Council (CMC) meeting, when a working group was established to report on the issues facing the companies.

In September 1997, all 17 companies at that stage funded by the Major Organisations Fund (MOF) of the Australia Council echoed the CMC's concerns. The companies asked MOF to undertake analytical work to provide a better understanding of the nature of the challenges they were facing.

MOF responded to the requests from the CMC and the companies by seeking analytical support from McKinsey and Company, which generously provided two business analysts for three months to assist in assessing the situation. This work was used to prepare an interim report by the CMC working group for the February 1998 CMC meeting, which was then followed by a more comprehensive MOF study: the *Managing for the Future* report.

The *Managing for the Future* report was presented to a landmark meeting of major dance, music, opera and theatre companies, as well as State and Federal Government funding agencies on 5 June 1998. The meeting endorsed the report and asked MOF, working with a representative Task Force selected at the meeting, to examine ways to find solutions to the challenges facing the sector. Additionally, the meeting supported the companies working cooperatively with festivals and venues to find such solutions.

The *Managing for the Future* report identified some 21 potential broad strategic options that might be a basis for ensuring the companies' long-term viability. No single company or funding agency was able to determine the best way forward. The merits of some options could be examined by individual companies or funding agencies; other options needed to be assessed through the cooperation of Federal and State Government funding agencies, the companies, festivals and venues.

The Federal Government recognised the need for leadership in assessing these options and that cooperation with the State and Territory Governments was essential in furthering this work. Senator Alston's announcement of the Major Performing Arts Inquiry acknowledged the importance of this cooperation. In announcing the Inquiry on 15 December 1998, Senator Alston also gave a commitment that the Final Report of the Inquiry would be considered by a meeting of the CMC, and that the Inquiry would work closely with the State and Federal Governments to find a way of addressing the challenges facing the major performing arts sector.

1.2 The Inquiry's objectives

The Inquiry has been charged with identifying options and making recommendations on actions that can be taken both by governments and the sector to ensure that Australia has a financially healthy, artistically vibrant and broadly accessible major performing arts sector.

In that context, the Inquiry has been asked to identify and report on:

- the current financial position of Australia's major government subsidised performing arts companies, including the managerial and governance capabilities of the companies; their cost and revenue dynamics; the extent to which the financial health of the companies enhances or impedes their ability to achieve artistic outcomes; and the extent of their accessibility across Australia;
- the forces driving further change in the sector, including the impact of global and local competition, new technologies, and governments' funding policies on the sector;
- structural, financial, managerial and governance barriers that may impede the sector's sustainability and development; and
- measures for action by the companies, Commonwealth and State/Territory Governments to ensure an artistically vibrant and financially stable sector, including structural, financial, managerial and organisational initiatives.

The Inquiry has also been charged with canvassing options, including a preferred option, and an implementation strategy that could be put into effect over a three-year timeframe.

1.3 Companies included in Inquiry

The companies included within the Inquiry's Terms of Reference are all of Australia's subsidised major performing arts companies covering the artforms of dance, music, opera and theatre. Further, the Inquiry will refer to key festivals, venues and government funding agencies. The Inquiry covers the following companies, which are referred to collectively throughout this Discussion Paper as the 'Inquiry Companies':

Dance: The Australian Ballet, Australian Dance Theatre, Bangarra Dance Theatre, Queensland Ballet, Sydney Dance Company and West Australian Ballet

Music: Australian Chamber Orchestra, Musica Viva; Adelaide Symphony Orchestra, Melbourne Symphony Orchestra, Queensland Symphony Orchestra, Sydney Symphony Orchestra, Tasmanian Symphony Orchestra, West Australian Symphony Orchestra, Symphony Australia; Australian Opera and Ballet Orchestra, Queensland Philharmonic Orchestra and State Orchestra of Victoria

Opera: Opera Australia, Opera Queensland, State Opera of South Australia and West Australian Opera

Theatre: The Bell Shakespeare Company, Black Swan Theatre Company, Circus Oz, Company B, Melbourne Theatre Company, Playbox Theatre Company, Queensland Theatre Company, State Theatre Company of South Australia and Sydney Theatre Company

The Inquiry has also been asked to consider the best way in which the companies can work with governments, venues and festivals to ensure the long-term vibrancy and efficiency of the sector.

A list of the companies, festivals, venues and funding agencies referred to in this report is provided in Appendix 1, along with the standard abbreviations for each.

1.4 Basis for inclusion of companies

Australia's 31 major dance, music, opera and theatre companies are covered under the Inquiry's Terms of Reference.

These 31 companies are all in receipt of significant Federal and/or State Government funding; they have all averaged, at a minimum, $1 million in revenue per annum over the past three years; they have all made a significant contribution to their artform and to the broader cultural life of the nation; and they all face a relatively common set of management challenges.

Since the establishment of the Major Organisations Fund of the Australia Council, the experience has been that these companies, regardless of artform, have benefitted from being able to exchange ideas on best practice management and governance with companies of relatively similar size. A number of these challenges are also faced by smaller companies.

Appendix 2 contains a description of each of the Inquiry Companies' activities, recent financial performance and the nature of their management.

1.5 The Inquiry composition

The Inquiry is being undertaken by a Committee of four members, consisting of Dr Helen Nugent (Chair), Mr Michael Chaney, Mr David Gonski and Mrs Catherine Walter. Biographical information on the Committee members is to be found in Appendix 3.

The Committee has been assisted by a Secretariat led by Mr Peter Young from the Department of Communications, Information Technology and the Arts (DOCITA). Dr Cathy Brown-Watt, Manager, Major Organisations Fund of the Australia Council, who had significant input to the *Managing for the Future* report, has been seconded from the Australia Council to the Secretariat for the duration of the Inquiry.

The Committee is very grateful to Andersen Consulting, Boston Consulting Group, Mitchell Madison Group, PricewaterhouseCoopers and Wesfarmers Limited for the staff they have provided to assist with the Inquiry. Each of these companies has been extraordinarily generous, not just in the provision of this assistance, but in the quality of the staff that they have seconded to the Inquiry. More specifically, the Committee would like to acknowledge the assistance of Mr Antony de Jong and Ms Caroline Chernov (Andersen Consulting), Mr Paul Carter (Boston Consulting Group), Mr Matt Ware (Mitchell Madison Group), Ms Cecilia Kendall (PricewaterhouseCoopers) and Ms Fiona Kalaf (Wesfarmers).

The Committee also acknowledges the financial, staffing and other assistance it has received from DOCITA and from the Australia Council, which has been instrumental in making the Inquiry possible.

A full list of staff who have worked on the Inquiry at varying times is included in Appendix 3.

In addition, the Committee would like to record its appreciation to Mr David Malouf for writing the Foreword to this Discussion Paper.

1.6 How the Inquiry is being conducted

The Inquiry is being conducted with a strong commitment to consultation and to a rigorous, fact-based approach to the development of potential solutions.

To that end, the Committee has adopted a five-phase approach to the Inquiry procedure. These five phases are:

1. Develop a fact base to inform the Committee and seek input from any interested parties by way of written submissions;
2. Release a Discussion Paper;
3. Seek feedback from the major performing arts sector on the Discussion Paper (formal consultations to be held with key stakeholders);
4. Present a Final Report to the Minister; and
5. Encourage widespread discussion of the Final Report with a view to implementation (the Final Report will be considered by the CMC during this phase).

1.7 Purpose of Discussion Paper

The purpose of the Discussion Paper is to set out the main issues which have been identified by the Inquiry as a basis for:

- facilitating further discussions, where required, with key stakeholders, particularly those who have made submissions to the Inquiry; and
- seeking additional information in areas where further work is required before a Final Report is submitted to the Minister.

The Committee has benefitted greatly from the 475 submissions it has received from governments, arts organisations and the public and from the generous assistance of the management of the companies, venues, festivals, and the government funding agencies. Other groups and individuals have also willingly given of their time. The individuals or groups that the Committee has received submissions from, or has consulted with, are listed in Appendix 4. The Committee wishes to record its gratitude for the supportive and timely assistance it has received.

In this Discussion Paper, the Committee seeks to present the major issues and explore options, not to reach conclusions. The Committee welcomes views on the Discussion Paper and will be presenting its conclusions in the Final Report.

2 The companies' contribution to Australia

Key findings

The Inquiry Companies make a major contribution to Australian life:

With their artistic contribution:

- Through the size of their artistic presence:
  - more than 11 performances per day; and
  - more performances for large companies than any international peer company.
- Through their large and diverse repertoire:
  - 698 works over 281 different programs;
  - even balance between popular and challenging works; and
  - more than half of works are 20th century.
- Through their commitment to distinctively Australian product:
  - over half of works in theatre and dance are Australian in origin; and
  - close to half of theatre, dance and opera performances are new Australian productions.
- Through their commitment to developing Australian artists by:
  - developing young performers;
  - bringing in international artists and teachers;
  - fostering a new generation of creative artists; and
  - providing scholarships and exchanges.

With their access contribution:

- Through their commitment to touring:
  - each mainland State capital city has access to at least nine Inquiry Companies; and
  - 22 of the companies toured regionally.
- By reaching over three million Australians a year.
- Through their audience education initiatives.

With their economic contribution:

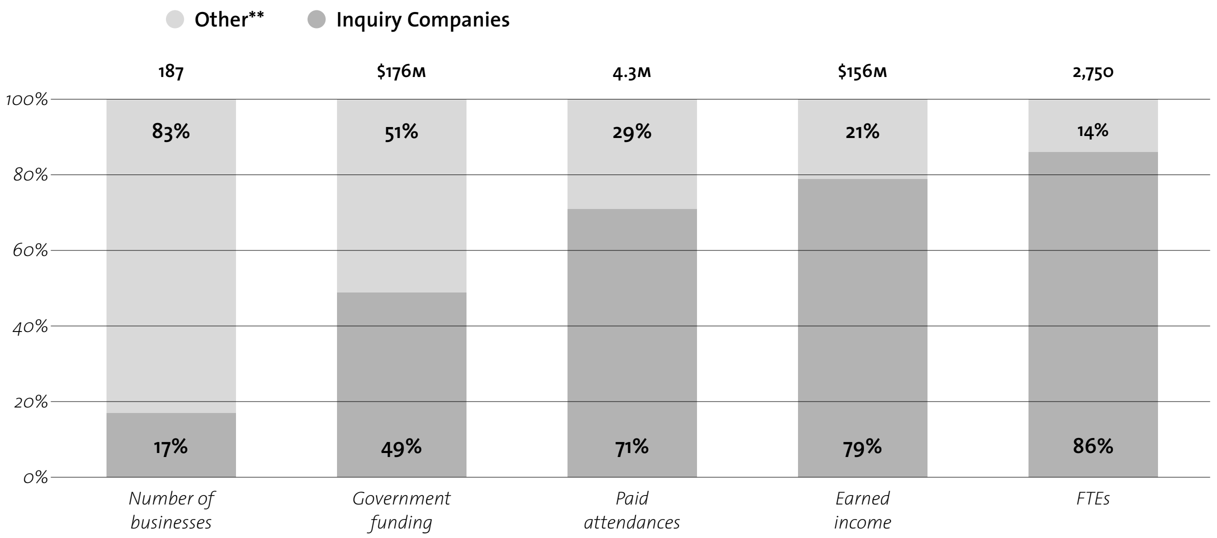
- Through the revenue they generate:
  - over $124 million in earned income; and
  - 79% of the earned income in the subsidised performing arts sector.
- Through the number of people and organisations they employ:
  - directly employ over 3,300 people; and
  - 86% of the employment in the subsidised performing arts sector.
- Through the other indirect benefits they generate:
  - provide a multiplier effect of $2.80 for every additional dollar generated; and
  - foster Australia's image abroad as a sophisticated and innovative nation.

Introduction

The 31 major performing arts companies included in the Inquiry's Terms of Reference make a contribution to the life of the nation disproportionate to their number and their level of government funding.

In 1996–97 they represented 17% of the total number of subsidised performing arts companies and received 49% of the total government funding to the performing arts sector. However, they provided 86% of the employment opportunities in the sector, brought in 79% of the total self-generated income, and reached 71% of the total paying audience. (Refer Exhibit 2.1)

EXHIBIT 2.1 Profile of subsidised performing arts industry: 1996–97* (per cent)



** Government subsidised performing arts companies excluding popular music organisations*

*** All companies other than the Inquiry Companies*

Sources: Performing Arts Industries, 1996–97, Australian Bureau of Statistics, Accounting Reports, Major Performing Arts Companies and Orchestras, Anderson Consulting Analysis

This chapter describes the contribution the Inquiry Companies make to Australia's national life from an artistic, audience access, and financial perspective.

2.1 Artistic contribution

Australia's major performing arts companies make a major contribution to Australia's rich artistic life in the following four ways:

2.1.1 through the size of their artistic presence;

2.1.2 through their large and diverse repertoire;

2.1.3 through their commitment to developing distinctively Australian product; and

2.1.4 through their commitment to enhancing the professional opportunities available to Australian artists.

2.1.1 Size of their artistic presence

Australia's major performing arts companies present a very large number of performances each year, some presenting more performances each year than any comparable company worldwide.

2.1.1.1 *Large number of performances in absolute terms*

In 1998, the Inquiry Companies gave 4,184 mainstage and regional touring performances—more than 11 performances every day of the year. (Refer Exhibit 2.2)

EXHIBIT 2.2 Number of performances: 1998 (number; per cent)

Artform	*Number of performances*	*Percent of performances*
Theatre	2,635	63
Theatre total	**2,635**	**63**
Concert orchestras	362	9
Chamber orchestras	304	7
Music total	**666**	**16**
Ballet	309	7
Contemporary Dance	246	6
Dance total	**555**	**13**
Opera	328	8
Opera total	**328**	**8**
Overall total	**4,184**	**100**

The high number of theatre performances relative to other artforms is accounted for by theatre's use of smaller performance venues and by its ability to present simultaneous performances of different productions.

Lyric theatre companies (opera and ballet) and orchestras most commonly use venues with capacities between 1,500 and 2,500, whereas theatre companies usually use 300 to 500 seat venues. The smaller venues better accommodate the actors' projection of the speaking voice.

In addition, several of the Inquiry theatre companies regularly present simultaneous mainstage seasons of two or three different productions. Dance, music and opera ensemble companies have a restricted ability to do this.

2.1.1.2 *Large number of performances by international standards*

Although the number of performances presented by the dance and opera companies appears low in comparison to theatre, when judged by international standards, The Australian Ballet and Opera Australia present more performances per annum than comparable ballet or opera companies worldwide. Sydney Theatre Company and Melbourne Theatre Company also present more performances per annum than most comparable UK, USA and Canadian companies. (Refer Exhibit 2.3)

Sydney Symphony Orchestra, which performs more than any other Australian concert orchestra, presents more concerts than, for example, the Toronto Symphony Orchestra or the City of Birmingham Orchestra, but less than the Minnesota or San Francisco Orchestras. Sydney Symphony Orchestra works the same number of player hours per annum as the Minnesota and San Francisco Orchestras, but the two American orchestras often act as an ensemble rather than as a full orchestra, thereby enabling multiple simultaneous performances. Sydney Symphony Orchestra is beginning to explore this option under its new Enterprise Agreement.

EXHIBIT 2.3 International comparisons by artform: Performances (number)

Artform	*Country*	*Company*	*Number of performances*
Ballet 1997	UK	English National Ballet	165
		Royal Ballet Company	158
	USA	American Ballet Theatre	130
		Houston Ballet	85
	Australia	**The Australian Ballet**	**180**
Opera 1998*	UK	English National Opera	180
		Royal Opera House	123
		Scottish Opera	23
	USA	The Metropolitan Opera	221
		New York City Opera	47
		San Francisco Opera	100
	Canada	Canadian Opera Company	36
	Europe	Berlin State Opera	85
		Bavarian State Opera	205
		Vienna State Opera	169
		La Scala	94
		Opéra Nationale de Paris	72
	Australia	**Opera Australia**	**237**
Music 1997	UK	City of Birmingham Orchestra	130
	USA	Minnesota Symphony Orchestra	186
		San Francisco Symphony Orchestra	198
	Canada	Toronto Symphony Orchestra	125
	Australia	**Sydney Symphony Orchestra**	**156**
Theatre 1997	UK	Royal National Theatre	1,067
	USA	Goodman Theatre	466
		Seattle Repertory Theatre	590
	Canada	Stratford Festival	585
		Shaw Festival	769
	Australia	**Sydney Theatre Company**	**1,080**
		Melbourne Theatre Company	**672**

Note: The benchmark companies used in the exhibit have been selected by the relevant Australian companies in each artform.

** For some international companies, the performance year is 1998–99.*

2.1.2 Size and diversity of repertoire

Australia's major performing arts companies make a significant contribution to the country's cultural life through the number and diversity of the works and programs they present.

2.1.2.1 *Large number of works and programs*

In 1998, the Inquiry Companies presented 698 works in their mainstage and regional activities.[1] Music-based companies—both concert orchestras and chamber music companies—performed 553 (75%) of these works; dance companies performed 58 different works (ballet companies, 42; and contemporary dance companies, 16); theatre companies presented 57 works; and opera companies, 30.

The works were combined to make up 281 different programs. The chamber ensembles performed an average of 4.9 works per program, whereas the concert orchestras and the dance companies performed an average of three works per program. In contrast, with few exceptions, a single work makes up an entire theatre and opera program. (Refer Exhibit 2.4)

[1] Does not include regional educational touring.

EXHIBIT 2.4 Profile of works and programs: 1997 and 1998 (number)

Artform	Company	1997 Number of works	1997 Average works/ programs	1997 Number of programs	1998 Number of works	1998 Average works/ programs	1998 Number of programs
Dance	TAB	14	2	7	8	1.3	6
	QB	8	2	4	16	3.2	5
	WAB	16	3.2	5	18	4.5	4
	SDC	3	1	3	2	1	2
	ADT	4	1	4	13	6.5	2
	Bangarra	1	1	1	1	1	1
Dance total		**45***	**1.9**	**24**	**58**	**2.9**	**20**
Music	MV	94	4.09	23	117	4.5	26
	ACO	33	4.12	8	49	6.12	8
	SSO	84	3.11	27	97	2.85	34
	MSO	110	3.44	32	80	2.66	30
	WASO	59	3.28	18	53	2.94	18
	ASO	58	3.62	16	36	3.27	11
	QSO	46	3.07	15	60	3.33	18
	TSO	59	3.47	17	61	3.39	18
Music total		**543**	**3.48**	**156**	**553**	**3.39**	**163**
Opera	OA	23	1	23	20	1	20
	OQ	4	1	4	4	1	4
	SOSA	3	1	3	5	1	5
	WAO	2	1	2	3	1	3
Opera total		**26***	**1**	**32**	**30***	**1**	**32**
Theatre	STC	13	1	13	17	1	17
	MTC	13	1.08	12	13	1	13
	QTC	15	2.14	7	8	1	8
	Bell	3	1	3	2	1	2
	Comp B	7	1	7	7	1.16	6
	STC of SA	6	1.09	6	6	1	6
	Playbox	12	1	11	10	1.1	9
	BS	6		6	5	1	5
Theatre total		**66***	**1.15**	**65**	**57***	**1.03**	**66**
Overall total		**681**	**2.51**	**277**	**698**	**2.53**	**281**

** Artform totals for number of works in dance in 1997, opera in 1998 and theatre in 1997 and 1998 have been adjusted to take account of more than one company presenting the same work. Music totals have not been adjusted, as while individual works are presented by multiple companies, they occur in different independent programs.*

2.1.2.2 *Mix of popular and challenging works*

The companies present a diverse mix of popular and artistically challenging works. Achievement of such a mix is essential if commercial and artistic development needs are to be met. Exhibit 2.5 provides a view of the profile of works presented in the companies' main home seasons in both 1997 and 1998.

EXHIBIT 2.5 Profile of works by artform and company: Degree of audience challenge: 1997 and 1998 (per cent)

		Degree of audience challenge*					
		1997			1998		
Artform	Company	Popular	Moderate	Challenging	Popular	Moderate	Challenging
Dance – Ballet	TAB	33	33	34	33	17	50
	QB	40	40	20	27	73	0
	WAB	20	80	0	11	67	22
Dance – Ballet overall		**32**	**47**	**21**	**20**	**60**	**20**
Dance – Contemporary	SDC	50	50	0	0	0	100
	ADT	0	50	50	0	92	8
	Bangarra	0	0	100	0	0	100
Dance – Contemporary overall		**20**	**40**	**40**	**0**	**20**	**80**
Opera	OA	25	56	23	38	31	31
	OQ	25	75	0	50	50	0
	SOSA	33	66	0	0	0	100
	WAO	100	0	0	50	50	0
Opera overall		**32**	**56**	**12**	**34**	**31**	**35**
Theatre	STC	27	64	9	27	54	18
	MTC	33	33	34	36	36	28
	QTC	33	47	20	29	42	29
	Bell	50	50	0	50	0	50
	Comp B	0	40	60	0	50	50
	STC of SA	20	40	40	33	33	34
	Playbox	0	50	50	0	63	37
	BS	25	50	25	40	40	20
Theatre overall		**23**	**48**	**29**	**25**	**45**	**30**

Note: Music is not included. Concert repertoire frequently mixes challenging and more popular works, so an overall profile of the individual works presented does not reflect the profile of programs as presented to audiences.

** Degree of audience challenge relates to the degree of challenge of both the work and the production.*

2.1.2.3 *Significant diversity in repertoire*

The Inquiry Companies also demonstrate a commitment to presenting a diverse array of works ranging from 18th and 19th century classical pieces through to contemporary works. This diversity is essential for the maintenance of historical tradition as well as for the ongoing development of the artform.

Exhibit 2.6 shows the diversity of work performed in the companies' mainstage and regional performances in 1998. The theatre companies, with the exception of Bell Shakespeare, focus on work of this century, including recent works, as do the dance companies (88.2% and 84.5% of works respectively). In contrast, music and opera repertoire is spread over 18th, 19th and 20th century work, with music's strongest focus being 20th century work (44.2%) and opera's main focus being 19th century work (46.9%).

EXHIBIT 2.6 Profile of works by artform and company: Period of repertoire: 1998 (per cent of total works)

Artform	Company	*Period of repertoire* Last 20 years	20th century 20th century	Total	19th century	18th century	Earlier than 18th century	Total number of works
Dance	TAB	50	25	75	25			8
	QB	25	50	75	25			16
	WAB	66.7	16.6	83.3	16.7			18
	SDC	100		100				2
	ADT	100		100				13
	Bangarra	100		100				1
Average per cent of works		**62.1**	**22.4**	**84.5**	**15.5**			**58**
Music	MV	17	32	49	21	20	10	117
	ACO	8	24	32	21	33	14	49
	SSO	19	24	43	41	16		97
	MSO	14	30	44	36	20		80
	WASO	9	34	43	48	9		53
	ASO	6	36	42	52	6		36
	QSO	3	37	40	40	20		60
	TSO	15	29	44	41	15		61
Average per cent of works		**13.4**	**30.8**	**44.2**	**34.8**	**17.4**	**3.6**	**553**
Opera	OA		30	30	40	25	5	20
	OQ		25	25	50	25		4
	SOSA			0	80	20		5
	WAO			0	33	33	33	3
Average per cent of works			**21.85**	**21.85**	**46.9**	**25**	**6.25**	**30***
Theatre	STC	82	12	94		6		16
	MTC	72	21	93			7	14
	QTC	63	12	75		12	13	8
	Bell						100	2
	Comp B	71	29	100				7
	STC of SA	66		66	17		17	6
	Playbox	90	10	100				10
	BS	100		100				5
Average per cent of works		**76.4**	**11.8**	**88.2**	**1.5**	**2.9**	**7.4**	**57***
Overall		**22.7**	**28.2**	**50.9**	**30.4**	**14.9**	**3.8**	**698**

** Artform totals for number of works in opera and theatre have been adjusted to take account of more than one company presenting the same work. Music totals have not been adjusted, as while individual works are presented by multiple companies, they occur in different independent programs.*

2.1.3 Commitment to developing distinctively Australian product

Australia's major performing arts companies demonstrate a significant commitment to the development of distinctively Australian product.

Significant artform differences exist in the way this commitment is manifested—in the works they perform, the productions they present and the style of their performances.

The commitment to new Australian works is most strongly manifest in dance and theatre. New productions of international works with a distinctively Australian flavour are most strongly evident in theatre and opera, while the distinctiveness of an Australian performance style is evident in music.

2.1.3.1 *Emphasis on Australian works*

As indicated above, the emphasis on new Australian work differs by artform.

Dance and theatre show a major commitment to Australian works with over 50% of mainstage works in 1997 and 1998 being Australian in origin, except for ballet in 1998. Within that context, there was a fairly even spread between new and existing works.

In opera and music, on the other hand, the relative scarcity of domestic product, and/or the higher commercial risk associated with this product, results in a much greater emphasis on international repertoire. In music, Australian works represented 7–8% of all works in 1997 and 1998 mainstage programs. (Refer Exhibit 2.7)

EXHIBIT 2.7 Profile of works by artform: Origin of work: 1997 and 1998 (number of works)

Artform	*Origin of works* 1997 Australian works New	Existing	Total	Overseas	Total works	1998 Australian works New	Existing	Total	Overseas	Total works
Dance										
Ballet	13	12	25	12*	37	9	7	16	26	42
Contemporary	3	5	8	0	8	2	14	16	0	16
Music										
Chamber music	3	8	11	116*	127	2	22	24	142	166
Orchestras	8	21	29	387	416	6	13	19	368	387
Opera	0	0	0	26	26	0	0	0	30	30
Theatre	21	18	39	27	66	13	17	30	27	57
Total	**48**	**64**	**112**	**568**	**680**	**32**	**73**	**105**	**593**	**698**
Percentage total	**7**	**9**	**16**	**84**	**100**	**5**	**10**	**15**	**85**	**100**

** One of the overseas works was a new work.*

Note: Numbers of works in dance, opera and theatre have been adjusted to take account of more than one company presenting the same work.

Music totals have not been adjusted, as while individual works are presented by multiple companies, they occur in different independent programs.

2.1.3.2 *Commitment to new Australian productions of existing works*

In dance, opera and theatre, Australia benefits not only from productions of new Australian works but also from new productions of existing works, both Australian and international. Music, in comparison, presents concerts involving new interpretations of existing works, not productions. It is therefore excluded from the following analysis.

As Exhibit 2.8 shows, in 1997 and 1998, 33% of the dance, opera and theatre companies' mainstage and regional productions were new Australian productions of existing works.

EXHIBIT 2.8 Profile of Australian productions by artform: Type of production: 1997 and 1998 (number of productions)

	Type of production									
	1997					*1998*				
	New			*Revival*	*Total*	*New*			*Revival*	*Total*
Artform	*New work*	*Existing work*	*Total*			*New work*	*Existing work*	*Total*		
Dance										
Ballet	14	3	17	21	38	9	10	19	23	42
Contemporary	3	0	3	5	8	2	0	2	14	16
Opera	0	7	7	19	26	0	6	6	25	31
Theatre	21	36	57	10	67	13	34	47	14	61
Total	**38**	**46**	**84**	**55**	**139**	**24**	**50**	**74**	**76**	**150**
Percentage total	**27**	**33**	**60**	**40**	**100**	**16**	**33**	**49**	**51**	**100**

Note: Music is not included as the companies present concerts not productions.

The number of productions exceeds the number of works shown in Exhibit 2.7 for dance in 1997, opera in 1998 and theatre in both 1997 and 1998.

In dance, in 1997 there were two productions of Giselle (QB and WAB).

In opera, in 1998, there were two productions of The Barber of Seville (OA mainstage; Oz Opera touring).

In theatre, in 1997, there were two productions of After Dinner (MTC and BS); in 1998, there were two productions of Amy's View (STC and QTC/MTC), After The Ball (QTC and STC), The Herbal Bed (MTC and STC) and Closer (STC and MTC).

Again, there were large artform differences. Theatre showed the highest proportion of new productions of existing works (54% and 56% in 1997 and 1998) and contemporary dance had no new productions of existing works. In opera, new productions of existing works represented 27% of all productions in 1997 and 19% in 1998.

2.1.4 Commitment to enhancing Australian artists' professional opportunities

Collectively, the Inquiry Companies have demonstrated a major commitment over time to the development of Australian artists. They have established a range of ongoing professional development programs in all artforms, in many cases with partnership support from the private sector.

Some of the artists whom the companies have helped develop professionally have gone on to successful international careers in which Australians take pride. For example, artists such as Geoffrey Rush, Mel Gibson and Cate Blanchett all openly acknowledge the subsidised performing arts sector as their training ground. When these artists have received Academy Award nominations, a surge of national pride has occurred, in the same way that Australia basks in the reflected glory of its international sports stars.

2.1.4.1 *Developing young performers*

In all artforms, the companies nurture and provide opportunities for emerging young performers.

In dance, The Australian Ballet and Queensland Ballet have long-established professional development programs for young dancers. A number of The Australian Ballet dancers who were developed through this program are currently enjoying successful careers with well known overseas companies. For example, in 1999, Lisa Pavane and Margaret Illmann returned to Australia with the English National Ballet to perform the lead role of Odette/Odile in the arena production of *Swan Lake*.

Through its extensive education and regional touring program, Musica Viva assists the development of Australian chamber music artists by providing performance opportunities for emerging ensemble musicians, such as Liwei Qin and Tahu Matheson in 1998. The concert orchestras also provide performance opportunities for emerging soloists and conductors and, through Symphony Australia, they support the annual Young Performers Awards program. Successful graduates of this program include Roger Woodward, Nathan Waks and Simon Tedeschi.

In opera, Opera Australia's Young Artists Program, which was established in 1984, has been the springboard for the professional development of the current generation of Australian singers. Successful graduates of the program who are developing international reputations include Geoffrey Black, Lisa Gasteen, Fiona Janes and Deborah Riedel. Several of the state opera companies have also had Young Artists programs, although not on a continuous basis. Emma Matthews, who is currently pursuing a career with Opera Australia and has a major role in the company's new production of *Rinaldo*, is a graduate of West Australian Opera's Young Artists Program.

The state opera companies have also provided debut opportunities for a number of Australia's promising young artists. Miriam and Clare Gormley's first professional engagements, for example, were with Opera Queensland.

In theatre, four of the text-based companies—Bell Shakespeare, Queensland Theatre Company, State Theatre Company of South Australia and Black Swan—have development programs for young actors, which include performance opportunities in small roles working with highly experienced senior actors.

2.1.4.2 *Bringing in international artists and teachers*

To facilitate the professional development of members of their performing ensembles, Circus Oz, the dance companies, Opera Australia and the orchestras all bring in international artists and teachers to work with company members.

Circus Oz has assumed a major training and professional development role for its artform because there has not been a national training school for circus. It regularly conducts workshops for its ensemble members using visiting international circus artists such as aerialists Deb Pope from the UK and Roderigo Matheus from Brazil who worked with the company in 1997.

International guest teachers such as Olga Evereinoff, Wang Jiahong and Gelsey Kirkland are used each year by The Australian Ballet. Some of these guest teachers also work with other

Australian companies, for example, Olga Evereinoff with West Australian Ballet in 1998. Opera Australia regularly uses eminent German vocal coach, Lisa Hagenau.

The concert orchestras, through Symphony Australia, have introduced a Young Conductors Program, including the Westfield Young Conductor of the Year Award. Although this program was only established in 1994, one of its graduates is already achieving success on the international circuit. Andrew Robinson (Westfield Conductor of the Year, 1997, age 26) was recently accepted into the Sibelius Academy's mastercourse at Carnegie Hall, where he was chosen as one of three assistants worldwide to Esa-Pekka Salonen (Chief Conductor, Los Angeles Philharmonic) as well as becoming a Conducting Fellow at Tanglewood, USA, in 1998. The high standard of these programs attracts internationally recognised teachers, including Jorma Panula, Gustav Meier and David Porcelijn.

2.1.4.3 *Fostering a new generation of creative artists*

The companies also support the development of emerging creative artists.

All six dance companies—ballet and contemporary—resource choreographic workshops which provide significant professional development opportunities for Australia's emerging choreographers. One of Australia's renowned choreographers, Graeme Murphy, was given his first professional choreographic opportunity by The Australian Ballet.

More recently, Gideon Obarzanek's and Stephen Page's early choreographic development was supported through Sydney Dance Company's workshop program, and Natalie Weir and Rosetta Cook have benefitted from opportunities offered through Queensland Ballet's annual studio program.

The Australian Ballet's 1998 *Collaborations* season showcased the results of a collaborative project involving choreographers, composers and designers across 1997 and 1998. *Dark Lullaby*, the work created by Natalie Weir in this project, has now been included in the company's 1999 main season. The company's two resident choreographers, Stanton Welch and Stephen Baynes, are also successful examples of its choreographic development program. Over the last three years, both have created full-length works commissioned by the company. Stanton Welch has choreographed two full-length works—*Madame Butterfly* in 1995 and *Cinderella* in 1997. Stephen Baynes' first full-length work, *1914*, was premiered by the company in 1998.

In music, Symphony Australia conducts an extensive orchestral commissioning program, supported by the Australia Council, and assists in the coordination of the Australian Composers' Orchestral Forum which ensures the ongoing development of a strong orchestral composition tradition in this country. Successful graduates of the Orchestral Forum include Carl Vine and Graeme Koehne, whose work, *Elevator Music,* was showcased on the Sydney Symphony Orchestra's 1998 USA tour.

The Australian Chamber Orchestra also has a commissioning program which is supported by the ANZ Bank. New works by Liza Lim and Elena Kats-Chernin commissioned through this program, *Gothic* and *Zoom and Zip,* were premiered by the orchestra in 1997 and 1998 respectively.

Appendix 2.2.2 Discussion Paper material

Opera Australia, through Oz Opera, and the State Opera of South Australia provide workshop opportunities for new music theatre work by young composers. Oz Opera is currently working on the development phase of an innovative contemporary music theatre project in partnership with the ABC and producer MAD Films. The mdTV project, as it is known, will result in four diverse teams of creative artists each developing and producing a one hour music drama for broadcast on the ABC.

All of the text-based theatre companies also provide development opportunities for a range of creative artists, including young directors (Bell Shakespeare, Melbourne Theatre Company, Queensland Theatre Company, State Theatre Company of South Australia and Sydney Theatre Company), designers (Melbourne Theatre Company, Queensland Theatre Company and State Theatre Company of South Australia) and playwrights (Black Swan, Company B, Playbox, Melbourne Theatre Company, Queensland Theatre Company, State Theatre Company of South Australia and Sydney Theatre Company). The Melbourne Theatre Company's Associate Director program has provided the training ground for Robyn Nevin and Simon Phillips, the new Artistic Directors of Sydney Theatre Company and Melbourne Theatre Company, respectively.

Playbox's Playwright Development Program is particularly extensive and, in recent years, has included a specific sub-program for Indigenous writers (a partnership with Ilbijerri Aboriginal Collective). One outcome of the program has been the inclusion in its 1998 subscription season of *Stolen*, a new work by the Indigenous writer, Jane Harrison.

2.1.4.4 *Providing scholarships, awards and exchanges*

A number of the companies support overseas professional development opportunities through scholarships, awards and exchange programs. For example, Musica Viva, in conjunction with the Australian Music Foundation, provides financial support through the Westfield Endowment for ensemble development of selected young trios or quartets. The Endowment funds the biennial Tony Berg Award for extended tuition and masterclass study overseas.

Symphony Australia provides support for young instrumentalists and conductors to study overseas through a number of scholarships, including the Nelly Apt Scholarships and the Queens Trust grants.

Opera Australia's annual Remy Martin Award provides substantial support for a young singer to extend their professional training overseas. This award has significantly boosted the opportunities available to Australian singers.

The Australian Ballet has an extensive exchange program which enables selected dancers to work with major international companies and a scholarship program which supports overseas training for several dancers each year.

In summary, the companies recognise that the professional development of artists is essential for the long-term success of both the subsidised and the commercial sectors of the industry. They are playing a key role in this sphere through the breadth and variety of programs they have developed.

2.2 Audience access contribution

Governments are concerned that Australians, regardless of where they live, have a reasonable level of access to high quality performances. This is regarded as a fundamental equity issue. Recognising this, the Inquiry Companies make a significant contribution to ensuring that the performing arts are accessible to Australians through:

2.2.1 the geographic diversity of where they perform;

2.2.2 the number of attendances at their performances, both in capital cities and in the regions;

2.2.3 the range of audience education initiatives they undertake; and

2.2.4 their use of broadcasts to extend access.

2.2.1 Geographic diversity of performances

A strong commitment to performing throughout Australia has been made by the Inquiry Companies.

For many companies, this is a financial as well as an access issue. In some artforms, touring is essential to a company's ongoing financial viability. This is the case with contemporary dance, circus and chamber orchestras, all of which have small standing ensembles of artists.

For such companies, touring provides work for the ensemble and the fees earned help to offset fixed salary costs. Also, given the small number of performers in these ensembles, the negotiated fees are more likely to cover costs.

In other artforms, the economics of touring are problematic. Such is the case with concert orchestras and opera companies, as touring these types of companies in their home-stage mode could involve transporting and accommodating up to 115 performers.

2.2.1.1 *Commitment to touring to capital cities*

Notwithstanding the cost of touring, in 1998, 17 of the 27 Inquiry Companies (excluding the pit orchestras and Symphony Australia) toured from their home city to other capital cities.

Each State or Territory capital except Darwin had access to at least nine of the companies (both touring companies and home based companies), and in the case of Adelaide and Sydney, it was as high as 16 companies. (Refer Exhibit 2.9)

EXHIBIT 2.9 Capital city access to Inquiry Companies: 1998 (number)

Capital city	*Number of companies performing* Homestage	Touring	*Total*
Sydney	9	7	16
Melbourne	5	9	14
Brisbane	4	5	9
Perth	4	5	9
Adelaide	4	12	16
Hobart	1	8	9
Canberra	0	10	10
Darwin	0	2	2

Note: Pit orchestras and Symphony Australia are excluded from this analysis.

The number of seasons performed nationwide provides another benchmark for how equitably the companies are distributing their performances across the country.

In aggregate, 501 seasons covering all artforms were presented by the Inquiry Companies in the capital cities, including 32 in outer metropolitan venues. This was made up of 319 in music, 102 in theatre and circus, 42 in opera and 38 in dance. Exhibit 2.10 shows that, relative to population, the only States which were under-represented in capital city access were New South Wales and Victoria.

EXHIBIT 2.10 Capital city access: distribution of seasons by artform: 1998 (per cent of total number of capital city seasons per artform)

State	*Percent of capital city population*	*Capital city seasons* Dance	*Music*	*Opera*	*Theatre and Circus*	*Overall*
NSW	34.0	18.4	25.7	**42.9**	29.4	27.3
VIC	29.0	21.1	21.6	23.8	**35.3**	24.5
QLD	11.9	**18.4**	**13.2**	9.5	6.9	**12.0**
WA	10.3	**15.8**	**11.0**	7.1	5.9	**10.3**
SA	9.8	**13.2**	**11.3**	**11.9**	**10.7**	**11.3**
TAS	1.8	**2.6**	**11.6**	**2.4**	**4.9**	**8.7**
ACT	2.5	**7.9**	**5.0**	2.4	**6.9**	**5.2**
NT	0.7	**2.6**	0.6	0	0	**0.7**
Overall	**100**	**100**	**100**	**100**	**100**	**100**

Note: Bold type denotes that the percent of seasons is equal to or greater than the proportion of the population.

2.2.1.2 *Commitment to touring to regional Australia*

In addition to capital city touring, 22 of the companies toured regionally, although in 12 cases such touring was only within their own State. Only four companies did no intrastate or interstate regional touring of mainstage product in 1998.

The Inquiry Companies performed more than 270 seasons in regional Australia, with Musica Viva in particular showing a strong commitment in this regard. However, even the artforms that are more expensive to tour demonstrated their commitment to providing access to regional Australia. There were 32 regional seasons of dance, 22 of opera, 68 of theatre and circus, and 152 of music. In total, 93 different towns or cities were covered, 47 of which received more than one season of performances, 35 of them across more than one artform. Appendix 7 contains a full listing of the towns that received regional seasons from the companies in 1998. As Exhibit 2.11 shows, New South Wales, Queensland and Western Australia were marginally under-represented in regional touring, undoubtedly reflecting the higher costs of touring throughout these larger States.

EXHIBIT 2.11 Regional access: distribution of seasons by artform: 1998 (per cent of total number of regional seasons per artform)

State	Percent of regional population	Regional seasons: Dance	Music	Opera	Theatre and Circus	Overall
NSW	33.9	21.9	**42.8**	9.1	19.1	31.8
VIC	19.7	12.5	18.4	**36.4**	**23.5**	**20.4**
QLD	26.2	**62.5**	15.8	**36.4**	23.5	24.8
WA	8.9	0	**9.2**	0	7.4	6.9
SA	5.8	0	1.3	**13.6**	**17.7**	**6.2**
TAS	3.6	0	**9.2**	**4.5**	**5.9**	**7.0**
ACT	0.6	0	0	0	0	0
NT	1.3	**3.1**	**3.3**	**0**	**2.9**	**2.9**
Overall	**100**	**100**	**100**	**100**	**100**	**100**

Note: Bold type denotes that the percent of seasons is equal to or greater than the proportion of the population.

2.2.2 Size of audience

In 1997, two million Australians in the capital cities paid to attend mainstage performances by the Inquiry Companies. This is the equivalent of 24% of the total capital cities' population over the age of 18, assuming that each person attended only once.

Exhibit 2.12 ranks the distribution of paid attendances in capital cities by company.

In addition to presenting paid performances in the capital cities, the companies present a range of other performances and activities for which it is difficult to obtain reliable attendance data.

Section 2.2.1.2 noted the Inquiry Companies' extensive regional touring programs. Most of these regional performances are, however, presented by local venues or other organisations, not by the performing arts companies themselves. As a result, the companies do not all collect comprehensive audience or box office data.

Additionally, not all the companies keep detailed attendance records for their wide-ranging education programs. (Refer Section 2.2.3.1)

Attendances at such events can only be estimated. When such estimates are included, attendance numbers rise to three million. These figures do not include audiences reached through free events or through radio or television.

Many of the companies present large free outdoor events. All of the symphony orchestras, except Queensland Symphony Orchestra, present an annual *Symphony Under the Stars* concert. The opera companies each present an annual outdoor concert performance of an opera and The Australian Ballet and West Australian Ballet present annual free outdoor performances. When attendances at these events are included, estimates of attendees reach 3.5 million.

EXHIBIT 2.12 Paid attendance by company and capital city: 1997 (number (000))

Rank	Company	Home city	Paid attendance: Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra	Hobart	Darwin	Total	Total %
1	OA	Sydney	210	***83***	-	-	-	-	-	-	293	14.7
2	STC	Sydney	248	-	-	-	-	-	-	-	248	12.4
3	TAB	Melbourne	***104***	97	***11***	***9***	***7***	***8***	-	-	236	11.8
4	SSO	Sydney	219	-	-	-	-	-	-	-	219	11.0
5	MTC	Melbourne	-	218	-	-	-	-	-	-	218	11.0
6	MSO	Melbourne	-	128	-	-	-	-	-	-	128	6.4
7	MV	Sydney	20	***17***	***5***	***7***	***6***	***8***	***2***	-	65	3.3
8	QTC	Brisbane	-	-	63	-	-	-	-	-	63	3.2
9	ACO	Sydney	26	***11***	***4***	***4***	***4***	***7***	***1***	-	57	2.8
10	WASO	Perth	-	-	-	-	47	-	-	-	47	2.3
11	Circ Oz	Melbourne	***24***	11	-	-	-	-	-	***8***	43	2.2
12	Bell	Sydney	18	***12***	-	***3***	-	***10***	-	-	43	2.2
13	SDC	Sydney	27	***4***	***5***	***2***	-	***2***	***2***	-	42	2.1
14	Comp B	Sydney	37	-	-	-	-	-	-	-	37	1.9
15	Playbox	Melbourne	-	36	-	-	-	-	-	-	36	1.8
16	STC of SA	Adelaide	-	-	-	32	-	-	-	-	32	1.6
17	ASO	Adelaide	-	-	-	32	-	-	-	-	32	1.6
18	OQ	Brisbane	-	-	30	-	-	-	-	-	30	1.5
19	QSO	Brisbane	-	-	22	-	-	-	-	-	22	1.1
20	SOSA	Adelaide	-	-	-	21	-	-	-	-	21	1.0
21	QB	Brisbane	-	-	14	-	-	-	-	-	14	0.7
22	BS	Perth	-	-	-	-	14	-	-	-	14	0.7
23	WAO	Perth	-	-	-	-	13	-	-	-	13	0.7
24	WAB	Perth	-	-	-	3	9	-	-	-	12	0.6
25	TSO	Hobart	-	-	-	-	-	-	***11***	-	11	0.5
26	ADT	Adelaide	***1***	***3***	-	5	-	-	-	-	9	0.4
27	Bangarra*	Sydney	6	-	-	-	-	-	-	-	6	0.3
Total			**940**	**620**	**154**	**118**	**100**	**35**	**16**	**8**	**1,991**	**100.0**
Percentage capital city Participation rate**			**33.7**	**26.3**	**14.1**	**14.8**	**11.0**	**16.2**	**11.2**	**13.1**	**23.8**	

** Bangarra primarily sells off productions. Sold off performances are not reflected in these numbers.*

*** Attendances divided by capital city population over 18 years, assuming each person attended only once.*

Note: Attendances are paid capital city mainstage.

Bold italics denote attendances for touring companies.

Excludes pit orchestras (AOBO, SOV, QPO).

2.2.3 Range of audience education initiatives

The Inquiry Companies have assumed a leadership role in educating both future and existing audiences through schools programs and audience briefing programs.

2.2.3.1 *Commitment to schools programs*

Given the increasing importance of box office income to the companies, a considerable focus of their activities is on future audience development. Extensive schools programs are undertaken in all artforms.

Musica Viva's education program, Musica Viva in Schools, is the most wide-reaching of all the companies. In 1998, 23 ensembles presented 2,041 concerts in schools in all States and Territories in Australia. The program has also been extended to Asia and in 1998, 68 concerts were given in Singapore.

Over 95,000 school children throughout Australia also attend education programs presented by the concert orchestras each year. These programs range from specific subscription series (Melbourne Symphony Orchestra and Sydney Symphony Orchestra) to special schools concerts (Adelaide Symphony Orchestra, Melbourne Symphony Orchestra, Queensland Symphony Orchestra and West Australian Symphony Orchestra) and touring programs into schools with smaller ensembles (Melbourne Symphony Orchestra, Sydney Symphony Orchestra, Tasmanian Symphony Orchestra and West Australian Symphony Orchestra). The small ensemble tours also frequently include some instrumental teaching by ensemble members.

Queensland Philharmonic Orchestra also undertakes an education program, touring ensembles into schools in Brisbane and regionally in association with its concert performance tours.

In dance, all three ballet companies have schools programs. The Australian Ballet produces in-theatre programs associated with its main seasons for schools. Queensland Ballet has a specific schools performance ensemble which tours a specially developed program into schools throughout the state. West Australian Ballet presents an annual mainstage season of a special schools production and also has a small ensemble work which tours into schools. Of the contemporary dance companies, only Bangarra regularly presents education work. Like The Australian Ballet, it produces an in-theatre program for schools associated with its main touring production.

Opera Australia and Opera Queensland both undertake schools programs. Through Oz Opera, Opera Australia presents performances of special schools productions throughout Victoria. Opera Queensland presents both an in-theatre schools program associated with its mainstage work and a special small-scale program which is toured into schools. Additionally, in 1998, West Australian Opera in association with Barking Gecko, the Western Australian youth theatre company, presented a season of a youth opera during the school vacation period.

Seven of the theatre companies (Bell Shakespeare, Black Swan, Playbox, Queensland Theatre Company, Melbourne Theatre Company, State Theatre Company of South Australia and Sydney Theatre Company) present wide ranging and varied schools programs, including skills workshops for teachers and students, special productions for schools and special performances during main season productions which include pre-performance briefings and opportunities to talk with actors, the director and playwright after the performance. Playbox's program won the Drama Victoria Award from the Drama Teachers Association in 1996 and 1997.

Bell Shakespeare, like Musica Viva, undertakes an extensive in-schools education program, *Actors at Work*, which, in 1998, reached 120,000 secondary students in all States and Territories except Tasmania and the Northern Territory.

Circus Oz does not offer a formal education program, but provides circus skills workshops for young people on weekends and in school holiday periods.

2.2.3.2 *Commitment to audience education programs*

A number of the companies present education programs for their current audiences. Music undertakes the most extensive of these programs. Musica Viva and the six concert orchestras present pre-concert talks for their audiences at every concert in their major subscription series and the Australian Chamber Orchestra presents pre-concert talks at its Sydney and Canberra subscription series concerts.

In addition, Melbourne Symphony Orchestra conducts a six-week adult audience education program annually which includes lectures and demonstrations by orchestra members.

In theatre, the text-based companies offer extensive audience education activities, with five of the companies (Bell Shakespeare, Playbox, Melbourne Theatre Company, State Theatre Company of South Australia and Sydney Theatre Company) providing subscriber briefings for all main season plays.

2.2.4 Reach of radio and television broadcasts to wider audiences

Radio and television broadcasts are an important way of extending national access to the Inquiry Companies' work.

The ABC provides broad radio coverage of concerts by the symphony orchestras on the Classic FM network and also broadcasts Musica Viva and Australian Chamber Orchestra concerts. In 1998, there were 330 broadcasts, each of which reached an average national audience of 60,000.

A partnership between the ABC and Bell Shakespeare in 1995 and 1996 resulted in broadcasts of two plays, *Pericles* and *Twelfth Night,* on ABC Radio National. New Australian editions of the plays were then published, packaged with tapes of the broadcasts and sold in ABC Shops.

Until recently the ABC and Special Broadcasting Service (SBS) presented regular simulcasts of performances by Opera Australia, The Australian Ballet, Sydney Dance Company, Bangarra and the symphony orchestras. Each simulcast reaches an average national audience of 250,000. These have been reduced because of ABC management decisions that simulcasts were not an ideal television medium, and policies regarding acknowledgement of sponsorships.

2.3 Economic Contribution

In addition to their contribution to the vibrancy of Australia's artistic life and to the provision of access to the performing arts Australia-wide, the Inquiry Companies also make an important financial contribution to the nation.

This contribution is made directly and indirectly through the:

2.3.1 revenue they generate;

2.3.2 export and tourist dollars they earn;

2.3.3 people and organisations they employ; and

2.3.4 indirect benefits provided to other parts of the economy.

2.3.1 Revenue generated

In 1996–97, Australia's subsidised performing arts sector generated revenue of $156 million. Of this, the Inquiry Companies generated some 79%, amounting to $124 million.

A total of $96 million came directly from box office and performance fees. A further $17 million of earned income was generated through sponsorship and fundraising, while $11 million came from miscellaneous activities.

Performances generate additional expenditure on transport, food and drink, and child-care, with resultant increased associated employment by the performance venue, the transport industry and restaurants. For instance, the estimated total cost of attending a Sydney Symphony Orchestra concert is 158% of the ticket price.[2] Similarly, ancillary activities such as merchandising create work in other industry sectors.

2.3.2 Export and cultural tourism dollars earned

The Inquiry Companies tour overseas more and earn more revenue from such activities than the rest of the subsidised performing arts sector.

2.3.2.1 *Export*

Eight of the Inquiry Companies toured internationally during 1998. They made 16 tours of which ten were within the Asia-Pacific region. In addition, the Australian Chamber Orchestra, Sydney Symphony Orchestra and Sydney Theatre Company toured to the USA, Sydney Theatre Company and Australian Dance Theatre toured to Europe, and Sydney Theatre Company toured to the UK.

In total, the companies' international touring performance revenue[3] in 1998 was $1.7 million: $612,000 for dance; $665,000 for music; and $432,000 for theatre.

2.3.2.2 *Cultural tourism*

A recent six-month survey of in-bound tourists found that almost 250,000 tourists attended a concert or performing arts event while holidaying in Australia.[4] While such tourists come for a range of reasons, having a vibrant arts sector is clearly an attraction. The survey also indicated that such tourists were younger than the average international visitor and more likely to be on holiday than on business. They tended to stay longer in Australia than other types of tourists and spent on average $2,300 each, around $300 more than that spent by the average in-bound visitor.

The attraction of such tourists to Australia is a further value added by the major performing arts sector to the economy.

[2] SSO estimate.
[3] Revenue includes box office and fee income and program/royalty income, but excludes grants and sponsorships.
[4] DOCITA/Bureau of Tourism Research, 1999.

2.3.3 Number of people and organisations employed

The Inquiry Companies are the major employers in the subsidised performing arts sector, employing some 86% of all staff in the sector, including artists.

The total number of people employed part-time or full-time by the Inquiry Companies is around 3,300.

On a full-time equivalent basis (FTE), more than 2,350 people are directly employed by the Inquiry Companies, with total salary and on-costs of $109 million in 1996–97.

Music is the largest employer, with 38% of all FTEs, followed by opera (29%), theatre (21%) and dance (12%).

Opera Australia is the largest single employer, providing jobs for 24% of all staff employed by the Inquiry Companies. The next largest employers are Sydney Theatre Company (7%), The Australian Ballet (6.1%) and Sydney Symphony Orchestra (6%) followed by Melbourne Symphony Orchestra and West Australian Symphony Orchestra (both 4.9%). These six companies, therefore, provide employment for 52.9% of the FTEs employed by the Inquiry Companies.

In addition to directly employing staff, the companies provide indirect employment for myriad other organisations to whom they outsource work. For instance, in 1996–97 their marketing spend of around $20 million supported employment in newspapers and media companies; their production spend of $49 million supported employment for workshops and creative teams throughout the country; and their administration spend of $23 million supported repair and maintenance teams, financial institutions and technology organisations, as well as suppliers of premises.

The Inquiry Companies also have a significant impact on other areas of the arts sector. According to the Australian Bureau of Statistics, two such areas are 'Services to the Arts'—including costume and set designers, casting agencies, lighting and sound providers—and 'Ticketing Agencies', as well as venues.

In 1996–97, the Services to the Arts sector contributed $356 million to the Australian economy and employed 1,676 people. Ticketing agencies employed a further 350 people. As the largest income generator in the subsidised performing arts sector, the Inquiry Companies are indirectly responsible for the employment of a significant proportion of people employed in the Services to the Arts sector.

The Inquiry Companies are also among the major users of Australia's 315 performing arts spaces and venues. According to the Australian Bureau of Statistics, the performing arts venues in Australia employed a total of 5,601 people in 1996–97 and generated a combined income of $332 million.

All of these areas have a multiplier impact on a range of other industries. According to a 1995 Australian Bureau of Statistics report to the Cultural Ministers' Council, the performing arts have an estimated multiplier effect of 2.80.[5]

In other words, the Australian economy benefits to the extent of $2.80 for every additional dollar generated by the Inquiry Companies.

[5] *Multipliers for Culture Related Industries*, National Culture and Recreation Statistics Unit, Australian Bureau of Statistics, March 1995.

2.3.4 Indirect benefits to the economy

Significant indirect financial benefits also flow from having a vibrant major performing arts sector.

One of the challenges facing Australia as a nation in today's information and technology driven world is the need to foster innovation and creativity throughout the economy. These characteristics are at the heart of the performing arts. The maintenance of vibrancy and health in this sector will help creativity and innovation to flourish in the wider community.

As David Malouf has expressed in the Foreword to this Discussion Paper, Australia benefits from being seen as a sophisticated country. Australia's major companies which perform overseas to critical acclaim help create this perception. Equally, visitors to Australia who attend a performing arts event begin to see Australia as a country that can produce sophisticated 'knowledge-based goods' in areas such as information technology, health and the pharmaceutical sector, as well as in education and entertainment. In other words, Australia's major performing arts companies are far more than cultural ambassadors—they help differentiate Australia in the eyes of the world as a sophisticated country that can export high quality tertiary goods.

Further, having a critical mass of creative and performing artists in Australia helps attract investment into other industries, such as film.

* * *

In summary, therefore, individual Australians have benefitted from being readily able to access the artistic vibrancy of the companies, and Australia itself has benefitted from both the direct and indirect contributions of the Inquiry Companies.

3 Governments as key stakeholders

Key findings

Governments are key stakeholders in the major performing arts:

Governments have clear objectives for the sector:

- promote artistic excellence and creativity;
- provide access; and
- foster economic potential.

Governments provide $86.6 million in direct funding:

- 71.8% from the Federal Government, 27.3% from the State Government, and 0.9% from other Government sources.
- 92.3% in base funding, from the Federal and State Governments, and 7.7% in project funding.

Government funding is important to the companies:

- Music receives 57.9% of government funding, opera 18.7%, theatre 13.1% and dance 10.3%.
- Government funding is greater than earned income:
  - for 12 out of 13 Adelaide, Brisbane, Hobart and Perth based companies;
  - for three out of 14 Sydney and Melbourne based companies; and
  - for all of the concert orchestras.

Government funding is important to audiences:

- The overall subsidy per seat is highest for:
  - concert orchestras followed by opera; and
  - companies based in Adelaide, Brisbane, Hobart and Perth.
- The Federal Government subsidy per seat:
  - is highest for concert orchestras, followed by opera; and
  - is highest in Adelaide, Brisbane, Hobart and Perth.

Introduction

The Federal and State Governments are key stakeholders in the major performing arts sector. They recognise the sector's importance in their cultural policies and provide significant support. This support is important to each artform and to audiences across the nation.

3.1 Governments recognise sector's importance

Governments' support for the major performing arts is part of its support for the broader arts sectors.

Federal, State and Local Governments have similar general objectives, which recognise the importance of the ways in which the arts enrich Australian cultural life. All governments share a desire for the arts to thrive, flourish and be recognised as an integral part of the social, economic and cultural vitality of the country.

The governments' cultural initiatives are premised on a number of common objectives:

- promoting excellence and creativity in artistic endeavours;
- encouraging participation in, and access to, the widest range of cultural experiences, including through the use of new technologies; and
- fostering a vigorous and sustainable cultural sector, including building the sector's economic potential and encouraging the development of partnerships with the private sector.

3.2 Governments support sector in a range of ways

Governments provide significant support to the major performing arts sector to assist in realising these objectives. Their support primarily takes the form of direct assistance through grants, but additional assistance is also provided through a range of other direct and indirect means. Such support is provided by both Federal and State Governments through base and project funding.

3.2.1 Governments provide support both directly and indirectly

Governments' recognition of the importance of the sector is demonstrated by the direct and indirect support they provide.

3.2.1.1 *Direct explicit and implicit government support*

Governments provide explicit financial assistance through direct grants to all of the Inquiry Companies. In 1997, government grants to the companies totalled $86.6 million.

Some companies also receive direct implicit support from governments in the form of goods and services. For instance, several governments have undertaken major capital development works to provide customised accommodation for companies and have then made these premises available at less than commercial rental. Examples include Sydney Theatre Company, Sydney Dance Company and Bangarra Dance Theatre at Wharf 4, Walsh Bay in Sydney. Since 1990, $8.9 million has been provided by the New South Wales Government for the maintenance and upgrading of this facility, as well as $2.3 million for the development and fitout of Bangarra Dance Theatre's accommodation. In addition, an estimated $3.3 million per annum is foregone in rental for the three companies.

Other examples include the Malthouse redevelopment in Melbourne, the Conservatorium complex in Brisbane and the refurbishment of the State Opera of South Australia's studio in Adelaide. In such cases the Inquiry Companies may not be the sole beneficiaries of the redevelopment and the amount of support is therefore difficult to quantify.

Payroll and/or sales tax exemptions represent a further form of implicit support. Payroll tax is applied by State governments to organisations which have a payroll over a particular threshold (which ranges from $456,000 in South Australia to $850,000 in Queensland). The rate varies from 5% in Queensland to 7% in Tasmania.

The manner of exemption varies from State to State. For instance, in New South Wales all arts organisations are exempt. In Victoria, supplementation for payroll tax is included in an organisation's core grant (e.g. the State Orchestra of Victoria). In other States, companies have been exempted, or exemptions are currently being sought. In addition, organisations with payrolls under the threshold are exempt.

Organisations also benefit from receiving discounted hiring charges for subsidised venues. Typically these apply only to basic rental charges, not other outgoings such as staff rates or service charges. For instance, West Australian Symphony Orchestra, West Australian Ballet and West Australian Opera together benefit by an estimated $40,000 per annum. In other cases (such as the Sydney Opera House), the rental policy is to charge for direct operational costs only rather than a fully commercial cost, which may include maintenance or depreciation. Again, this type of benefit is difficult to quantify.

A final example of implicit support is the provision of services in-kind. For instance, the ABC, itself primarily supported by government, provides services to Symphony Australia and the symphony orchestras under a service agreement. These include legal, building, human resource and financial services as well as promotion and recording activities. The agreement notes that these services cannot be assessed in a quantitative form. In some cases State Government agencies may provide similar services on an ad hoc basis.

All of these initiatives lower the cost base of the companies and are, therefore, as effective as direct cash grants.

3.2.1.2 *Indirect government support*

Governments provide indirect financial support to the companies through a range of other programs, although the value of these initiatives often tends to be underestimated.

Governments' establishment and ongoing support of arts training institutions are one such example. Many of the highly skilled young performers who graduate from the key national centres of excellence in arts training, such as the Australian Ballet School, the National Institute of Dramatic Art and the Australian National Academy of Music, are taken directly into the major companies. The companies also draw on graduates from other tertiary arts training institutions which receive government support through various education portfolios.

In recent years, governments have focused on the development of greater self-reliance within the cultural sector, with the aim of ensuring that government subsidy is balanced by other forms of income.

Governments have introduced triennial, as opposed to annual, funding of the major performing arts companies with the aim of improving their financial viability. This has facilitated the companies' forward planning, increased their ability to undertake long-term commitments and encouraged them to seek longer-term private sector support. Several companies have been able to leverage off the longer-term government commitment to obtain three-year commitments from sponsors, for example Opera Australia with Channel Seven, The Australian Ballet with Telstra, and Bell Shakespeare with Philips.

The establishment of the Australia Council's Major Organisations Fund in 1995 was another important Federal Government initiative to encourage greater self-reliance. The Fund's mandate includes working with its member companies to help them improve their management practices.

The Federal Government also instituted a number of measures to encourage increased private sector support. The Australia Foundation for Culture and the Humanities was established as a wholly owned Commonwealth company in January 1996. Its brief is to work with the private sector to increase the understanding of the benefits of involvement with the arts. The Foundation is encouraging partnerships between business and the cultural sector and is working to increase the level of philanthropic support for the arts.

Another initiative, the Register of Cultural Organisations, enables cultural organisations, other than public collecting institutions, to attract tax deductible donations. When taken up by the private sector, these incentives and concessions lead to taxation revenue being foregone by the Federal Government. In 1997, the major performing arts companies received $4.13 million in tax deductible donations of this kind, which resulted in the Federal Government foregoing estimated revenue of $1.65 million.

The Federal Government's recently announced changes to the taxation system to encourage philanthropic initiatives will further strengthen such programs.

3.2.2 Both Federal and State Governments provide support

The direct grant funding received by the Inquiry Companies comes from all levels of government, but the major support is from the Federal and State Governments. Of the $86.6 million received by the companies in 1997, the Federal Government provided $62.2 million (71.8%); $23.6 million (27.3%) came from the various State Governments and the remaining $0.8 million (0.9%) came from sources such as Local Government.

This direct grant funding is primarily provided through governments' arts portfolios, with some additional funding being provided by other portfolios. In 1997, 99.5% of the Federal Government funding ($61.9 million) was from the Arts portfolio ($48.9 million from DOCITA and $13 million from the Australia Council) with the Department of Foreign Affairs and Trade (DFAT) providing the remaining 0.5% ($300,000). Similarly, 99.2% of the State Government funding ($23.4 million) was provided through the State arts ministries, with other State ministries providing 0.8% ($181,825).

Appendix 2.2.3 Discussion Paper material

3.2.3 Governments provide base and project funding

Within their direct grants to the Inquiry Companies, governments provide general operational support with base grants and support specific, one-off activities with project grants.

All of the companies within the Inquiry's Terms of Reference receive base grant support from Federal and/or State Governments and many companies also receive project funding from one or both levels of government. Federal base grant funding for the dance and theatre companies, as well as the Australian Chamber Orchestra and Musica Viva is provided through the Major Organisations Fund. The Sydney Symphony Orchestra also receives supplementary funding through the Major Organisations Fund. Federal base grant funding for Opera Australia, the Australian Opera and Ballet Orchestra, State Orchestra of Victoria and the symphony orchestras (including the Sydney Symphony Orchestra) is provided through DOCITA. Federal project grant funding is provided through the Australia Council, DOCITA and other Commonwealth Departments.

The key government funding bodies for the Inquiry Companies in 1997 are listed in Exhibit 3.1. It should be noted that these figures do not include assistance by way of in-kind or indirect support as it has been difficult to obtain a comparable set of such numbers.

EXHIBIT 3.1 Composition of government funding by artform and company: type of grant and funding body: 1997 (per cent of total funding)

		Type of grant									
		Base grants Funding body				Project grants Funding body					
		Federal		State		Federal			State		
Artform	*Company*	*Australia Council*	*DOCITA*			*Australia Council*	*DOCITA*	*DFAT*			*Other*
Dance	TAB	92		2	NSW		1		5	VIC	
	QB	15		76	QLD				9	QLD	
	WAB	20		79	WA						1
	ADT	22		70	SA	5		1	1	SA	1
	Bangarra	39		21	NSW	25			15	NSW	
	SDC	60		36	NSW	2		2			
Music	ACO	58		20	NSW	9	12				1
	MV	51				2		11	36	All states	
	SSO	24	71	5	NSW						
	MSO		87	3	VIC				7	VIC	3
	ASO		88	12	SA						
	QSO		91	9	QLD						
	WASO		73	26	WA						1
	TSO		97	3	TAS						
	AOBO		89	11	NSW						
	QPO			100	QLD						
	SOV		82	18	VIC						
Opera	OA		71	19	NSW		9		1	NSW	
	OQ			59	QLD		22		18	QLD	1
	SOSA			82	SA		18				
	WAO			88	WA		10		2	WA	
Theatre	Bell	90		10	NSW						
	BS	38		48	WA	1	3		10	WA	
	Comp B	53		1	NSW	46					
	MTC	36		54	VIC		8				2
	Playbox	36		39	VIC	2		1	13	VIC	9
	QTC	18		64	QLD	3	3		12	QLD	
	STC of SA	22		76	QLD	1			1	SA	
	STC	27		51	NSW	2	3	3			14
	Circ Oz	51		19	VIC	8	22				

Base grants constitute the largest component of the direct grants. In 1997, 92.3% of government funding to the companies ($79.9 million) was provided in base funding, most of it as triennial grants. The percentage in base grants was higher for Federal funding, 94.4% ($58.7 million) than for State Government funding, 88.9% ($21.0 million).

Exhibit 3.2 presents the amount of base, project and overall funding provided by the Federal Government and by each State to the major performing arts companies in 1997.

Appendix 2.2.3 Discussion Paper material

EXHIBIT 3.2 Composition of government funding by funding body: base and project support: 1997 ($000)

	Type of support			
Government	*Base*	*Project*	*Total*	*Total (%)*
Federal	58,694	3,504	62,198	71.8
State/Territory				
Queensland	5,443	924	6,367	7.4
New South Wales	4,329	532	4,861	5.6
South Australia	4,220	65	4,285	4.9
Victoria	3,191	922	4,113	4.7
Western Australia	3,658	141	3,799	4.4
Tasmania	144	33	177	0.2
Northern Territory	0	10	10	0.1
ACT	0	5	5	0.0
Local	270	15	285	0.3
Other	0	522	522	0.6
Total	**79,949**	**6,673**	**86,622**	**100**
Per cent of total	**92.3**	**7.7**		**100**

Federal Government project funding included funding for artistic projects (artist development, new work projects with smaller companies and Opera Conference projects), touring (Playing Australia—national touring; DFAT and Australia Council—international activities) and projects to improve management. State Government project funding covered a similar range, but also included funding for the commissioning of new work, as did Federal Government funding for Symphony Australia.

Playing Australia is the Federal Government's performing arts touring program. It was established in 1992 and in 1998–99 had $3.7 million to distribute for project grants for interstate touring. Performing arts companies, including the Inquiry Companies, and other presenters, such as venues, can apply for grants to cover touring costs as well as to provide guarantees against loss in the event of a deficit being incurred on a tour.

3.3 Government funding is important to the sector

Government funding is critical to the major performing arts sector. It represents a significant proportion of the companies' total revenue.

There are, however, significant differences across the artforms in both the allocation of government funding and its percentage contribution to total revenue.

3.3.1 Government funding important to each artform

Music, particularly the symphony orchestras, is the single largest artform recipient of government funding. As Exhibit 3.3 shows, music receives almost 58% of all funding. Opera receives close to 19%, theatre 13% and dance 10%.

These figures do not, however, reflect the provision of musical support for ballet and opera by the orchestras. For instance, the Adelaide Symphony Orchestra provides orchestral support for its local opera company, the State Opera of South Australia, and for touring companies (such as The Australian Ballet) when they perform in Adelaide. The allocation of government funding, therefore, needs to be adjusted to reflect this support. The part of the orchestra's base grant which reflects the proportion of time spent providing musical support to opera or ballet companies, must be apportioned to those companies.

When these adjustments are made, music remains the largest recipient of grant monies with 45.5%; opera receives 26.9 %; dance 14.5%, and theatre 13.1%. (Refer Exhibit 3.3)

EXHIBIT 3.3 Distribution of total government funding by artform: 1997 (per cent of total funding)

Artform	*Government funding* *Unadjusted*	*Adjusted**
Dance	10.3	14.5
Music	57.9	45.5
Opera	18.7	26.9
Theatre	13.1	13.1
Total	**100.0**	**100.0**

** Adjusted to allocate orchestral support for opera and ballet to those artforms*

3.3.2 Government funding important to the companies

Within artforms, significant differences exist in the allocation of government funding and its percentage contribution to total revenue.

The unadjusted and adjusted allocation of funding to the companies by artform is shown in Exhibit 3.4.

Appendix 2.2.3 Discussion Paper material

EXHIBIT 3.4 Distribution of total government funding by artform and company: 1997* ($000)

Artform	*Company*	*Total government funding* *Unadjusted*	*Adjusted***
Dance			
Ballet	TAB	3,728	6,767
	QB	1,194	1,432
	WAB	1,016	1,399
Contemporary Dance	SDC	1,237	1,237
	ADT	1,040	1,040
	Bangarra	667	667
Music			
Concert Orchestras	SSO	9,699	10,441
	MSO	7,362	8,104
	WASO	5,460	4,284
	QSO	4,187	4,312
	ASO	4,098	3,935
	TSO	3,718	4,459
	Symphony Australia	4,448	0
Pit Orchestras	SOV	4,042	902
	AOBO	3,703	0
	QPO	988	563
Chamber Music	MV	1,719	1,719
	ACO	768	768
Opera	OA	10,809	15,042
	OQ	2,600	3,303
	SOSA	1,776	2,479
	WAO	1,025	2,431
Theatre	QTC	2,481	2,481
	STC	1,934	1,934
	STC of SA	1,933	1,933
	MTC	1,488	1,488
	Playbox	1,151	1,151
	Circ Oz	782	782
	BS	750	750
	Comp B	548	548
	Bell	271	271
Total		**86,622**	**86,622**

** Federal, State and Local.*

*** Adjusted to allocate actual orchestral time spent supporting opera and ballet to those companies. Symphony Australia's funding has also been allocated equally across all the symphony orchestras in the above figures, in line with its current internal allocation policy.*

These figures indicate that Opera Australia received the largest amount of government funding, followed by Sydney Symphony Orchestra, Melbourne Symphony Orchestra and The Australian Ballet.

Federal and State Governments' support for each company (both unadjusted and adjusted) is shown in Exhibit 3.5.

EXHIBIT 3.5 Distribution of total government funding by artform and company: Funding agency allocations: 1997 ($000)

		Funding agency allocations							
			Unadjusted				*Adjusted**		
Artform	*Company*	*Federal*	*State*	*Other*	*Total*	*Federal*	*State*	*Other*	*Total*
Dance									
Ballet	TAB	3,490	238		3,728	5,986	781		6,767
	QB	183	1,011		1,194	183	1,249		1,432
	WAB	206	800	10	1,016	489	900	10	1,399
Contemporary Dance	SDC	787	450		1,237	787	450		1,237
	ADT	297	733	10	1,040	297	733	10	1,040
	Bangarra	427	240		667	427	240		667
Music									
Concert Orchestras	SSO	9,129	570		9,699	9,871	570		10,441
	MSO	6,257	855	250	7,362	6,999	855	250	8,104
	WASO	3,793	1,601	66	5,460	3,117	1,101	66	4,284
	QSO	3,764	423		4,187	3,942	370		4,312
	ASO	3,515	563	20	4,098	3,458	457	20	3,935
	TSO	3,569	144	5	3,718	4,310	144	5	4,459
	Symphony Australia	4,448			4,448				
Pit Orchestras	SOV	3,308	734		4,042	738	164		902
	AOBO	3,308	395		3,703				
	QPO		988		988		563		563
Chamber Music	MV	1,104	615		1,719	1,104	615		1,719
	ACO	608	150	10	768	608	150	10	768
Opera	OA	8,704	2,105		10,809	12,358	2,684		15,042
	OQ	571	2,002	27	2,600	1,134	2,142	27	3,303
	SOSA	318	1,458		1,776	939	1,540		2,479
	WAO	100	925		1,025	1,139	1,292		2,431
Theatre	QTC	594	1,887		2,481	594	1,887		2,481
	STC	674	987	273	1,934	674	987	273	1,934
	STC of SA	446	1,487		1,933	446	1,487		1,933
	MTC	654	802	32	1,488	654	802	32	1,488
	Playbox	448	599	104	1,151	448	599	104	1,151
	Circ Oz	632	150		782	632	150		782
	BS	321	429		750	321	429		750
	Comp B	298	250		548	298	250		548
	Bell	245	26		271	245	26		271
Total		**62,198**	**23,617**	**807**	**86,622**	**62,198**	**23,617**	**807**	**86,622**

** The adjustment of orchestral grants to ballet and opera companies includes adjustments to both Federal and State grants. For WASO, where the State grant was historically seen as being tied to pit services, this may have resulted in the Federal grant being understated and the State grant overstated.*

Of perhaps more relevance than the absolute size of funding is the ratio of a company's earned income to government grants. This takes account of company size and better illustrates the importance of government support for individual companies.

The 1997 ratio of earned income to total government subsidy for each of the companies is presented in Exhibit 3.6 with companies ranked within artforms from highest to lowest.

EXHIBIT 3.6 Ratio of earned income to total government subsidy by artform and company: 1997 (ratio)

Artform	*Home city*	*Company*	*Ratio*
Dance	Melbourne	TAB	4.84
	Sydney	SDC	2.69
	Brisbane	QB	1.02
	Perth	WAB	0.99
	Adelaide	ADT	0.55
	Sydney	Bangarra	0.48
Music			
Chamber	Sydney	ACO	5.08
	Sydney	MV	2.88
Symphony	Sydney	SSO	0.97
	Melbourne	MSO	0.71
	Adelaide	ASO	0.40
	Brisbane	QSO	0.40
	Perth	WASO	0.35
	Hobart	TSO	0.15
Opera	Sydney	OA	2.77
	Perth	WAO	0.97
	Brisbane	OQ	0.87
	Adelaide	SOSA	0.78
Theatre	Sydney	Bell	12.79
	Sydney	STC	6.84
	Melbourne	MTC	5.68
	Sydney	Comp B	3.63
	Melbourne	Circ Oz	2.27
	Melbourne	Playbox	1.34
	Brisbane	QTC	0.99
	Adelaide	STC of SA	0.80
	Perth	BS	0.59

Note: The pit orchestras, which do not have significant earned income, are not included.

The symphony orchestra figures include an allocation of Symphony Australia's grant monies, but there have been no adjustments to reflect orchestral support for opera and ballet, as fees earned for those activities are included in earned income.

For 12 of the 27 companies, their earned income was greater than their government grants, giving an earned income to government subsidy ratio greater than one.

The data indicates that a company's relative level of dependence on earned income and government funding is strongly correlated with the city in which it is based, with those companies based outside Sydney and Melbourne having a greater reliance on government funding.

The orchestras also have a higher relative dependence on government funding. This reflects their only having been recently corporatised and separated from the ABC and the transition they are making to generating higher box office and private sector income.

Bangarra was also highly reliant on government funding in 1997. It is the smallest of the major companies and operates on a cycle of developing a work in one year and then touring it extensively over two years. The 1997 year was one of development, with resultant very low earned income levels.

3.3.3 Government funding important to audiences across the nation

As discussed above, the importance of government funding to the viability of companies in the less populous States is clear. (Refer Exhibit 3.6)

The significance of government funding for ensuring audience access is, however, even more clearly demonstrated through an analysis of the funding subsidy per attendee.

Exhibit 3.7 presents the subsidy per seat for all companies by artform, with companies ranked within artform from lowest to highest. (For all companies, the data used includes only paid attendances in the capital cities for main season performances. It does not include paid attendances for regional or international touring, as this information is not always available when companies' performances are presented by a venue, nor does it include attendances at education programs, free performances or non-main season performances. As a result, the absolute dollar per seat figure is inflated.)

EXHIBIT 3.7 Subsidy per seat by artform and company: 1997* ($)

Artform	*Overall rank*	*Home city*	*Company*	*Subsidy per seat*
Theatre	1	Sydney	Bell	6.32
	2	Melbourne	MTC	6.80
	3	Sydney	STC	7.80
	5	Sydney	Comp B	14.72
	6	Melbourne	Circ Oz	18.07
	10	Melbourne	Playbox	31.94
	11	Brisbane	QTC	39.27
	14	Perth	BS	54.46
	15	Adelaide	STC of SA	60.31
Dance	8	Melbourne	TAB	28.72
	9	Sydney	SDC	29.61
	18	Brisbane	QB	103.03
	20	Perth	WAB	113.83
	21	Adelaide	ADT	116.81
Music	4	Sydney	ACO	13.55
	7	Sydney	MVA	26.23
	12	Sydney	SSO	47.67
	16	Melbourne	MSO	63.14
	17	Perth	WASO	91.58
	23	Adelaide	ASO	123.90
	25	Brisbane	QSO	197.74
	26	Hobart	TSO	422.85
Opera	13	Sydney	OA	51.28
	19	Brisbane	OQ	110.11
	22	Adelaide	SOSA	120.30
	24	Perth	WAO	181.09

** Based on adjusted government grant numbers: Federal, State and Local.*

Note: Table does not include the adjusted balance for the SOV and QPO. Similarly, Bangarra has been omitted as it does not have an annual mainstage season.

Consistent with the earned income to government funding ratios, the largest government subsidies per seat are for organisations based outside Melbourne and Sydney.

The data also shows strong artform differences, with theatre having the lowest subsidy per seat, chamber music organisations the next lowest, followed by dance, opera, and the orchestras. These differences partly reflect the cost structures of the artforms as well as the relative income generation ability. However, historical funding patterns are the major factors influencing the comparatively low funding levels for Bell Shakespeare and the Australian Chamber Orchestra.

The higher government subsidy per seat for companies based in Adelaide, Brisbane, Hobart and Perth shows governments' commitment to providing access for audiences across the nation.

However, this data includes all government funding, Federal, State and Local. It does not indicate how Federal funding is being distributed among the States or whether the States' access to the companies is being equitably supported at a Federal level.

Historically, analyses as to the relative equity of the distribution of Federal funding have been undertaken by examining the per capita allocation of funding dependent on where each company is based. The Inquiry, however, takes the view that such an approach does not accurately reflect the benefit to the States of the touring activities of the companies. As a result, the Inquiry has examined the distribution of Federal funding based on the Federal subsidy per seat, which reflects the level of access provided by the companies across all capital cities where the companies perform.

Exhibit 3.8 shows for 1997 the level of Federal Government funding per seat based on paid attendance figures for all self-entrepreneured mainstage performances by the companies in capital cities. For each company, the Federal Government subsidy has been allocated across the capital cities proportionate to the paid attendances in those cities. (Again, as noted above, the absolute dollar per seat figure is inflated because this data does not include all paid attendances.)

EXHIBIT 3.8 Federal government subsidy per seat by capital city and artform: 1997* ($)

	Artform				
Capital city	*Dance*	*Music*	*Opera*	*Theatre*	*Overall*
Melbourne	25.38	52.10	41.83	4.82	25.06
Sydney	26.17	39.62	42.25	4.35	25.98
Brisbane	19.10	132.54	37.81	9.40	41.36
Adelaide	22.89	84.15	45.56	13.29	46.39
Perth	41.41	57.40	84.85	23.31	53.82
Hobart	20.26	320.10			282.64

** Music, opera and ballet numbers are adjusted to reflect orchestral support for opera and ballet.*

If WASO's pit services were ascribed exclusively to the State government funding, the overall Perth subsidy per seat would not change, but the subsidy per seat for music would increase to $82.30, while those for opera and dance would reduce to $7.45 and $18.01 respectively.

Analysis of attendances is based only on capital city mainstage admissions, excluding one-off, non-main season performances.

Exhibit 3.8 indicates that overall, on a subsidy per seat basis, Federal Government funding to the companies favours the less populous States. While this is the case overall, some artform differences exist. In dance, the subsidies for Brisbane and Adelaide are lower than for Sydney and Melbourne. The same is the case for Brisbane in opera. Overall, however, the result indicates the commitment of the Federal Government to providing audiences nationally with high quality performing arts product.

* * *

In summary, therefore, governments' objectives for the sector are supported by significant direct and indirect support. Such support is important to the companies and to audiences throughout Australia.

4 Changing industry dynamics

Key findings

Changing industry dynamics and globalisation are driving fundamental change:

Significant changes are occurring in audience demand:

- larger entertainment spending;
- more sophisticated and demanding audiences;
- major changes in purchase patterns; and
- audience composition changing.

Major changes are occurring in private sector support:

- increased private philanthropy potential; and
- increased strategic focus by corporate sponsors.

Shifts are occurring in the composition of government funding:

- concert orchestras and opera have gained; and
- base funding proportion is decreasing.

The number of diverse performing arts suppliers is increasing:

- venue overcapacity is continuing;
- venues are responding by self-entrepreneuring;
- international productions make a significant impact;
- festivals make an impact; and
- companies are increasing touring.

Fixed costs are escalating:

- labour costs are increasing;
- production costs are increasing;
- marketing costs are increasing; and
- some venue costs are increasing.

Incentives are lacking for the companies to strengthen their balance sheets.

Introduction

The significant challenges facing Australia's major performing arts companies result largely from the profound changes occurring in the industry.

Many of the forces driving change—such as fundamental demographic trends (including the aging of the population), technological trends (including the growth of the Internet) and increasing diversity of supply—are affecting other parts of the economy, but some other forces, such as governments' policies, are specific to the Inquiry Companies.

This chapter, therefore, examines the changes that are taking place in the structure of the major performing arts industry in Australia and the forces that are driving these changes, such as the following:

4.1 significant changes in audience demand;

4.2 changes in private sector support;

4.3 shifts in the composition of government funding;

4.4 growth in diverse major performing arts suppliers;

4.5 nature of escalating fixed costs; and

4.6 lack of incentives to strengthen balance sheets.

4.1 Significant changes in audience demand

Changes in audience demand are having a major impact on the performing arts. The changes are:

4.1.1 larger overall entertainment spending;

4.1.2 more sophisticated and demanding audiences;

4.1.3 changing purchase patterns; and

4.1.4 changing audience composition.

4.1.1 Larger overall entertainment spending

Australians are spending more on entertainment than ever before. Between 1988–89 and 1993–94, the overall expenditure on culture increased at an annual rate of 9.5% per annum to $8.8 billion. Admissions to live theatre accounted for 5% of that amount ($444 million) and had grown at a rate of 11.4% per annum. As a point of comparison, cinema admissions in 1993–94 were $409 million and had grown at 15.4% annually.

Australians' increasing wealth and income are the primary factors driving overall growth in entertainment spending. Overall household wealth increased at 5.8% per annum between 1992 and 1997 through a combination of increasing average household wealth (3.7%) and an increase in the number of households. Average household disposable income also increased by 4.9% per annum over the same period.

The aging of the population has contributed to this increased wealth. The highest earning and wealth accumulation phase of a person's working life is usually between the ages of 41 and 60. Between 1987 and 1996, the proportion of the population over 41 increased from 34.8% to 39%.

Appendix 2.2.4 Discussion Paper material

By 2005, it is projected that the over 41 group will have grown to 43.8% of the population. Additionally, Australia's aging population has more discretionary time in which to use their increased wealth.

4.1.2 More sophisticated and demanding audiences

4.1.2.1 *Socio-demographic factors*

While Australians are spending more on entertainment, including the performing arts, they are also more sophisticated and demanding in their expectations. Fundamental socio-demographic factors are responsible for this change in demand.

Australians are increasingly better educated and work more in the professions than was the case five years ago. In 1996, 16.5% of the population over the age of 15 had a degree or diploma as compared to 12.8% in 1991. In 1998, 35.4% of those in paid employment worked in the professions, as opposed to 30% in 1991. More Australians now work in the professions than in clerical (31.8%) or manual (32.8%) positions.

Australians also travel more. Between 1991 and 1998, Australians made over 20 million overseas trips, almost half of those on holidays, the remaining half to visit friends and relatives or for business.

Improved education, greater employment in the professions, and a propensity to travel mean that Australians have a far better idea of what it means to be world-class. Their expectations for entertainment are increasingly set by what is available in New York, London or Paris, not just by what is available on the Australian stage.

4.1.2.2 *Technological factors*

Higher quality, more accessible technology, particularly film, compact discs and the Internet, has also played a large part in driving audience expectations. Such technology represents an opportunity for the industry, but is also a form of competition.

Compact discs

A veritable explosion has taken place in the sales of compact discs. Over the ten year period to 1997, CD sales grew at 27% per annum. It is estimated that in 1996–97, Australian customers bought in excess of two million classical CDs worth more than $30 million.

A CD cannot replicate the experience of a live performance. Nonetheless, the ability to hear world-class performers with CD quality sound raises audience expectations for live orchestral, chamber music and operatic performances. It also increases audiences' familiarity with the musical repertoire and raises the bar on what constitutes acceptable quality.

Further, a CD experience is one that can be enjoyed in conjunction with other activities, such as travelling or dining, and therefore has the added benefit of using less of the listener's absolute discretionary time.

FILM

Film has also seen impressive growth from a far larger base than CDs. Box office takings grew from $224 million in 1988 to $584 million in 1997, a growth rate of 11% per annum. Admissions grew at 8% per annum over the same period. Throughout the eighties and nineties, the number of cinema locations declined (from 713 to 563 between 1980 and 1997) and the number of seats remained static at around 380,000. However, the number of screens per cinema location almost doubled, with expansion occurring particularly in suburban areas. Whereas in 1985, suburban cinemas accounted for 23% of screens and 31% of box office, by 1997 they accounted for 47% of screens and 54% of box office. In other words, cinema growth has been driven by offering consumers greater convenience and more choice.

With 88% of performing arts attendees also going to the cinema at least once in the last year, film is a clear competitor to the industry. However, film also contributes to audiences' perceptions and expectations of a performing arts experience, providing the kind of technological effects and communication intimacy not easily managed on stage.

INTERNET

Along with CDs and film, the more recent medium of the Internet—still in its embryonic phase—poses some particular challenges and opportunities for Australia's major performing arts companies. The number of Australian Internet subscribers has grown from 600,000 in 1996 to around 2.5 million in 1999. Over the next five years, this number is expected to more than double.

The demographics of Internet users align with those of performing arts attendees. They are better educated (50% hold a post-secondary school degree); they are likely to be professionals (56%); and they live in the metropolitan area (69%).

Through the Internet, users can become more knowledgeable about an artform that interests them and about what constitutes world-class quality in the performing arts. They can quickly verify what is being performed on stage and by whom in London or Munich. The quality of delivery via the Internet has already improved to the point that a 'virtual' production can be viewed. The Internet will thus raise audience expectations for performance quality.

Equally, the Internet will pose competition for the available time that performing arts attendees have to attend live events. By comparison, research indicates that 57% of Internet subscribers are watching less television than they did prior to becoming Internet subscribers.

At the same time, the Internet offers significant marketing potential for performing arts companies. Actual and potential performing arts audiences might be more effectively reached via the Internet than through other marketing channels. For example, the Internet medium could facilitate discrete booking services and merchandise sales, as well as opportunities for audiences to 'sample' arts product.

4.1.2.3 *Overall impact of socio-demographic and technology changes*

Socio-demographic and technology changes are resulting in more sophisticated and demanding performing arts audiences. In particular, they understand, recognise and demand world-class performances and production quality, and expect to see them on stage in Australia.

Moreover, single ticket buyers want an 'assurance' of world-class quality. Such an assurance comes through critical reviews, as well as by word of mouth from friends. To benefit from such feedback, performance runs must be long enough to capture the momentum of positive reassurance.

In the case of subscribers, there is a reliance on a 'trust', built over time, of the companies' ability to deliver consistently high quality product.

Potential audiences expect a choice of events that they can attend. The Internet, film and CDs—not to mention television—have exposed them to increased choice as to how to use their discretionary time, and they expect to have similar choice when it comes to live performances.

Finally, a large group of attendees expect an 'experience' when they go to a performing arts event. For them, it is no longer adequate to attend a concert or a play simply as part of a subscription season, as that does not make attendance at a live performance a sufficiently special occasion. They are often looking for a unique social experience, as well as a cultural one.

4.1.3 Changing purchase patterns

The desire for 'assured' quality, for more choice, and for an experience is having an impact on the way audiences are making their purchases for performing arts events.

Other fundamental socio-demographic trends are also influencing purchase patterns.

The proportion of women in paid work is a major factor. Between 1989 and 1999, the participation rate of women in the workforce increased from 50.8% to 53.7%. As a consequence, women have less discretionary time than they had previously. Indeed, an ABS survey shows that they have marginally less free time than men (21% versus 23%). The amount of discretionary time that men have also decreased somewhat over the period from 1992 to 1997.

The impact of these trends is reflected in purchasing patterns for the Inquiry Companies. These trends can be summarised as follows, and have been substantiated by examining data in six major performing arts companies[1]:

i. *Fewer subscription packages.* Heavily subscription-based companies, such as Musica Viva, have seen an overall reduction in the number of subscription packages being purchased. Between 1992 and 1996, Musica Viva's number of subscriber attendees declined in all capital cities except Brisbane.

ii. *Smaller subscription packages.* In 1992, the minimum subscription package for companies such as The Australian Ballet, Sydney Theatre Company, Sydney Symphony Orchestra and Musica Viva was between seven and 11 performances. By 1999, the minimum number of performances per package had reduced to three or four.

iii. *More flexible subscription packages.* The variety of subscription package options doubled for almost all of the six companies examined. For instance, Musica Viva and The Australian Ballet increased their options from one to two; Melbourne Theatre Company from two to four; Sydney Theatre Company from four to seven; and Opera Australia from three to seven.

[1] Points i, ii and iii based on analysis undertaken by MV, SSO, MTC, STC, TAB and OA.

iv. *Later purchases of single tickets.* In recent years, lead times for ticket purchases have shortened. For example, the proportion of single tickets purchased in the last week prior to the Sydney Symphony Orchestra's main subscription series concerts (the Philips Master Series) has increased from 15% in 1996 to 20% in 1999. A number of companies in Western Australia and Queensland also made reference to this trend in their submissions to the Inquiry.[2]

All of these trends make the marketing task of performing arts companies more difficult. Single ticket sales become more important, a marketing strategy that differentiates a company becomes critical, and marketing costs must increase to cover the added complexity of reaching more single ticket buyers.

4.1.4 Changing audience composition

The aging of the population, as noted earlier, has benefitted the performing arts through larger overall spending on entertainment.

The Australian Bureau of Statistics (ABS) has also found that 'the amount of free time available to a person fluctuates as they pass through different phases of their life. For example, on average, couples with dependent children had less free time than people who live alone (469 minutes and 616 minutes per week, respectively) due to other competing priorities and family responsibilities.'[3]

Therefore, the larger number of older people in the population have more disposable income and more time to attend performances. This overall trend is reflected in the demographics of performing arts attendees in that the per cent over the age of 45 increased from 38.8% to 42.3% from 1991 to 1995. The largest shifts were in classical music (45.5% to 50%) and theatre (33.8% to 37.7%), followed by dance (35% to 38.2%) and opera/musicals (42.5% to 45.2%).[4]

In addition, because more women are in paid work, they have greater economic power than previously. This may account for the increase in female attendance at arts events between 1991 and 1995.[5] In dance, the percent of female attendees increased from 61.3% to 63%; in opera and musicals, from 60.7% to 62%; and in classical music from 58.6% to 59.6%. Theatre experienced a marginal decline in the proportion of female attendances from 60.7% to 60.5%.

On the whole, the trends described above should have been beneficial for the performing arts.

4.2 Major changes in private sector support

Australia's major performing arts companies generate income not just by selling tickets to audiences, but also by obtaining private support, both from individuals and the corporate sector. The trends that are driving changes in both these areas are discussed below.

[2] Submissions made by WAO, WAB and OQ.

[3] ABS, *How Australians use their time*, 4153.0, 1997, p8.

[4] ABS, *Attendance at Selected Cultural Venues*, 4114.0, 1991 and 4114.0, 1995.

[5] In all artforms except theatre.

4.2.1 Potential for increased private philanthropy

Like most developed countries, a concentration of wealth exists in Australia. The top 20% of Australian earners account for 47.5% of the income,[6] while the richest 10% of families own almost half of Australia's private wealth.[7] In 1996, 17.6% of the working population earned more than $1,000 per week, up from 15.8% in 1995.

The USA has a long and proud history of wealthy families providing endowment support for the arts. For instance, 48.6% of the income for The Metropolitan Opera in New York (1998-99) and 46% of the support for the American Ballet Theatre (1997-98) came from endowments, compared to private sector income of 10% for Opera Australia (1997) and 15% for The Australian Ballet (1997).

The increased concentration of wealth in Australia, combined with the coming transfer of inter-generational wealth as the population ages, presents an opportunity for individual Australians to create endowments to support the arts. To do this, a culture of giving needs to be created. The recently announced tax incentives by the Federal Government are designed to encourage this behaviour. Aspects of those initiatives which major performing arts companies can take advantage of include:

- income tax deductibility for donations of assets, such as real estate, with a market value of more than $5,000, regardless of when the asset was acquired by the donor;
- the removal of capital gains tax on bequests to charitable organisations and institutions; and
- the establishment of a new category of private foundations with tax deductibility status.[8]

One of the challenges facing the companies will be to invest in staff with the necessary skills to take advantage of these opportunities.

4.2.2 Increased strategic focus by corporate sponsors

Historically, the route to obtaining corporate support was through the Chairman of the performing arts company making a direct approach to the Chairman or the Chief Executive of a large corporation. The reception the performing arts company received largely depended on the Chairman or Chief Executive's personal interest in the particular artform and the specific company.

The corporation was seen as being a good corporate citizen in supporting the arts. It predominantly received program recognition and tickets to performances in return for a valued, but relatively small, contribution to the performing arts company's overall revenue.

Increasingly, however, this approach to corporate support is changing. Australian corporations are under pressure from the investment community to increase their absolute level of profits and to enhance their return on shareholders' funds.

This is a worldwide, not just an Australian, trend. Australian and overseas institutional investors make global decisions about which corporations to invest in. Australian corporations are

[6] ABS cat no 6523.0, table 2.

[7] Access Economics Pty Ltd, 1998.

[8] Federal Government Media Release, 26 March 1999.

competing for capital against the best corporations in the world and increasingly, on a risk adjusted basis, must be able to generate returns comparable to, or better than, their peers worldwide.

In such an environment, corporations are increasingly scrutinising every dollar of cost to ensure that they receive value for money. Support for the arts and sport does not escape such scrutiny.

Some corporations, however, have realised the potential to generate additional revenue, as well as to build their public image, by sponsoring entertainment-based events in sport and the arts. Further, many corporations maximise staff personal development and client liaison opportunities through their arts sponsorships.

Large sponsorships, such as the Team Millennium Olympic partners (reportedly for amounts in excess of $40 million), are usually based on their ability to attract additional business. For instance, a number of Olympic sponsors are using the limited number of tickets available to the Games as an inducement to attract customers to do more business with them. Credit card loyalty programs, involving competitions for tickets, are one such example. Such sales initiatives are sometimes linked to cause-related marketing programs, where a proportion of the value of a purchase goes to support the Olympic team.

The size of the Olympic and other major sporting sponsorships has resulted in many Australian corporations becoming much more sophisticated in the way they approach sports and arts sponsorships.

Major performing arts companies face the challenge of taking advantage of this trend by working with a corporation's marketing department to find ways to increase sales or brand awareness through an association with the specific arts company. Some performing arts companies are beginning to do this. The potential upside from delivering greater value to the corporation is significant, but it requires a far higher level of marketing sophistication and much greater skill in working with line, marketing and development staff within a corporation than was historically the case.

4.3 Shifts in the composition of government funding

Over the period from 1993 to 1997, total government funding to the major performing arts companies has increased from $66.1 million to $86.6 million.

The largest proportion of this funding continues to come from the Federal Government and it has increased slightly as a proportion of total funding from 71% ($47.1 million) to 71.8% ($62.2 million) between 1993 and 1997. The additional $15.1 million of Federal Government funding represented an increase of 7% per annum, or 5% in real terms.

Of the total $15.1 million of the Federal Government funding increase, $12.96 million went to the concert orchestras, $1.91 million to the opera companies, $651,000 to the chamber music companies and $168,000 to theatre. However, dance was reduced by $327,000, and the pit orchestras by $265,000.

EXHIBIT 4.1 Shifts in government funding by artform and company: 1993–1997 ($000)

		Change in funding	
Artform	*Company*	*Overall*	*Federal*
Dance	TAB	587	477
	QB	207	(57)
	ADT	70	47
	SDC	(82)	(56)
	WAB	(92)	(82)
	Bangarra	(456)	(656)
Dance total		**234**	**(327)**
Music	SSO	5,534	5,402
	MSO	2,555	1,944
	WASO	2,019	1,740
	TSO	1,393	1,368
	QSO	1,345	1,337
	ASO	1,182	1,170
	MV	636	335
	ACO	321	316
	SOV	113	22
	QPO	(88)	0
	AOBO	(277)	(287)
Music total		**14,733**	**13,347**
Opera	OA	1,780	919
	OQ	1,523	570
	SOSA	328	318
	WAO	275	100
Opera total		**3,906**	**1,907**
Theatre	QTC	758	141
	STC	509	170
	Playbox	406	70
	MTC	150	146
	Bell	76	50
	Comp B	53	3
	Circ Oz	28	(42)
	STC of SA	1	49
	BS	(329)	(419)
Theatre total		**1,652**	**168**
Overall total		**20,525**	**15,095**

In the case of opera, the additional funding was primarily for Opera Conference and Playing Australia initiatives. Collectively, the opera companies received 13% of their total funding through these two programs in 1997, up from zero in 1993. The increase for Opera Australia reflects Opera Conference support for three productions, but it also reflects the company's taking on additional performance obligations—for Victoria State Opera and the establishment of Oz Opera.

The concert orchestras were the major beneficiary of the growth in Federal funding. Such a conclusion, however, should be treated with caution. In 1993, the orchestras were a division of the ABC and their stated level of 'government support' was determined by the ABC as an internal allocation of its government funds. The allocation only covered part of the orchestras' real costs because the ABC 'absorbed' large cost areas. The 'increase' in government funding from 1993 may, therefore, represent the impact of the ABC having introduced user-pays principles internally and having made the orchestras' actual cost structure more transparent.

Given these difficulties in interpreting the Federal Government's funding changes to the concert orchestras, further analysis has omitted the orchestras.

As shown in Exhibit 4.2, for the companies other than the orchestras, Federal and State Governments' funding rose by 3.7% per annum from $41.15 million in 1993 to $47.65 million in 1997.

However, the distribution of Federal and State funding changed over this period because Federal Government funding increased at a slower rate than State Government funding. Federal Government funding increased from $25.6 million to $27.7 million, an increase of 2% per annum; whereas State Government funding increased from $15.6 million to $19.9 million, an increase of 5.7% per annum. As a consequence, Federal Government funding decreased as a proportion of total funding from 62.1% to 58.2%.

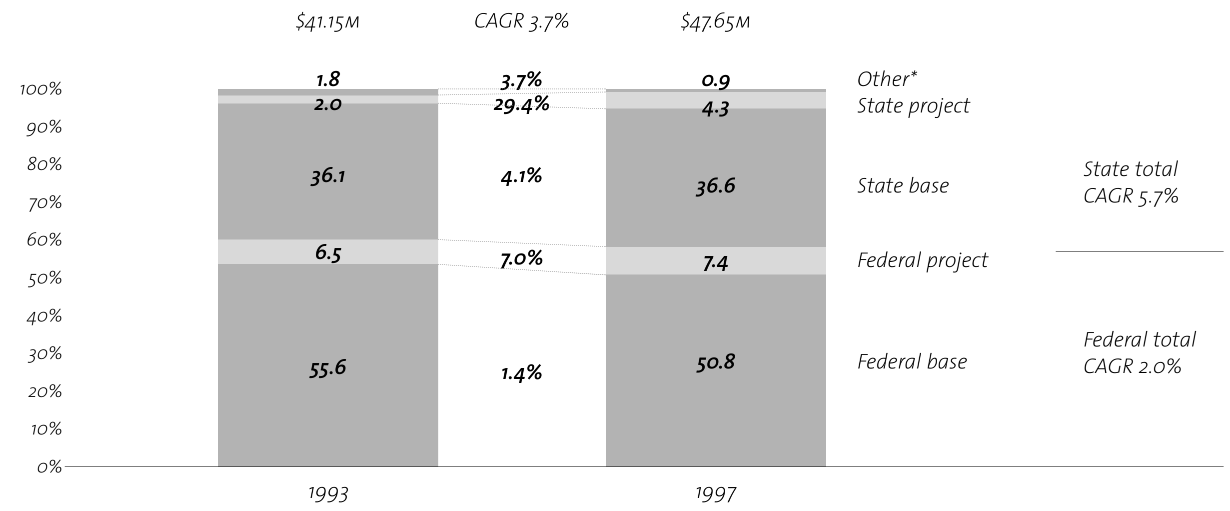
At the same time, the composition of Federal funding between base and project funding also changed. In 1993, base Federal funding comprised 55.6% of total funding. By 1997, it had decreased to 50.8%. While in absolute terms it had increased from $22.9 million to $24.2 million, its rate of increase (1.4%) was slower than that for all other funding (6.5%) and less than inflation. In the last year of this period, 1997, base funding decreased from $24.4 million to $24.2 million as the impact of the Federal Government's 2–3% efficiency dividend took effect.[9]

The same trend was apparent in State Government funding where project funding rose at 29.4% per annum versus 4.1% for base funds.

While these shifts are relatively small, from the companies' perspective they are significant. Increasing the proportion of project funding results in companies relying on a larger number of smaller grants to realise their past real levels of funding. Their cash flows are potentially less stable and the administrative burden is somewhat increased. Moreover, it often results in companies having to undertake additional activities to obtain project funding, which may not be fully funded by government, thereby increasing the financial pressures on them.

[9] DOCITA funded organisations, 3% off after indexation; MOF, 2% in absolute terms.

EXHIBIT 4.2 Composition of government grants (excluding concert orchestras): 1993–1997 (per cent of total)



* "Other" comprises grants from bodies such as universities, SOCOG and the British Council.

Key external forces driving changes on the demand side are also changing the supply structure of the industry. The changes are: the ongoing growth in diverse suppliers of major performing arts product; the continued escalation in fixed costs; and finally, the lack of incentives for the Inquiry Companies to strengthen their balance sheets.

4.4 Growth in diverse major performing arts suppliers

Australia's artistic life has been significantly enhanced throughout the 1990s by the growth in the number of diverse suppliers of high quality performing arts product. The greater number of diverse suppliers has exerted competitive pressure on the Inquiry Companies. The growth in competitors includes:

4.4.1 self-entrepreneuring by subsidised venues;

4.4.2 entrepreneuring of international productions (including spectaculars);

4.4.3 increasing impact of festivals; and

4.4.4 touring activities by the major companies, both within and outside their home State.

4.4.1 Self-entrepreneuring by subsidised venues

Venue self-entrepreneuring is largely being driven by a push to cover fixed costs by filling their available capacity. The extent of current overall venue overcapacity makes this a major challenge, resulting in the venues attempting to increase income by other means, including through increasing their levels of private sector support.

These issues are discussed below:

4.4.1.1 continuing venue overcapacity;

4.4.1.2 continuing venue self-entrepreneuring; and

4.4.1.3 increasing venue private sector support.

4.4.1.1 *Continuing venue overcapacity*

A number of companies raised issues in their submissions about the suitability of the space in which they perform. They argue that their performing space is not of the right size for their purposes, nor does it have adequate amenities. From an individual company's perspective, these are legitimate concerns as specialist performing spaces can enhance a performance overall.

However, when each capital city's total venue capacity is assessed in relation to population size, there appears to be a significant level of venue overcapacity in all capital cities.

Broadly speaking, from a performing arts perspective, venue space can be divided into three categories: core, regularly used, and occasionally used. Exhibit 4.3 outlines each major capital city's available venue seating capacity for these categories. Appendix 6 outlines which venues fall into each category.

EXHIBIT 4.3 Venue capacities by capital city and venue category*: 1999 (number of seats)

Capital city	*Core*	*Venue capacity* *Regular*	*Occasional*	*Total*
Sydney	15,235	2,000	9,800	27,035
Melbourne	12,471	2,708	27,382	42,561
Brisbane	4,950	664	6,400	12,014
Perth	4,716	0	8,712	13,428
Adelaide	3,854	1,672	5,140	10,666
Hobart	1,730	570	3,000	5,300
Total	**42,956**	**7,614**	**60,434**	**111,004**

** Core is where the venue is used more than 90% of the time for performing arts performances; regularly used is between 60% and 90%; and occasionally used is less than 60%.*

Sydney has more core venue capacity than any other city. However, when occasional capacity is added, Melbourne has an ability to cater for large spectacular events, such as those that are sometimes held at Melbourne Park and the Entertainment Centre. The Entertainment Centres in Adelaide, Brisbane and Perth provide the same occasional capacity relative to core venue space.

Adjusting for the different population bases, Exhibit 4.4 shows for 1999 the number of times all adult residents of a city would have to attend a performance at a performing arts venue to fill the available capacity.

EXHIBIT 4.4 Full venue utilisation* by capital city: 1999 (number of performances per resident **)

Capital city	*Capital city population (M)***	*Venue categories include:* *Core*	*Core & regular*	*Core & regular & occasional*	*Current participation level (%)*	*Participation increase to fill core (%)*
Sydney	2.79	1.99	2.25	3.53	33.7	591
Melbourne	2.36	1.92	2.34	6.56	26.3	731
Brisbane	1.09	1.65	1.87	3.99	14.1	1,170
Perth	0.91	1.88	1.88	5.37	11.0	1,712
Adelaide	0.79	1.77	2.53	4.89	14.8	1,191
Hobart	0.14	4.53	6.02	13.88	11.2	4,052

** Assumes seven performances a week, 52 weeks a year.*

*** Capital City population over the age of 18.*

In other words, to fill core capacity, all adult residents in all cities would have to attend a performance at a 'core' venue between 1.65 and 1.99 times per year except in Hobart, where it would need to be 4.53 times. Current attendances are not at this level. Even adjusting for interstate and overseas visitors attending performing arts events (which, in the case of Sydney, might be as high as 30% of attendees at the Sydney Opera House at different times of the year), attracting such a high level of participation would be a major task. As shown in Exhibit 4.4, to fill core venue capacity current audiences would have to increase their attendances by almost six-fold in Sydney or 40-fold in Hobart.

When regular and occasional venues are added, each resident would have to attend between three and 14 times.

With core venues, the differences among cities are not of major significance, except for Hobart. However, when regular and occasional venues are added, large differences appear, with Sydney having just over half the attendance requirement of Melbourne. While regular and occasional venues are used for a large number of other purposes, the availability of these large venues offers the potential to bring in large-scale performing arts events.

Additional venue capacity is currently being constructed in Sydney, Melbourne, and Brisbane, some of which will be core. Exhibit 4.5 shows the number of times an adult resident would have to attend a core venue to fill the available seats (for 1996, 1999 and 2001), and demonstrates the growth in core capacity over that period.

EXHIBIT 4.5 Full core* venue utilisation: 1996, 1999 and 2001 (number of performances per resident***)**

Capital city	*1996*	*Year* *1999*	*2001*
Sydney	1.61	1.99	2.12
Melbourne	1.92	1.92	2.00
Brisbane	1.36	1.65	2.01
Perth	1.88	1.88	1.88
Adelaide	1.77	1.77	1.77
Hobart	4.53	4.53	4.53

** Core is where more than 90% of the venues' utilised capacity is used for performing arts performances.*

*** Assumes seven shows a week, 365 days a year.*

**** Over the age of 18.*

Sydney and Brisbane have expanded venue capacity over the past three years with the opening of the Star City space in 1997 and the Opera House Studio space in 1999 in Sydney, and the Playhouse in Brisbane in 1998. Brisbane, Sydney and Melbourne will see an expansion in core capacity over the next two years. In Brisbane, the Empire Studio space will have 500 seats, and the Powerhouse redevelopment will include 600 seats in two theatres. Sydney will see the opening of Sydney Theatre Company's new 1,000 seat theatre. [The Angel Place Concert Hall (1,200 seats) and the new performance spaces within the Fox Studios development (2,350 seats) are classified as regular and, therefore, have not been included in the core venue analysis.] In Melbourne, a dedicated theatre of 500 seats for Melbourne Theatre Company is planned for a new University of Melbourne development.

The construction of these new venues will increase the pressure on existing venues to cover their fixed costs and fill available space by bringing in more performing arts events. In the process, Sydney will shift from having the least (1996) to the most (2001) pressure on filling available core seats, after Hobart. Nonetheless, the pressure to fill seats will remain significant in all cities.

4.4.1.2 *Continuing venue self-entrepreneuring*

Venues rent performance space to the companies and other hirers and provide them with other services such as back-stage labour, production support and, in some cases, ticketing services.

In addition, venues self-entrepreneur by producing new product, by buying product from Australian and international performing arts companies and by co-presenting product from Australian and international companies. By undertaking such activities, venues generate incremental revenue to defray their high level of fixed costs. In the process, however, they assume the increased financial risk of generating the box office revenue required to produce, market and present such product.

Total box office revenues of $25.6 million were generated in 1997–98 from self-entrepreneured activities by the major subsidised venues in Sydney, Melbourne, Brisbane, Perth and Adelaide, with the Melbourne venue being the largest contributor, generating 45% of the total income.

Between 1992 and 1998, box office revenue generated from self-entrepreneured activity increased for all of these venues, except Adelaide Festival Centre Trust. In Sydney, the annual growth rate

was 12.7%, in Melbourne 4.1%, in Perth 2.4%, and in Brisbane 3.9%. In Adelaide, the venue's level of self-entrepreneured income declined by 5.4% per annum, as a result of a decrease in activity and attendances.

The venues' continuing self-entrepreneured activity represents a response to venue overcapacity, but is also an effort by the management of subsidised venues to offset the impact of reductions in government funding for operating expenses. Further, governments are encouraging venues to be more commercially viable.

Whereas government funding for capital-type works increased at all major venues between 1992 and 1998, government operating funding decreased in absolute terms and as a percent of total income for the Sydney Opera House Trust, the Adelaide Festival Trust, and the Perth Theatre Trust. The Queensland Performing Arts Trust received an increase in operating funding, but government operating grants as a per cent of overall revenue declined. (Refer Exhibit 4.6)

Notably, the Victorian Arts Centre Trust went against this trend, almost doubling its level of government operating funding between 1992 and 1998, and, in doing so, received the highest level of government funding of all the major venues.

EXHIBIT 4.6 Changes in government operating grants: major venues: 1992 and 1998 ($million; per cent)

	Operating grant			*Operating grant / total venue income (%)*	
Major venues	*1992 ($M)*	*1998 ($M)*	*Percentage Change CAGR*	*1992*	*1998*
SOHT	12.6	8.9	-5.6	27	15
VACT	8.1	15.0	+10.8	19	27
AFCT	6.4	5.0	-4.0	25	15
PTT	2.6	1.3	-10.9	34	16
QPAT	2.5	3.5	+5.8	17	15

Some of the product bought or co-presented by the venues is produced by the Inquiry Companies, while other product is sourced from a variety of domestic and international producers. In 1998, as Exhibit 4.7 shows, the five major subsidised venues presented 33 productions or concerts from the Inquiry Companies. Twelve of these programs were buy-ins, with the venue taking full entrepreneurial risk, and 21 were co-presentations, with shared risk between the venue and the company. Adelaide Festival Centre Trust was the largest purchaser of product from interstate major performing arts companies, bringing in nine separate productions from the Inquiry Companies, six of which were dance and three, theatre. Sydney Opera House Trust co-presented several concert series with the Australian Chamber Orchestra and Sydney Symphony Orchestra and Queensland Performing Arts Trust also co-presented product from The Australian Ballet and Sydney Dance Company. No opera productions from the Inquiry Companies were bought, or co-presented, by the venues.

EXHIBIT 4.7 Self-entrepreneured product: major venues: 1992 and 1998 (number of programs)

	Self-entrepeneured product									
	1992 Producer					1998 Producer				
Major venues	*Venue*	*Inquiry Companies*	*Other Domestic*	*International*	*Total*	*Venue*	*Inquiry Companies*	*Other Domestic*	*International*	*Total*
AFCT	17	2	6	3	28	1	10	2	5	18
PTT	4	3	10	4	21	3	1	22	3	29
QPAT	6	8	0	0	14	5	4	0	1	10
SOHT	5	19	2	1	27	3	17	5	9	34
VACT	19	1	5	5	30	3	1	7	2	13
Total	**51**	**33**	**23**	**13**	**120**	**15**	**33**	**36**	**20**	**104**

Between 1992 and 1998, the Perth and Sydney venues increased their levels of self-entrepreneured activity, but the other three venues, particularly Adelaide and Melbourne, decreased their activity levels.

The major area of reduction was the venues' own productions and their 1998 productions focussed more heavily on commercial product. Five of the 15 seasons were long runs of musicals, on which they now rely more heavily. (Refer Exhibit 4.8)

EXHIBIT 4.8 Venues' own product: major venues: 1992 and 1998 (number of programs)

	Own product							
	1992				1998			
Major venues	*Concert*	*Production*	*Musical*	*Total*	*Concert*	*Production*	*Musical*	*Total*
AFCT	13	2	2	17	0	0	1	1
PTT	1	2	1	4	2	1	0	3
QPAT	3	2	1	6	1	2	2	5
SOHT	4	1	0	5	2	1	0	3
VACT	15	3	1	19	0	1	2	3
Total	**36**	**10**	**5**	**51**	**5**	**5**	**5**	**15**

The venues increased their presentation of product from organisations (both domestic and international) other than the Inquiry Companies, but the increase was in co-presentations not in buy-ins. The changes in the type of work produced by the venues and their shift towards risk sharing through co-presenting suggests that they are becoming more risk averse.

4.4.1.3 *Increasing venue private sector support*

Venues have also been successful in increasing their appeal to the private sector and are generating more private sector support overall.

EXHIBIT 4.9 Changes in private sector support: major venues: 1992 and 1998 ($000)

	Private sector support		
Major venues	*1992*	*1998*	*CAGR (%)*
AFCT	376	750	12
PTT	0	191	N/A
QPAT	314	1,894	35
SOHT	540	920	9
VACT	1,393	3,827	18
Total	**2,623**	**7,582**	**19**

As shown in Exhibit 4.9, all of the major venues increased their private sector support between 1992 and 1998. Brisbane achieved the highest increase of 34.9% per annum, although off a smaller base than Melbourne. With the extension of the performing arts complex in Brisbane to include a new 850 seat venue for theatre and smaller scale musicals, the Queensland Performing Arts Trust was successful in obtaining naming rights sponsorship.[10] The Sydney, Adelaide and Melbourne venues also recorded increases of 9.3%, 12.2% and 18.4% per annum, respectively. Perth recorded a small increase from a base of no private sector income in 1992 to $191,000 in 1998.

The rate of increase in private sector support for the venues exceeded that for the companies[11] in Melbourne, Brisbane and Adelaide, but was lower than that achieved by the companies in Sydney. (No comparison is possible in Perth as the rate of increase for the venue cannot be calculated.)

In Brisbane and Adelaide, this has resulted in a reversal of the positions of the companies and venues in respect of private sector income. In 1992, the companies in Brisbane and Adelaide had exceeded the venues in private sector income. By 1998, the venues exceeded the companies.

In Sydney and Melbourne, however, the companies still receive more private sector support than the venues. In 1998, the nine Sydney-based companies received over 15 times more private sector support than the Sydney Opera House Trust ($14.2 million). Six companies individually received more support than the venue.

In comparison, while the overall level of private sector support for the five Melbourne-based companies ($5.4 million) was greater than that for the Victorian Arts Centre Trust in 1998, none of the companies' individual levels of support matched that for the venue.

Not only are the venues and the companies competing for the scarce dollars of corporate sponsorship, but the obligations of the venues and the companies to their separate sponsors may conflict. For example, both a venue's and a company's major sponsor may expect opening night privileges, resulting in compromised seating allocation and entertainment options. In addition, in some cases, the sponsors may be competitors, thereby creating potentially major conflicts. The impact of private sector sponsorship of venues on the performing arts companies is therefore significant.

[10] The new theatre is now named the Optus Playhouse.

[11] Excluding orchestras which were not corporatised in 1992.

4.4.2 Entrepreneuring of international productions

As noted earlier, audiences are becoming more sophisticated and are demanding world-class performances. Commercial entrepreneurs have recognised this trend and have catered for it by bringing in international productions.

Commercial international productions, in addition to those bought in by festivals and venues, have also attracted large audiences in Australia. It has not been possible to ascertain the overall number of attendees at such events.

However, by examining newspaper advertisements, it is possible to understand the depth and breadth of such offerings. In Sydney in 1998, for instance, a large array of international product was presented: six musicals, three dance productions, four spectaculars and 17 concerts. These included productions of *Les Miserables*, *The Boy from Oz*, *Chicago*, *Showboat*, *Riverdance*, the *Grease Spectacular* and a concert by Kathleen Battle. Similarly in Perth in 1998, international productions comprised one major musical (*The Phantom of the Opera*), three dance productions, four spectaculars and 17 concerts. The similarity between the Perth and Sydney numbers for dance productions, spectaculars and concerts reflects the tendency of international productions to tour Australia covering each capital city with event style performances.

The production values associated with shows such as *Les Miserables* and *The Phantom of the Opera* are very high, as are the costs associated with staging such performances. The pre-production costs alone (covering sets, props, costumes, staging technology and rehearsals) can be upward of $10 million, and weekly running costs can be around $400,000.

However, entrepreneurs such as Cameron Mackintosh and Michael Edgley often have the advantage of positive word of mouth before such shows arrive in Australia. Further, they invest heavily in differentiated advertising that gives them a marketing edge, as well as broader sponsorship opportunities. For example, tickets to *The Phantom of the Opera* went on sale 22 months before its opening at the Princess Theatre in Melbourne on 8 December 1990.

In turn, successful shows of this nature have long runs and play to full houses. Even in Perth, the last city of the tour, *The Phantom of the Opera* performed 83 times in an 11 week run in 1998. Prior to this, the 1997 Adelaide season of *The Phantom of the Opera* had 112 performances which played to houses of 98% capacity. Similarly, in Brisbane between October 1996 and April 1997, *The Phantom of the Opera* achieved an occupancy level of 99.4% across a 23 week season reaching an audience of 360,287. In Sydney, 1.4 million tickets were sold for 1,332 performances during a three year run between July 1993 and September 1996, while in Melbourne, its first venue, over 1.5 million people attended 1,048 performances during a two and a half year run.

Over the course of its record-breaking eight year Australia and New Zealand run of 3,073 performances, *The Phantom of the Opera* was seen by over 4.1 million people. The production is reported to have achieved total box office revenues of $247 million with an average ticket price of $60. *The Phantom of the Opera* set a benchmark in terms of stagecraft and was more than able to recoup both its pre-production costs (estimated at $10 million) and the remounting costs each time it relocated (estimated at $2–3 million for each location). The pre-opening marketing budget stretched to $500,000 for each new location. The total worth to the national economy has been estimated to be in excess of $1 billion.

The economics of such productions are quite different from those of the Inquiry Companies. While the fixed production and marketing costs are higher, a successful production presents many more performances to almost capacity houses. In this way, the per attendee cost of staging the show is significantly lowered.

Such events compete directly with the local companies for audiences. For instance, when *The Phantom of the Opera* went into Perth in 1998, audience attendances for the local companies dropped by 20%.

In addition, audience expectations about production values, particularly stagecraft, are raised, further extending the impact of commercial international productions on the Inquiry Companies.

4.4.3 Increasing impact of festivals

The period from 1992 to 1998 has seen not only an increase in the number of festivals, but also an increase in their audience attendances, government funding and private sector support.

4.4.3.1 *Growth of festivals*

Government funding for festivals has increased significantly. In 1992, festivals in the major capital cities received $8.3 million in government grants; by 1998, that amount had increased to $18.2 million, representing an annual growth rate of 14%. (Refer Exhibit 4.10) This government funding represented 41% of the festivals' total revenue in 1998.

EXHIBIT 4.10 Changes in government funding: festivals: 1992 and 1998 ($000)

	1992				1998				
Festival	*State*	*Federal*	*Other**	*Total*	*State*	*Federal*	*Other**	*Total*	*CAGR (%)*
Adelaide***	2,241	144	339	2,724	4,042	724	549	5,315	12
Melbourne	2,515	-	-	2,515	2,560	-	515	3,075	3
Sydney	1,152	-	957	2,109	1,520	-	650	2,170	0
Perth	664	-	336	1,000	2,300	7	326	2,633	18
Brisbane**	N/A	N/A	N/A	N/A	3,984	-	1,000	4,984	62
Total	**6,572**	**144**	**1,632**	**8,348**	**14,406**	**731**	**3,040**	**18,177**	**14**

	1996		
Festival	*State*	*Local*	*Total*
Brisbane	1,400	500	1,900

** Other includes local, overseas and miscellaneous.*

*** CAGR calculated over 1996–1998 period, as there was no 1992 Brisbane Festival.*

**** Adelaide and Brisbane are biennial festivals and, therefore, their funding is for a two year period.*

The most heavily government funded festival is the Melbourne Festival, which received over $3 million in annual grants in 1998. Adelaide and Brisbane receive larger amounts than Melbourne, but these are biennial grants.

The increase in the number of, and funding for, major festivals has resulted in them becoming a large part of Australia's artistic life. In 1992, 443,500[12] people paid to attend performing arts events in the major capital city festivals. By 1996, attendances had grown to 519,600 and in 1998, to 586,000, a 5% annual growth rate. By comparison, two million Australians in the capital cities paid to attend main season performances by the Inquiry Companies in 1997. (Refer Section 2.2.2)

The festivals present a large number of works, a significant proportion of which is international in origin. In 1998, between 45% and 52% of all performing arts events at the Adelaide, Melbourne, Brisbane and Sydney Festivals were from overseas. 69% of events at the Festival of Perth were international in origin. (Refer Exhibit 4.11)

In contrast, between 8% and 14% of the events at these festivals were sourced from the Inquiry Companies, the majority from the local Inquiry Companies. All festivals presented performances by at least two local Inquiry Companies, with the percentage of local Inquiry Companies included varying from 33% in Melbourne to 100% in Adelaide. The Brisbane and Sydney Festivals included 60% of the local Inquiry Companies and the Perth Festival included 75%.

Festivals have, therefore, made it possible for Australians in all capital cities to access a large body of diverse work in a short period of time. To the extent that much of this work is overseas in origin, the audience demand for international performances is more readily met.

EXHIBIT 4.11 Composition of programming: festivals: 1998 (number and per cent of events)

	Composition of programming					
	Inquiry companies		*Other Australian*		*International*	
Festival	*No.*	*%*	*No.*	*%*	*No.*	*%*
Sydney	6	14	17	41	19	45
Melbourne	6	13	19	42	20	45
Brisbane	4	12	12	36	17	52
Perth	4	8	12	23	36	69
Adelaide	7	12	23	40	28	48
Total	**27**	**12**	**83**	**36**	**120**	**52**

In 2000, the Olympics will pose a particular challenge for the Inquiry Companies. Not only will the *Harbour Of Life* festival compete to some extent with the companies in Sydney, but the Games themselves and the associated television coverage will pose real competition for the discretionary time of the arts attendee in all parts of Australia. The challenge will be exacerbated in Sydney by the undoubted difficulties that will be experienced in readily moving from Homebush to the Sydney Opera House, where most of the companies will perform.

4.4.3.2 *Private sector support for festivals*

The festivals, as a group, have been successful in attracting private sector support. (Refer Exhibit 4.12) Between 1992 and 1998, the festivals which existed in both years experienced aggregate growth in support from the private sector of 11% per annum (from $6.7 million in 1992 to

[12] The Festival of Sydney component of this figure is 1994 data, as 1992 is not available.

$12.3 million in 1998). When the Brisbane Festival contribution is added to the 1998 total ($13.6 million), that overall growth rate rises even further to 13% per year. The festivals, therefore, have steadily increased the level of their private funding, further stiffening competition for the companies.

As with the venues, the festivals in Brisbane and Adelaide are more successful than the local companies in attracting private sector support, but in Sydney and Melbourne the companies receive more private sector support than the festivals. In 1998, the Sydney-based companies received nearly three times the festival's level of support and the Melbourne-based companies received nearly twice the festival's level of support. However, few individual companies matched the festivals' levels of support. Every festival except Perth ($948,000) comfortably exceeded $1 million in private sector sponsorships and donations in 1998, but only seven of the Inquiry Companies attracted this level of support in 1998.

EXHIBIT 4.12 Changes in private sector support: festivals: 1992 and 1998 ($000)

Festival	*1992*	*1998*	*CAGR (%)*
Adelaide	1,292	3,413	18
Melbourne	2,065	2,833	5
Perth	1,066	948	-2
Sydney	2,295	5,057	14
Overall	**6,718**	**12,251**	**11**
	1996	*1998*	*CAGR (%)*
Brisbane	1,350	1,395	2

* * *

In summary, therefore, throughout the 1990s, Australia has seen the entry of an increasing number of diverse major performing arts suppliers, many from overseas. Venues (under increasing financial pressure), festivals (funded by governments with a mandate to present international product), and individual entrepreneurs have facilitated the presentation of a large and diverse array of performing arts product.

In the process, Australian audiences have become even more aware of what constitutes world-class quality and they implicitly transfer those expectations to the subsidised companies.

4.4.4 Touring activities by the major companies

Touring has increased the extent to which interstate companies compete with local companies. As shown in Exhibit 4.13, in 1998, 17 of the 27 companies (excluding the pit orchestras) toured to other capital cities. Adelaide was visited by more companies (12) than any other capital city, followed by Canberra (10), Melbourne (9), Hobart (8) and Sydney (7).

EXHIBIT 4.13 Touring activities by artform and company: capital cities: 1998 (Inquiry Company)

Artform	*Home city*	*Sydney*	*Melbourne*	*Brisbane*	*Adelaide*	*Perth*	*Canberra*	*Hobart*	*Darwin*
Dance	Melbourne	TAB		TAB	TAB		TAB		
	Sydney		SDC	SDC	SDC	SDC			SDC
	Sydney		Bangarra		Bangarra		Bangarra	Bangarra	
Music	Sydney		ACO	ACO	ACO	ACO	ACO	ACO	
	Sydney		MV	MV	MV	MV	MV	MV	MV
	Sydney				SSO				
	Melbourne	MSO							
	Hobart	TSO			TSO				
Opera	Sydney		OA*		OA*		OA*	OA*	
Theatre	Sydney		STC		STC		STC	STC	
	Melbourne	MTC			MTC		MTC	MTC	
	Brisbane					QTC			
	Sydney		Bell	Bell		Bell	Bell	Bell	
	Melbourne	Playbox					Playbox		
	Perth	BS	BS						
	Sydney		Comp B		Comp B		Comp B		
	Melbourne	Circus Oz			Circus Oz			Circus Oz	
Total companies touring		**7**	**9**	**5**	**12**	**5**	**10**	**8**	**2**
Home stage companies		**9**	**5**	**4**	**4**	**4**	**0**	**1**	**0**
Total companies presenting		**16**	**14**	**9**	**16**	**9**	**10**	**9**	**2**

Note: Where co-productions have been toured, the tour is attributed to the company that managed the tour.

** Oz Opera in Adelaide, Canberra and Hobart; Opera Australia mainstage and Oz Opera in Melbourne.*

Fourteen of the 17 companies that visited other States were Sydney or Melbourne based. In other words, companies based particularly in Adelaide, Brisbane and Perth felt the competitive pressures of other companies coming into their markets, but the local companies did not tour to the same extent to other areas. This was particularly the case in dance and theatre. Concert orchestras and opera companies tend not to tour because of the larger number of performers and the higher associated travel costs. However, three of the concert orchestras, Melbourne Symphony Orchestra, Sydney Symphony Orchestra and Tasmanian Symphony Orchestra each toured to one other capital city in 1998 and Oz Opera's smaller production of *The Barber of Seville* toured to four capital cities.

Based on available data, in Adelaide, 24% of attendees at Inquiry Companies' mainstage performances were for visiting companies, in Melbourne, 21%, in Perth, 17%, in Brisbane, 16% and in Sydney, 14%. To the extent that some touring performances were sold-off to venues or festivals, the numbers are understated.

In contrast, an analysis of touring to regional Australia shows that more companies were involved (22 versus 17 for capital city touring); that artforms were better covered, with more concert orchestras and opera companies being included; and that, with the exception of eight companies, regional touring is predominantly undertaken by companies within their own State. (Refer Exhibit 4.14)

EXHIBIT 4.14 Touring activities by artform and company: regional Australia: 1998 (Inquiry Company)

Artform	*Home city*	*New South Wales*	*Victoria*	*Queensland*	*South Australia*	*Western Australia*	*Tasmania*	*Northern Territory*
Dance	Melbourne	TAB	TAB	TAB				
	Brisbane			QB				
	Sydney							SDC
	Sydney	Bangarra	Bangarra					
Music	Sydney	ACO		ACO			ACO	
	Sydney	MV	MV	MV		MV	MV	MV
	Sydney	SSO						
	Melbourne		MSO					
	Brisbane			QSO				
	Adelaide				ASO			
	Perth					WASO		
	Hobart						TSO	
Opera	Sydney	OA*	OA*				OA*	
	Brisbane			OQ				
	Adelaide				SOSA			
Theatre	Sydney	STC	STC					
	Melbourne	MTC	MTC	MTC	MTC		MTC	MTC
	Melbourne		Playbox					
	Brisbane			QTC				
	Perth	BS	BS		BS	BS		BS
	Sydney	Comp B						
	Melbourne	Circ Oz			Circ Oz		Circ Oz	
Total		**11**	**9**	**8**	**5**	**3**	**6**	**4**

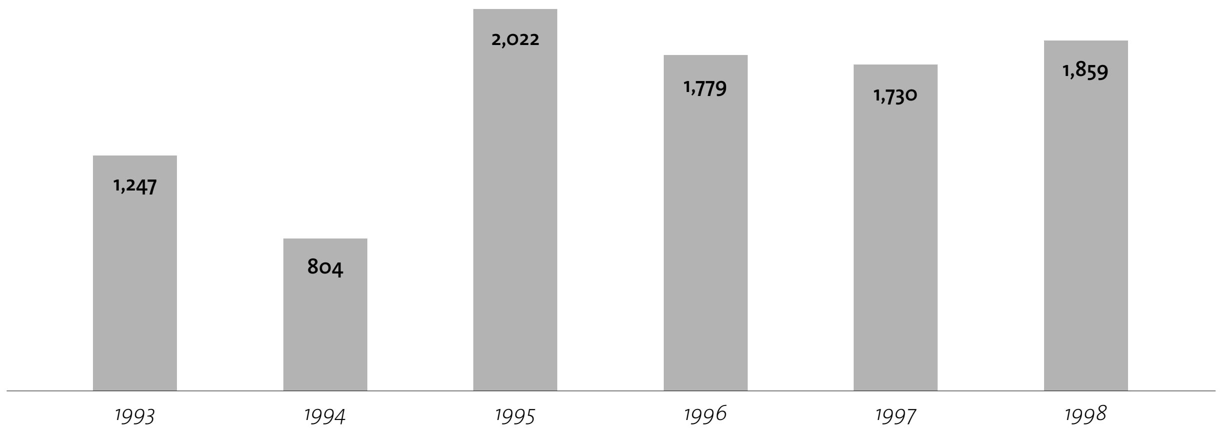
Note: Where co-productions have been toured, the tour is attributed to the company that managed the tour.

** Oz Opera*

Support for intrastate touring by the companies is provided by each State and Territory Government. The principal interstate touring undertaken by the companies is supported through Playing Australia.

Playing Australia was introduced in 1992–93 to increase national accessibility to high quality performing arts product through more interstate touring. Over the period 1993 to 1998, $9.4 million of Playing Australia monies was granted to the Inquiry Companies to tour interstate, including to regional Australia. (Refer Exhibit 4.15)

EXHIBIT 4.15 Playing Australia: Total grants to Inquiry Companies: 1993–1998 ($000)



Source: DOCITA

Twenty-four of the Inquiry Companies have received Playing Australia funding. As Exhibit 4.16 shows, 10 companies have received funding in four or more of the six years since Playing Australia was introduced, and 14 companies have been funded for between one and three years.

EXHIBIT 4.16 Playing Australia: profile of Inquiry Companies funded: 1993–1998 ($000; years; number of Inquiry Companies)

Aggregate funding $000	*Number of years*	*Number of Inquiry Companies*	*Which Inquiry Companies*
3,748	6	6	AB, ACO, MV, STC, MTC
1,715	5	2	Circ OZ, SDC
1,010	4	3	Bangarra, Bell, TSO
1,855	3	6	BS, Playbox, QB, ADT, QTC, STC of SA
714	2	3	Comp B, OA, WAB
399	1	5	OQ, QPO, SOSA, SSO, WAO
0	0	6	ASO, AOBO, MSO, QSO, SOV, WASO
9,441			

Playing Australia funding does not cover all the costs of a company's touring. Nonetheless, it has played a significant role in encouraging both capital city and regional touring by the major performing arts companies.

* * *

In summary, Playing Australia and the various State governments have encouraged touring to capital cities and regional areas of Australia. In so doing, they have broadened geographic access to the performing arts. The residents of all capital cities see a far greater diversity of Australia's major performing arts companies. Equally, as a consequence, there is a more diverse range of performing arts product in all capital cities, but particularly in the less populous States, competing head-on with local companies.

4.5 Nature of escalating fixed costs

The fixed costs for a performing arts company are very high, particularly once a decision is made on the year's artistic program. The programming decision locks in a commitment to the creative team, to artists, to venues, and even to a base level of marketing cost. Once that decision is made, if market conditions change, the company has a relatively low ability to change its cost structure without abrogating contractual relationships. Effectively, a company's degrees of strategic freedom in responding to changing market conditions are determined by the lead time for finalising artistic programming. However, this varies significantly by artform, and even within an artform.

All Australia's opera companies have lead times of between two and three years. The international market for directors and design teams, opera singers and conductors normally operates on a two to three year lead time. This can be even longer for a star international performer.

Similarly, in attracting leading international conductors and soloists, concert orchestras must commit three to four years in advance. The lead time for other conductors or guest artists is around one and a half years. Australian Chamber Orchestra and Musica Viva face similar lead times.

At the other end of the spectrum, theatre lead times are shorter: typically between six and 12 months, except in extraordinary circumstances. Circus Oz makes commitments about one year in advance.

Dance is much more variable. The Australian Ballet is at one end of the spectrum—it faces lead times of between three and five years to secure a major overseas choreographer to remount an existing work or produce a new work for the company. In contrast, Queensland Ballet and West Australian Ballet make programming decisions six to 12 months in advance. With contemporary dance, the lead times vary between 12 and 15 months in the case of Bangarra, and up to three years for Sydney Dance Company.

While lead times determine how long in advance a company's cost structure becomes fixed, the key primary drivers of the cost structure are labour rates; public expectations of production values; advertising rates; and venue hire charges. Within this context, and recognising artform constraints, a company then makes programming decisions that affect its financial results. The primary cost drivers are examined in this chapter; an analysis of the companies' responses is discussed in Chapter 5.

The companies have high fixed costs which are rising steadily with very few artforms being able to take advantage of productivity gains. While individually the costs of local artists are quite modest in comparison to other professions, they are rising at a rate in excess of inflation, but at a rate significantly less than that of international guest artists' costs, where the rate is directly set by the international market. Production costs are being driven by audience expectations of the production values they wish to see on stage, particularly in theatre and opera, while venue costs are rising markedly in Brisbane and somewhat in Sydney. Increases in advertising costs are driving rises in marketing costs. The challenge for the companies is to find ways of dealing with these cost rises.

4.5.1 Labour costs

Labour costs are the largest expense in all artforms, ranging from 39% to 52% of costs, with dance (39%), theatre (41%) and music (41%) being at the lower end of this range, and opera (50%) being at the upper end. Labour costs have decreased as a per cent of total costs over the period 1992 to 1997 apart from opera, which has remained static.

Artform differences exist in the way performing artists are employed.

The concert orchestras, Australian Chamber Orchestra and the dance companies all maintain a full-time complement of artists, with guest artists being hired on an as-needed basis to provide added artistic strength.

Theatre, on the other hand, does not typically maintain a full-time ensemble of actors, instead hiring artists to suit a particular production. Musica Viva, because it is a presenting company, also hires its artists on an as-needed basis.

Opera companies vary in their approach. The state opera companies are *stagione* companies, hiring all artists as required. Although Opera Australia maintains a full-time chorus and some resident principals, it also hires a large number of guest artists.

Regardless of artform and company specific differences, once artists are contracted for a specific program, artistic costs become fixed in nature.

Principals in each of these artforms are senior professionals in their field. While salary differences exist among artforms, annual base salary levels for senior artists are typically less than $60,000. Compared to other professionals (such as doctors, accountants and architects), artists' salaries are modest.

Increases in salary costs for Australian performing artists, design and production staff, as well as artistic administration staff, are driven by much the same factors that influence wage rates in other parts of the economy. Award rates and enterprise bargaining arrangements are major factors. Where an Australian artist has the option of performing internationally, international fee rates are also influential.

It is difficult to make comparisons among artforms for broadly equivalent positions. Nonetheless, a principal and a new entry (or more minor) role provide some measure of comparability in the rate of increase among artforms as shown in Exhibit 4.17. However, such figures should be treated as indicative only.

Appendix 2.2.4 Discussion Paper material

EXHIBIT 4.17 Salary increases by artform: lead and support artists: 1992–1998 (average annual increase (%))

Artform	*Type of artist* Lead*	Support**
Dance		
TAB	4.7	4.9
Music		
ACO	8.2	6.8
SSO	7.1	4.7
Other orchestras	4.8	3.7
Opera	5.2	3.7
Theatre (award rates)	3.2	4.0
Live theatre & concert support* **	5.2	5.0

** Lead artists include: dance principal, soloist for orchestras, principal for opera, theatre lead role.*

*** Support artists include: ballet corps, orchestra rank and file, opera chorus, theatre support role.*

**** Live theatre and concert support staff includes: backstage, lighting, wardrobe, workshops etc.*

Note: Average annual CPI increase over the period is 2% and average annual increase in Australian weekly earnings over the period is 3.8%.

The rate of increase in salaries has varied by artform, with music being the highest and theatre the lowest, but all increases have been higher than inflation.

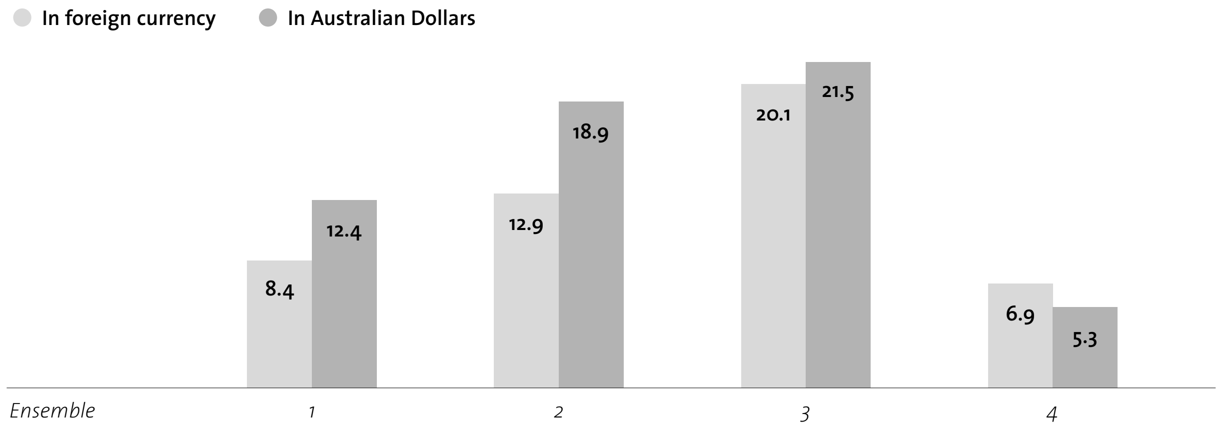
Companies have found it difficult to cover these above inflation salary increases.

Further, international guest artists' costs have grown at a faster rate than local artists' costs.

A detailed analysis provided to the Inquiry by Symphony Australia documents the rate of growth in fees for the same eighteen guest artists. Over the period 1992 to 1999, the fees commanded by the pianists increased on average by 6.4% per annum, by the violinists and cellists 8% per annum, and by the conductors 9.8% per annum. While the fall in the Australian dollar explains a proportion of the increase, the bulk of it reflects the reality of fee rises in the international marketplace for acknowledged world-class performers.

A similar analysis by Musica Viva reaches the same conclusions. Over the last 10 years, four internationally established ensembles have appeared twice in Musica Viva's main subscription series, each at intervals of between five and seven years. The annual fee increases for the four ensembles ranged between 5.3% and 21.5% in Australian dollars. At most, movements in the Australian dollar accounted for only a third of this increase. The remainder was driven by increases in the rate commanded internationally. (Refer Exhibit 4.18)

EXHIBIT 4.18 Musica Viva: increases in overseas artists' fees between 1988 and 1998 (CAGR per cent)



Source: Musica Viva

The challenge of covering increasing overseas and local artists' salary costs is made more difficult because few productivity gains can be realised in the performing arts. For example, it takes the same number of people as long to rehearse and perform Mozart's *Eine Kleine Nachtmusik* as it did when it was first performed over 200 years ago.

4.5.2 Production costs

Production expenses are the second largest component of overall costs, varying from 24% of costs in music to 32% of costs in theatre. Dance and opera are 29% and 30%, respectively.

Broadly speaking, production expenses cover the process of creating a work and putting it on stage. It is a labour intensive process.

Sets and costumes are also specially designed on a one-off basis and do not lend themselves to the economies associated with mass production techniques. Indeed, highly skilled artisans such as wig and costume makers are relatively few in number and are in demand from Australia's emerging film industry.

International musicals have raised expectations about the quality of set design and costumes audiences can expect to see on stage. It is, therefore, imperative that the companies' standards are also high.

In addition, technical advances have made it increasingly feasible to meet audience expectations in a cost-effective manner through computerised lighting and set changes, with a corresponding minimisation of labour costs.

The challenge for the companies is to take advantage of these technical innovations that better meet audience expectations in a cost-effective way.

4.5.3 Marketing costs

Marketing and promotion costs typically account for between 11% (theatre) and 15% (music) of a company's overall costs.

Advertising becomes critical in an environment where subscribers are fewer in number; subscription packages are smaller and more flexible; single ticket purchasers are buying later; and there are increasing numbers of diverse suppliers of performing arts product.

The key external driver for marketing costs is advertising rates, which have increased nationwide over the six years from 1992 to 1998. Standard display advertisement rates have increased most significantly in Sydney (6% per annum) and Perth (5.8% per annum), with smaller increases in each of the other capital cities (Adelaide, 4.1% per annum; Brisbane, 3.7% per annum; Melbourne, 1.3% per annum).[13] Similarly, discounted advertising rates have also increased over this period.

At a time when advertising is critical for the companies, the challenges are to find the right marketing mix and to cover the increased cost of advertising.

4.5.4 Venue costs

As noted earlier, with the exception of Queensland and Victoria, the extent of government funding of venues has fallen over the last six years. Venues have reacted to such reductions in different ways. While the Victorian Arts Centre Trust, Adelaide Festival Centre Trust, and Perth Theatre Trust have not substantially increased their hirer's fee over the period from 1994 to 1997, Queensland Performing Arts Trust and Sydney Opera House Trust have.

Queensland Performing Arts Trust increased its average per performance charge to the Queensland Theatre Company by 11.3% per annum over the 1994 to 1997 period.

Similarly, The Australian Ballet reports that the theatre cost per seat at capacity for the Queensland Performing Arts Trust has risen by 40.2% between 1997 and 1998, but was rising steadily from 1995 to 1997. The cost per performance for The Australian Ballet at the Queensland Performing Arts Trust has risen by 18.4% per annum between 1996 and 1998.[14]

Sydney Opera House Trust's price increases have been more modest by comparison. An examination of Opera Australia's venue costs shows that per performance costs rose on average 2.9% per year between 1994 and 1998. The most significant increase was between 1995 and 1996, at 5.7%. As the Sydney Opera House Trust implemented a barewalls policy in the early 1990s, the components of cost increases can be identified. Backstage labour costs, accounting for around half of total costs, rose more than any other cost element because the venue is now passing on full, rather than partial, costs.[15]

4.6 Lack of incentives to strengthen balance sheets

While the ratio of earned income to government funding ranges from 12.79 (Bell Shakespeare) to 0.15 (Tasmanian Symphony Orchestra), government funding is valued by, and important to, each of the Inquiry Companies.

The managements of the companies and governments alike acknowledge the importance of the companies building reserves to enable them to deal more effectively with the intrinsic risk in their artistic endeavours.

[13] Based on standard display advertisements for the *Sydney Morning Herald* (Sydney), *The Age* (Melbourne), *The Courier Mail* (Brisbane), *The Advertiser* (Adelaide) and *The West Australian* (Perth).

[14] TAB submission to the Inquiry.

[15] OA submission to the Inquiry.

However, there is a concern among the Inquiry Companies that building even a modest level of reserves will result in the loss of all or some of their government funding. Even if existing governments give verbal assurances about the need to build reserves, the companies remain sceptical that such a policy would survive a change in government.

Some recent examples have exacerbated such concerns: for example, one company's State funding was cut, the stated reason being that it had adequate reserves.

Given that actions speak louder than words, in the current environment a concerted effort by the companies to build reserves is unlikely to occur.

* * *

In summary, profound challenges face the Inquiry Companies in both demand and supply.

The opportunity and challenge the performing arts companies face is to capture their share of the growing spending on entertainment by producing a world-class experience with performance runs long enough to take advantage of critics' reviews and positive word of mouth. The companies need to do this in an environment of increased risk, where less certainty exists about the number and composition of subscription packages, and where more single ticket sales are being made closer to the time of the performance. The companies also need to decide whether to strengthen their appeal to an increasingly older and more female market or to target other parts of the market more aggressively with both their repertoire and marketing.

As well, significant opportunities exist to tap into the potential for greater individual philanthropy and corporate sponsorship. In both cases, the challenge for the companies is to invest the resources and build the skills to harness these opportunities.

Capturing box office, sponsorship and donation opportunities becomes even more critical in an environment where the base funding proportion of government grants is declining and Federal Government base grant funding has not kept pace with inflation.

An increasing number of diverse performing arts suppliers, many from overseas, compete with the subsidised major performing arts companies for audiences. Festivals and venues (also government subsidised), along with commercial entrepreneurs, present this competing product. Venue overcapacity and increased levels of government funding for festivals provide the incentive for the continuation of this trend in all States. In addition, funding for Playing Australia has increased the level of competition facing the companies based in the less populous States. While audiences in Adelaide, Brisbane and Perth have benefitted from greater access to the Sydney and Melbourne based major performing arts companies, the result has been a significant increase in the array of competing performing arts product available in these cities.

At the same time as the companies face increased domestic and overseas competition, fixed costs have escalated, driven by labour market pressures, higher quality production technology, higher advertising costs and, in some cases, reduced government operating funding for venues. Globalisation has played a significant role in driving these costs.

In a high-risk business, covering these increased levels of fixed costs in a more intensely competitive environment is very challenging. The lack of incentive to build reserves does not provide strong encouragement to lower costs or increase revenues so as to generate a surplus.

5 The companies' efforts to address changing industry dynamics

Key findings

The Inquiry Companies are responding to the challenges they face:

Through striving to increase audiences:

- By going for broader appeal:
  - more popular repertoire;
  - more 'names';
  - more commercially competitive production values; and
  - more sophisticated packaging and marketing.
- By going for niche markets:
  - more segment specific programming;
  - more segment specific marketing; and
  - more festival participation.
- By extending production runs through touring, including with festivals.

Through attempting to increase average ticket prices:

- by reconfiguring the house;
- by trading the house; and
- by increasing prices across the board.

Through striving to lift private sector support.

Through striving to accommodate government priorities.

Through attempting to reduce the rate of increase in costs:

- By cooperating to lower industry production costs:
  - more co-productions;
  - more buy-ins; and
  - greater coordination of the use of guest artists.
- By lowering artistic costs:
  - employing less experienced artists;
  - reducing the size of ensembles;
  - reducing the size of works; and
  - reducing the number of programs.

Through working to improve management expertise.

Introduction

The competitive pressures facing the companies have significantly increased as a result of the structural changes in both demand and supply. The companies have responded in a variety of ways, influenced by artform, geography and management sophistication.

Broadly speaking, the responses can be divided into six categories:

5.1 strive to increase audiences;

5.2 try to increase average ticket prices;

5.3 strive to lift private sector support;

5.4 strive to accommodate government priorities;

5.5 try to reduce the rate of increase in costs; and

5.6 try to improve management expertise.

5.1 Efforts to increase audiences

For any industry facing escalating levels of fixed costs, striving to increase revenue is a logical response. To achieve this aim for box office and performance fee revenue, the companies have adopted a range of strategies as follows:

5.1.1 going for broader appeal, sometimes with higher costs;

5.1.2 going for niche markets; and

5.1.3 extending production runs through touring, including partnerships with festivals.

5.1.1 Going for broader appeal, sometimes with higher costs

In an environment where overall entertainment spending is increasing and audiences are becoming better educated, more sophisticated and more demanding in relation to their entertainment choices, broadening the company's audience appeal is an attractive option from a financial perspective. The challenge is to carry out this strategy in a way that maintains the company's artistic integrity.

Companies have sought to implement this strategy through changes in programming, production and marketing.

5.1.1.1 *More popular repertoire*

Two notable recent examples of companies changing programming to include more popular repertoire are Sydney Theatre Company in 1997 and Opera Australia in 1999.

- **Sydney Theatre Company**: Following a dramatic expansion in the Sydney Theatre Company's level of activities from 1994 to 1996 and a consequent increase in costs from $11.6 million to $18 million, the company made a loss of $367,000 in 1996, leaving it with negative net assets of $353,000. Sydney Theatre Company adopted a range of initiatives to address this situation, including changing to a season of more popular repertoire in 1997. Four of the eleven subscription season plays in 1997 could be classified as 'popular', including David Williamson's *Third World Blues*, Noel Coward's *Private Lives* and Shakespeare's *A Comedy of Errors*. There was a resultant 3% increase in 1997 subscription season paid attendances and box office revenue.

  The company's ability to respond to the deteriorating 1996 financial situation in its programming for the subsequent year reflects the relatively short programming lead times for theatre.

- **Opera Australia**: In 1997, Opera Australia made an operating loss of $2.8 million after box office and private sector income failed to meet budgeted revenue projections. As the budget shortfall emerged through 1997, management planned a more popular repertoire season for 1999, the earliest season when programming changes were possible because of opera's longer lead times.

  The 1999 season includes such works as *Madame Butterfly*, *Carmen*, *The Barber of Seville*, *Tosca*, *Il Trovatore*, *La Bohème*, and *The Magic Flute*. The company's first season in 1999, the Sydney Summer Season, has demonstrated a positive response to the program with box office showing a 9.5% increase compared to the results of recent years.[1]

5.1.1.2 *More 'names'*

A number of companies have worked to improve audience attendances, and hence box office revenue, by including 'star' artists in their programming.

- In dance, music and opera, internationally acclaimed guest artists have been used.

  Queensland Ballet presented Peter Schauffaus and Jeannette Mulligan in Act 2 of *Swan Lake* as part of a triple bill program in 1996, and in 1998, the acclaimed British dancer, Darcey Bussell, performed in both the Melbourne and Sydney seasons of *La Bayadère* for The Australian Ballet.

  Sydney Symphony Orchestra's international artists in 1997 included soprano, Alessandra Marc, in performances of *Die Walküre* and Verdi's *Requiem* and conductor, Lorin Maazel, in performances of Mahler's *Fifth Symphony*.

  Opera Australia's 1999 season has included the renowned Welsh baritone, Bryn Terfel, in *Falstaff*.

  In all cases, the international 'stars' lent box office appeal to programs which had a degree of artistic challenge.

- In theatre, 'star' artists typically have a significant television or film profile. Examples include Melbourne Theatre Company's casting of Lisa McKune in *A Little Night Music*, Sydney Theatre Company's casting of Leo McKern in its 1999 production of *She Stoops to Conquer*, and Queensland Theatre Company's inclusion of Geoffrey Rush in *The Marriage of Figaro*, which opened the new Playhouse Theatre in Brisbane in 1998.

In all cases, the 'star' artists drew additional audiences to programs which presented a box office risk to the company.

5.1.1.3 *More commercially competitive production values*

With the influence of technology, production values have changed enormously over the last 15 years. There has been a fundamental shift towards the world of digital computing, computer design and computer operation of set changes. Set designers now utilise digital design, which

[1] Based on an OA public statement.

encourages and enhances more use of electronics and motorised scenery. This has had an enormous impact on commercial productions. Computer software and hardware was specifically developed by Bytecraft in Melbourne to automate the running of the Cameron Mackintosh production, *The Phantom of the Opera*.

This system is now being sold worldwide and has been installed in both the Victorian Arts Centre and the Sydney Opera House theatres.

In their efforts to meet increased audience expectations, opera, dance and theatre all provide examples of companies pursuing production values that allow them to approach those of commercial musicals.

Opera Australia regularly uses international director/designer teams for its new productions, including Australian artists now resident overseas, such as Elijah Moshinsky. Current repertoire examples include *Orpheus and Eurydice*, *Julius Caesar* and *Rigoletto*. More recently, the company has presented *Billy Budd*, a co-production with the Welsh National Opera directed by Australian, Neil Armfield.

The Australian Ballet's presentation of *La Bayadère* in 1998 used the American Ballet Theatre's production.

Opera Australia's production of *Fidelio* made extensive use of motorised scenery, while many theatre productions now use sophisticated technology, such as Melbourne Theatre Company's 1996 production of *Julius Caesar* which involved live video recording and projection of stage action. Radio microphones are also increasingly being used, not only for sound enhancement as in Melbourne Theatre Company's *A Little Night Music*, but to change the nature of live theatre and produce a different aesthetic. Barrie Kosky's production of *King Lear* for Bell Shakespeare is one such example.

5.1.1.4 *More sophisticated packaging and marketing*

A number of the companies, particularly the larger Sydney and Melbourne based companies, are developing increasingly sophisticated packaging and marketing to attract wider audiences.

Melbourne Theatre Company and Sydney Theatre Company jointly received an international award for their 1998 subscription brochures from the International Society for the Performing Arts and both companies increased their subscription season audiences in that year.

Queensland Theatre Company completely re-imaged the company in 1996 in a much more sophisticated way and its audiences increased by 15% in the next two years.

Sydney Symphony Orchestra's packaging and marketing of its Beethoven Festival in 1998 drew a completely new audience to its concert programs.

Overall, the strategy of broadening audiences through programming, production and marketing initiatives has been most strongly adopted by the larger Sydney and Melbourne based companies, although both Queensland Ballet and Queensland Theatre Company have made some forays into this area. However, most of the ways of broadening appeal involve additional costs, particularly the use of 'star' artists, higher production values and more sophisticated marketing. It is likely that the smaller companies, whether Sydney or Perth based, do not have sufficiently developed existing audience bases, nor the financial resources, to justify the incremental investment required to generate a higher level of mass appeal in this way.

5.1.2 Going for niche markets

Adept smaller companies, particularly in theatre where the production costs are lower, have far more successfully pursued niche market strategies. The challenge in doing so is to find a large enough niche to allow the company to sustain the economics associated with escalating fixed costs.

The companies have pursued niche strategies through programming and marketing initiatives in relation to elements of their subscription seasons and through accessing the festivals market.

5.1.2.1 *Segment specific programming*

Undoubtedly, the best recent example of a company pursuing a segment specific programming approach is the State Opera of South Australia's 1998 presentation of Wagner's *Der Ring des Nibelungen*, with orchestral support from the Adelaide Symphony Orchestra. Wagnerians from all over Australia and overseas made the journey to Adelaide to see *The Ring*, enabling the State Opera of South Australia to tap into a sufficiently large niche to cover the additional costs associated with bringing in artists of the quality of Maestro Jeffrey Tate.

Other examples include Playbox's programming in 1997 of *Emma Celebrazione* and State Theatre Company of South Australia's programming in 1999 of *Courtyard of Miracles*. Both of these plays targeted specific ethnic groups in the local community: the Italian community in Melbourne and the Greek community in Adelaide, respectively. The State Theatre Company of South Australia presented *Courtyard of Miracles* as an ancillary event to Adelaide's Greek Glendi Festival. In Playbox's case, *Emma Celebrazione* played to a higher than usual capacity house of 85%.

The Sydney Symphony Orchestra has also successfully tapped niche markets with segment specific programming, notably its 1997 concert of works by John Corigliano, a contemporary American composer. The concert was presented in association with the Sydney Gay and Lesbian Mardi Gras and attracted a sell-out house against a typical 50% capacity for a concert of contemporary music.

5.1.2.2 *Segment specific marketing*

Examples of sophisticated segment marketing are relatively few, but Musica Viva has been able to capitalise on the close match between the demographics of its audience and those of Sun Microsystems' market to forge a sponsorship partnership, with Sun Microsystems becoming Musica Viva's first principal sponsor.

5.1.2.3 *Festival participation*

Several smaller companies have worked successfully with festivals to reach new audiences and facilitate the development of higher risk work. A recent example is the joint Company B–Black Swan production of *Cloudstreet* which was developed and presented in conjunction with the Festivals of Sydney and Perth. A five hour, site-specific epic, the play attracted capacity audiences, far exceeding the normal reach of either company.

The Tasmanian Symphony Orchestra, as a smaller and therefore more 'portable' orchestra, has also been able to develop a niche for itself as the supporting orchestra in festival presentations and competitions involving classical period works. For example, in 1996, it was used by the Sydney International Piano Competition as the accompanying orchestra for the Mozart concerto round in the competition.

5.1.3 Extending production runs through touring, including partnerships with festivals

In some cases, touring offers the Inquiry Companies an opportunity to amortise their high fixed costs over a longer production run.

For some companies, notably those with full-time ensembles and, therefore, with a need to keep artists employed on a year round basis, touring is also a necessity. If the ensemble is relatively small in number, the incremental costs of touring are minimised and the economics of touring can work well for the company. The three contemporary dance companies, Circus Oz, and the Australian Chamber Orchestra fall into this category.

In 1998, Sydney Dance Company toured *Free Radicals* and *Salome* to four State capitals, as well as to Darwin and Alice Springs. Bangarra toured *Fish* to four State capitals, as well as to regional NSW and Victoria. Circus Oz toured through South Australia and Tasmania; and the Australian Chamber Orchestra presented subscription season programs in all State capitals, as well as in Canberra and Newcastle.

To the extent that such companies are internationally competitive, it is also feasible for them to tour internationally, in the process improving Australia's image and perceived level of sophistication overseas. All of these companies toured internationally in 1998. Indeed, Australian Dance Theatre only toured internationally in that year.

Where the ensemble is large, the economics of touring may not work for a company. It may decide to travel interstate only if the audience it can attract is large enough to defray the core and incremental costs of visiting that city. The Australian Ballet, for example, only tours regularly to Sydney, Brisbane and Adelaide. The cost of touring to Perth reduces its seasons there to one every two or three years. Opera Australia's touring is further restricted, given the very large number of people involved in touring mainstage opera. It only tours its mainstage productions to Melbourne. Even with restricted touring schedules, however, The Australian Ballet is unable to make a marginal surplus on its Brisbane, Adelaide and Perth seasons and Opera Australia has similar difficulties in Melbourne. Lower ticket prices in cities other than Sydney are a critical contributor to this problem.

Theatre companies, which do not have standing ensembles, undertake capital city and regional tours on a marginal, break-even or small surplus basis.

5.2 Attempts to increase average ticket prices

Increasing ticket prices offers companies the quickest way of increasing box office revenue, provided attendances do not fall.

Ticket prices can be increased in one of three ways:

5.2.1 reconfiguring the house;

5.2.2 trading the house; and

5.2.3 increasing prices across the board.

Appendix 2.2.5 Discussion Paper material

5.2.1 Reconfiguring the house

By reconfiguring the composition of the venue price categories and creating new categories, some of the companies have been able to capitalise on a greater diversity of pricing options and obtain an overall increase in revenue per performance.

The Sydney Symphony Orchestra, for example, increased its pricing reserves from three to five. This effectively moved more seats into a more competitive field, thereby creating greater demand and, consequently, higher box office revenue.[2]

Opera Australia has also reconfigured its seating options and section prices at the Sydney Opera House in recent years as shown in Exhibit 5.1. This included reducing the Premium and A Reserve capacity of 896 seats in 1995 to 708 seats in 1996 and subsequent years and, correspondingly, increasing the B and C Reserve capacity from 481 to 669 seats. This increased the overall volume of moderately priced seats and created fewer, higher value Premium and A Reserve seats.

In conjunction with this, Opera Australia altered its pricing points, initially raising the price of seats in each section in 1996 and subsequently further raising the price of A, B and C Reserves in 1997, while maintaining prices in both Premium and D Reserve sections. In 1998, Opera Australia again raised its ticket prices in each section by $3 to $5. The overall result has been to increase the total value of the box office from a similar number of tickets sold.[3]

EXHIBIT 5.1 Opera Australia house reconfiguration and ticket price changes: 1995–1998 (number; $)

	1995		*1996*		*1997*		*1998*	
Section	*No. Seats*	*Price*	*No. Seats*	*Price*	*No. Seats*	*Price*	*No. Seats*	*Price*
Premium	366	119	282	128	282	128	282	132
A Reserve	530	100	426	109	426	115	426	118
B Reserve	297	72	417	77	417	90	417	95
C Reserve	184	57	252	60	252	70	252	75
D Reserve	76	30	76	35	76	35	76	38

5.2.2 Trading the house

By establishing a set of market responsive pricing points, some of the companies have been able to maximise their ticket sales.

For example, the Sydney Symphony Orchestra has restructured its pricing to better match audience demand and purchasing patterns, employing 'retail tactics', such as lowering prices closer to the event date, to maximise ticket sales.[4]

Additionally, Opera Australia has maintained a maximum concession group discount of 32% in all categories except D Reserve to minimise unsold ticket sales close to the performance date and has minimised discounts in Premium and A Reserve seats.[5]

[2] SSO submission to the Inquiry.

[3] OA submission to the Inquiry.

[4] SSO submission to the Inquiry.

[5] OA submission to the Inquiry.

5.2.3 Increasing prices across the board

The primary way the companies increase ticket prices is across the board. Between 1992 and 1997, real price increases were achieved in this manner. (Refer Exhibit 5.2) Average prices increased between 0.7% (dance) and 3.2% (music) per annum in all artforms except circus. In dance, music and opera, these increases were accompanied by homestage attendance growth of 0.1%, 2.4% and 0.7% per annum respectively. Theatre reported negative growth of 0.8% per annum. This suggests that music has the greatest ability to increase ticket prices without reducing the number of attendees, possibly due to a lower level of substitutes.

EXHIBIT 5.2 Changes in main season paid attendances and real average ticket prices by artform: 1992–1997 (number (000); $)

	Paid attendances			CAGR %	Real average ticket prices			CAGR %
Artform	*1992*	*1996*	*1997*	*92-97*	*1992*	*1996*	*1997*	*92-97*
Dance	278	256	280	0.1	43.96	46.05	45.61	0.7
Music	94	100	105	2.4	28.24	28.49	33.09	3.2
Opera	345	339	357	0.7	65.81	71.24	72.41	1.9
Theatre	670	606	644	-0.8	25.37	27.50	27.08	1.3
Circus	37	35	35	-0.9	16.11	14.40	12.61	-4.8
All artforms overall	**1,423**	**1,336**	**1,422**	**0**	**38.75**	**41.88**	**42.20**	**1.7**

** Music excludes orchestra and theatre excludes Company B.*

*** Data refers to main season self-entrepeneured performances in capital cities.*

However, even in music, this is not always the case. The Australian Chamber Orchestra provides a recent example of an across the board ticket price increase. In 1998, after a period of relatively small ticket price increases, the Australian Chamber Orchestra introduced a larger 6% increase across all ticket price reserves in all cities where it presented subscription seasons. The company recorded a 6% decline in subscription sales that year. It maintained its 1998 subscription prices in 1999, recording an increase in sales of 9% which would appear to reflect subscribers' acceptance of the pricing structure. However, increases in single ticket prices in 1999 are reported to have met with resistance in both Sydney and Melbourne.[6]

The companies' inability to pass on ticket price increases without adversely affecting demand potentially has implications for the introduction of the GST.

5.3 Striving to lift private sector support

Another strategic approach companies have adopted to cover increasing fixed costs is to increase their level of private sector support.

Some arts companies have been successful in providing unique opportunities for a sponsor to tap into identified niche markets, reaching potential customers who are traditionally unresponsive to commercial media.

[6] ACO submission to the Inquiry.

For example, the Sydney Symphony Orchestra's partnership with Philips was based on the latter's marketing of the Digital Compact Cassette. By sponsoring the Sydney Symphony Orchestra, Philips was able to reach an audience of 20,000 people, representing approximately one-third of the total Australian market for fine music.[7]

Some examples of corporate sector support for the arts, such as the Sorbent sponsorship of Circus Oz, directly linked the sponsor's product to the arts event, in this case by giant toilet paper rolls being used as the safety buns.

Channel Seven's sponsorship of Opera Australia is an example of a mutually beneficial relationship where both parties are using the sponsorship to broaden their community appeal.

The amount of private sector support for the major performing arts companies has grown at 12.9% per annum in the period from 1992 to 1998, from a total of $11.1 million to $23.1 million.

The largest growth was in music, at 27.7% per annum, reflecting the low base of private sector support for the orchestras prior to corporatisation. However, the largest artform recipient of private sector support by value is opera, at $6.4 million in 1998, up from $3.7 million in 1992.

This demonstrates that, collectively, the companies have been successful in increasing revenue from sponsorship and fundraising activities in this period.

5.4 Striving to accommodate government priorities

Accessing additional government funding is another way in which companies can increase their income to cover increasing fixed costs. To achieve this, companies need to address changing government priorities.

In recent years, governments have placed increasing emphasis on access and have made available significant new funding resources to support touring. For example, the Federal Government introduced its Playing Australia program and State Governments have increased their support for regional touring.

To access these funds, the companies have developed specific initiatives which match governments' requirements. The state theatre companies used their existing network, CAST (Confederation of Australian State Theatres), to negotiate an annual funding package with Playing Australia to deliver high quality theatre product to the less populous States and to regional Australia. Sydney Theatre Company had management responsibility for the project in 1995 and 1996 and State Theatre Company of South Australia assumed the role in 1997.

The dance companies have worked with Playing Australia's Made to Move project to obtain assistance for part of their interstate and regional touring. In some cases, companies have developed specific artistic product suited to touring to facilitate obtaining access to these touring funds, for example Sydney Dance Company's production, *Free Radicals*, which was supported by Playing Australia for tours to all States and Territories.

Opera Australia also responded to the Federal Government's prioritisation of access. In 1996, it established a separate wing of the company, Oz Opera, to develop touring productions of

[7] SSO submission to the Inquiry.

mainstream operas. Two operas have been produced, *The Magic Flute* and *The Barber of Seville*, and both have toured extensively and successfully throughout Australia.

Collectively, the companies have been very successful in accessing governments' new touring funds. For the dance companies, facing high fixed costs from their performing ensembles, this funding has provided valuable assistance in covering these costs. Their financial needs and governments' policy priorities have been well matched. However, for the theatre companies and Opera Australia, the touring projects are additional to their main activities and have been undertaken on a break-even or small surplus basis with, in some cases, their needing to access private sector support to achieve a break-even result. There has been no significant financial gain and the additional workload has, in several cases, stressed the companies' administrative resources and added additional costs which cannot be recovered from the touring activities.

5.5 Attempting to reduce the rate of increase in costs

Effective cost management needs to be one of a performing arts company's priorities.

However, it is also a strategic option that can be a considered response to the cost challenges facing the industry. The two main ways the companies have focused on lowering their costs are:

5.5.1 cooperating to lower industry production costs; and

5.5.2 lowering artistic costs.

5.5.1 Cooperating to lower industry production costs

Cooperation among the companies to lower overall industry and individual company costs has significantly increased over the past decade. This trend is continuing, occurring primarily where companies are not direct competitors in a market and where the artform requirements facilitate its occurrence. For these reasons, it is seen primarily in theatre, opera and, to some extent, among concert orchestras. The way such cooperation occurs is through co-productions and buy-ins of productions in theatre and opera and through the coordination of guest artists with concert orchestras.

Production costs in theatre and opera are significant, with a new production of a play or an opera costing between $180,000 and $700,000. Therefore, attempting to lower the overall costs through cooperation can be very effective.

5.5.1.1 *Co-productions*

Co-productions are widely used in theatre and opera. Most recently in theatre, the two smallest Inquiry theatre companies, Black Swan and Company B—which both faced difficult financial positions at the end of 1997—collaborated extensively in their 1998 seasons. Each company presented five works in its 1998 season, two of which they co-produced, *Cloudstreet* and *Welcome to Broome*. This also enabled the production of works with a distinctively Western Australian content, thereby increasing the diversity of regionally-specific product.

In 1998, the Opera Conference, a Federal Government initiative, facilitated several co-productions across at least three of the four major opera companies. That year, two of the works presented by Opera Australia, *Manon Lescaut* and *Samson and Delilah*, and one of the works presented by Opera Queensland, *The Elixir of Love*, were Opera Conference supported co-productions. Two other Opera Queensland works were also co-productions, *Faust* (Opera Queensland and Victoria State Opera) and *Die Fledermaus* (West Australian Opera and Opera Australia).

5.5.1.2 *Buy-ins*

Buy-ins are also commonly used in theatre and opera. In theatre, in 1998, Black Swan presented two buy-in productions in its subscription season—Queensland Theatre Company's *After the Ball* and a South African production, *White Men with Weapons*. Sydney Theatre Company, Queensland Theatre Company and Playbox also included one buy-in production in each of their subscription seasons.

In opera, the state companies utilise the option of buy-ins. Both of West Australian Opera's 1998 main season productions were buy-ins from Opera Australia; the production of *The Ring* presented by the State Opera Company of South Australia was a buy-in from the French Théatre du Chatelet company; and Opera Queensland included one Opera Australia buy-in. Effectively, this has meant that none of the subscription season works presented by the state opera companies were their own productions, thereby significantly reducing their costs. In effect, these companies staged and presented productions, rather than acting as producer/presenters, for their mainstage work.

5.5.1.3 *Coordinating use of guest artists*

For concert orchestras, the primary way of collaborating to lower production costs is through coordinating the use of guest artists. The major gain is the amortisation of international travel costs, but the ability to offer a larger number of concert engagements can also achieve a small reduction in the artist's fee. More importantly, this collaboration allows the smaller orchestras to afford high calibre international artists. The coordination role is undertaken by Symphony Australia.

In some cases, such collaborations can be extended across not only the orchestras, but also the opera companies in relation to both conductors and singers. Recent examples include Simone Young, who has worked with the Sydney and Melbourne Symphony Orchestras while in Australia primarily for productions with Opera Australia. Bryn Terfel also performed with the Sydney and Melbourne Symphony Orchestras while in Australia primarily for Opera Australia's production of *Falstaff*.

5.5.2 Lowering artistic costs

In response to rising salary costs, companies have worked to lower their artistic costs by employing less experienced artists; by reducing the size of the ensemble and employing more guest artists; by undertaking smaller works; and by reducing the number of programs.

5.5.2.1 *Employing less experienced artists*

Music and opera companies, in particular, have pursued this approach. Facing large increases in the fee structure for guest soloists and conductors, they are utilising younger and often less experienced artists to contain costs. Musica Viva and the concert orchestras are including a larger proportion of young, emerging artists in their programs and Opera Australia is casting more younger singers in principal roles. For example, six of the international groups presented by Musica Viva in its 1997 and 1998 subscription programs were young ensembles: the Vertavo Quartet and the Ying Quartet in 1997 and the Jerusalem Trio, the Safri Duo, the Shanghai Quartet and Trio Jean-Paul in 1998. Opera Australia's recent casting of younger artists in major roles includes *La Traviata* in 1998 and *Il Trovatore* in Melbourne in 1999.

5.5.2.2 *Reducing size of ensemble*

Dance companies and Opera Australia have reduced the size of their ensembles.

- **Dance**: Since 1992, the Sydney Dance Company has reduced its number of dancers from 20 to 16; West Australian Ballet and Queensland Ballet have also scaled back their number of dancers from 23 to 17. The Australian Ballet has done the same, reducing the size of its ensemble from 66 to 62. In these circumstances, the dance companies bring in guest artists when they program larger works.

  The reduction in ensemble size is not without risk to the company's ongoing artistic vitality. Those risks are already manifest in companies such as Bangarra, which employs only eight dancers, the minimum number required to perform works such as *Fish*, which it currently has in its repertoire. In the event of sickness or accident, the company is operating without any cover for performers.

- **Opera**: Opera Australia has scaled back its overall number of principal artists, including the number of resident principals. In 1992, Opera Australia employed 28 principal artists, 20 as resident principals and eight on 12 month contracts. In 1998, in contrast, 26 principal artists were employed, but only 12 were resident principals versus 14 on 12-month contracts. This increased the company's ability to respond to changing industry pressures.

5.5.2.3 *Reducing size of works*

Theatre has the greatest strategic ability to scale back the size of works in order to reduce costs. Between 1992 and 1998, all of the state theatre companies reduced the scale of works included in their subscription seasons. Queensland Theatre Company provides the most dramatic example. The average cast size across its 1992 subscription season works was 12.4. In 1998, the average cast size was 8.7, a reduction of 30%.

5.5.2.4 *Reducing number of programs*

The state theatre companies have also reduced the number of programs included in their subscription seasons over the last few years. Between 1995 and 1998, Melbourne Theatre Company reduced its season from 13 to 11 plays and Queensland Theatre Company made a similar reduction from eight to seven plays. In 1997, Sydney Theatre Company reduced its season from 12 to 11 plays and State Theatre Company of South Australia cancelled one play in its season to reduce it from six to five plays.

Companies in other artforms have also reduced the number of mainstage programs they present. In 1999, Opera Queensland is presenting three subscription works rather than four, and Musica Viva now presents only one non-subscription international program per year compared with three in 1995.

5.6 Efforts to improve management expertise

As shown in preceding sections, the performing arts is a high risk, low margin and labour intensive industry which is operating in a highly competitive environment. The Inquiry Companies therefore face a complex and difficult management task.

To meet the artistic, marketing and financial goals which underpin success, the companies need highly skilled staff and an effective board. But in a financially pressured environment, there is an expectation that administration costs, including management salaries, will be minimised, and since the companies are not-for-profit organisations, board members receive no remuneration. These circumstances constrain the companies' capacity to compete for quality staff and to secure the required balance of skills on their boards.

However, the companies have recognised the strategic importance of improving management and governance practices if they are to respond effectively to the challenges facing the industry and they have implemented significant changes over the last few years in staffing and organisational structures, budgeting and financial systems, database and information technology systems, planning processes and governance practices. The companies have been strongly supported in these changes by both State and Federal funding agencies, particularly the Major Organisations Fund of the Australia Council.

Moreover, contrary to perceptions in some quarters, the financial pressures facing the companies generally do not stem from poor management practices.

5.6.1 Staffing and organisational structures

As has been discussed in earlier sections of this chapter, the Inquiry Companies have been responding to structural changes in demand and supply and resulting increases in competitive pressure by trying to increase box office and private sector income as well as control cost increases. To achieve these goals, quality marketing, development, financial and administration staff are required. But these are all areas where the companies compete for staff with other industries that are able to offer higher levels of remuneration. As a consequence, it can be difficult for the Inquiry Companies to attract staff with the necessary skills.

The current management staff numbers and structures illustrate the restrictions on all but the largest companies.

EXHIBIT 5.3 Management staff structure by company: 1998 (number of staff)

	Management area						*1998*
Company	*Artistic / Production*	*Administration*	*Marketing*	*Development*	*Finance*	*Total*	*Turnover ($000)*
OA	22	16	10	13	11	72	42,505
TAB	30	8	8	12	4	62	20,625
STC	12	14	4	2	5	37	14,184
MTC	11	9	8	4	4	36	10,367
MV	3.6	41.2	3	4	3	54.8	7,080
QTC	7	4	6	1	2	20	5,074
SDC	5	4	2	1.5	2	14.5	4,792
OQ	3	2	2	1	2	10	4,551
ACO	5	3.5	5	3	1	17.5	4,099
Bell	2	4	1	3	1	11	3,935
Comp B	7	2	2	1	1.5	13.5	3,329
STC of SA	2	3	3	1	1	10	3,191
SOSA	3	1.5	1	0.5	1.4	7.3	2,714
QB	2.5	1.5	0.5	0.5	1.6	6.6	2,321
Playbox	11	7	2	0.5	0	20.5	2,255
Circus Oz	4	3.5	0.5	Outsourced	Outsourced	8	1,960
WAO	1.5	3	2	Outsourced	0.5	7	1,894
BS	2	2	1	0	1	6	1,869
WAB	4.5	3.5	2	1	0.5	11.5	1,812
ADT	4	2	1	0.5	1	8.5	1,613
Bangarra	2	1.5	1	0.5	0.5	5.5	1,379
Total	**144.1**	**136.2**	**65**	**49.9**	**44**	**439.2**	**141,549**

Note: Data excludes orchestras as not all orchestras are corporatised.

As shown in Exhibit 5.3, the total number of management staff is broadly related to total income, with the number of staff decreasing as turnover decreases. Opera Australia with the largest turnover of the Inquiry Companies has 72 staff. At the other extreme, Bangarra, which has the smallest turnover, has five management staff. Only five companies have more than 30 management staff and 14 have 15 or fewer staff.

Of greater significance, however, are the changes in staffing structure which accompany the decreases in staff numbers. Exhibit 5.3 divides the companies into three groups on the basis of turnover, which highlights these changes in structure.

The management staffing of the companies can be divided into five areas, artistic/production, administration, marketing, development and finance. The five largest companies with turnover of more than $7 million maintain staffing levels of two or more in all areas.

The seven companies with turnover between $3 million and $5 million have reduced levels of specialist staffing in marketing, development and finance, with all companies having less than two staff in one or more of these areas, most commonly in finance or development. Staff numbers in the artistic/production and administration areas are maintained at two or more.

The third group of nine companies with turnover less than $3 million shows further reductions. All of these companies have less than one full-time staff member in at least one of the three specialist staff areas of marketing, development and finance. All have less than two staff in both the development and finance areas and five have less than two marketing staff. Two companies

are outsourcing their development and/or finance areas. The artistic/production and administration areas are also reduced, but in all cases there is more than one full-time staff member in these areas. These staffing restrictions in the smaller companies potentially reduce their ability to earn both box office and private sector income and to maintain effective cost control.

The development area provides a clear illustration of the critical importance of specialist skilled staff and the impact of the lack of such staff in the smaller companies.

As shown in Exhibit 5.4, the companies' levels of private sector income in 1998 were highly correlated with their numbers of development staff. Across all of the companies, the average amount of private sector income raised per staff member was $380,000. For individual companies, it ranged from $100,000 for Australian Dance Theatre to $558,000 for Playbox Theatre Centre.

The eight companies that raised more than $500,000 in 1998 all had more than one dedicated development staff member. The two companies with the highest level of private sector support, Opera Australia and The Australian Ballet, had 13 and 12 development staff members respectively. With the exception of Black Swan, none of the 11 companies with development staff numbers of one or less was able to raise more than $400,000. The data also suggests that outsourcing of this task by two of the smaller companies, Circus Oz and West Australian Opera, has only resulted in moderate success.

EXHIBIT 5.4 Development staff and private sector income by company: 1998 (number of staff; $000)

Company	*Home city*	*Development staff*	*Private sector income*	*Private sector income per staff member*
OA	Sydney	13	6,381	491
TAB	Melbourne	12	2,661	222
Bell	Sydney	3	1,393	464
MV	Sydney	4	1,170	279
ACO	Sydney	2.5	1,116	468
STC	Sydney	2	993	497
SDC	Sydney	1.5	830	553
MTC	Melbourne	2	725	363
BS	Perth	0	499	N/A
OQ	Brisbane	1	351	351
Circus Oz	Melbourne	Outsourced	337	N/A
STC of SA	Adelaide	1	293	293
Playbox	Melbourne	0.5	279	558
QB	Brisbane	1.5	264	176
WAB	Perth	1	251	251
Comp B	Sydney	1	215	215
QTC	Brisbane	1	208	208
WAO	Perth	Outsourced	184	N/A
SOSA	Adelaide	0.4	89	223
Bangarra	Sydney	0.5	87	174
ADT	Adelaide	0.5	50	100
Total		**48.4**	**18,376**	**380**

Note: Data excludes orchestras as not all orchestras are corporatised.

As discussed, the smaller companies not only have limited staffing in the development area, they also have fewer marketing staff than the larger companies. However, their marketing staff numbers are larger than those for development. (Refer Exhibit 5.3) With limited resources, the smaller companies have focussed strategically on building box office income before private sector income. The larger companies have been able to resource both areas and this has underpinned their greater success in increasing both private sector and box office income.

5.6.2 Improved financial, database and information technology systems

The larger companies have also been able to attract more highly qualified finance staff who have significantly improved their financial management systems, particularly budget management and financial reporting. This has resulted in improved cost control that, in many cases, has improved annual net results, for example in Musica Viva, Sydney Symphony Orchestra and Sydney Theatre Company, all of which achieved improved results in the last three years (1996–98) compared with the previous four years (1992–95).

A number of the smaller companies, for example Queensland Theatre Company, have also introduced improved financial systems and have begun to make more effective use of information technology particularly to establish sophisticated marketing database systems. This allows these companies to leverage their audience information to improve box office results as well as to provide information on potential donors. The box office focus is consistent with the staffing focus of these companies on employing marketing staff before development staff.

5.6.3 Improved planning processes and governance practices

The provision of triennial funding to the Inquiry Companies over the past three years by both Federal and State Governments has enabled the companies to engage in strategic and business planning. The funding agencies have worked closely with the companies to improve their knowledge and skills in this area.

As a result, all of the Inquiry Companies now have costed three to five year business plans which are revised and updated on an annual basis. Increasingly, these plans include detailed risk management assessments and strategies.

The improvements in business practices have been accompanied by improvements in governance practices—in the mix of skills on boards, and in board operating structures and decision-making practices which, in turn, have resulted in a strengthening of accountability.

Many of the companies have introduced significant changes in board membership to improve the skills-mix on the board and therefore its potential to add value. Analysis of the 1998 board membership of the companies founded by the Major Organisations Fund shows that all of the boards include artistic, marketing, legal, financial and business skills, with many boards also including specialist development skills. Boards have also changed their operating structures. All boards of companies founded by the Major Organisations Fund have Finance and/or Executive Committees which undertake detailed monthly monitoring and evaluation of the company's business position for the board. Other board committees relate to specific strategic priorities of the particular company. Some boards now articulate their own specific annual strategic goals

in relation to meeting practices and issues to be addressed through the year and, in this context, allocate specific responsibilities to individual board members. The board then undertakes an annual appraisal process of its achievements against these goals and of individual board members' contributions against agreed performance indicators.

These improvements in governance practices have been led and supported by the funding agencies, particularly the Major Organisations Fund and Arts Victoria.

The improved planning and governance practices are reinforcing the need for improved staff skills. Again, the larger companies have been better able to implement these changes. The amount and quality of information required to resource the more sophisticated governance practices strains the management resources of the smaller companies, which often have higher risk profiles.

In summary, the companies have made significant efforts to improve their management and governance and, in some cases, this has resulted in improved financial outcomes. However, the smaller companies, in particular, are constrained in what they can achieve in this area by lack of resources.

* * *

In summary, therefore, the companies have responded to the forces of more demanding and sophisticated audiences, increasingly world-class competition and rising costs in ways that are consistent with artform considerations, as well as their size and geographic location. Most companies have attempted to optimise their ticket pricing structures, although not always successfully. In addition, there have been four other generic responses.

Firstly, larger Sydney and Melbourne based companies have often invested in increasing their product appeal through more popular repertoire, more international 'names', and higher production values. Their aspiration is to address global competition head-on, enabling them to increase audiences and cover rising fixed costs.

Secondly, smaller companies, particularly those in South Australia and Western Australia, have tried to differentiate themselves by attracting niche market segments. The challenge is to find adequately large market niches that sustain their economics in the face of increased costs and competition.

Thirdly, contemporary dance, chamber ensembles and circus, because of their reasonably small size, have attempted to grow their audiences by touring a quality product, domestically and internationally.

Fourthly, theatre, opera and dance companies have tried to reduce the rate of increase in their fixed costs. Theatre has sought to do this with co-productions and buy-ins, and by reducing the number of programs in their main seasons. Contemporary dance and ballet companies have reduced the size of their ensembles. Such a response, while commercially responsible in the short run, may over time pose artistic challenges for the companies.

Not all companies have responded in these ways, but most have been diligent in attempting to address the challenges facing the sector, including through improved management and governance practices.

6 The impact on the companies' performance

Key findings

Globalisation and changing industry dynamics are adversely affecting the Inquiry Companies' performance:

Their financial performance has been adversely impacted:

- Reserves are inadequate to cover deficits:
  - cumulative deficits are large and increasing;
  - reserves are eroding; and
  - cash position is weakening.
- Rising costs are not covered by box office and private sector income increases:
  - costs are rising steadily;
  - healthy box office increases do not cover deficits and rising costs; and
  - private sector income is increasing, but off a small base.
- Opera, theatre and dance companies are the worst impacted:
  - global competition is most impacting opera, theatre and dance;
  - opera and dance are less able to respond to increased competition; and
  - large box office increases are unlikely for major opera, theatre and dance companies:
    - box office is already high versus other Australian companies;
    - they present more performances than their international peer companies;
    - they generate a higher proportion of revenue than their international peer companies; and
    - playing to larger houses offers some, but limited, potential.
- Adelaide, Brisbane and Perth based companies are adversely affected more than those based in Sydney and Melbourne:
  - their box office generation ability is less;
    - the average ticket price is lower; and
    - attendances are static.
  - their private sector income generation ability is less; and
  - their cost-revenue dynamics are less favourable.
- Dependence on government funding is increasing for the weaker companies.

Their artistic performance is being adversely affected:

- Fewer new works are being programmed.
- Reliance on existing productions is increasing.
- Fewer opportunities exist for creative and performing artists:
  - more co-productions and buy-ins;
  - more smaller scale works and performing ensembles; and
  - less investment in creative and performing artists.

Their access performance is starting to be adversely impacted:

- Education programs are being refocused to reduce costs.
- Touring is being refocused or reduced to cut costs:
  - for capital city touring; and
  - for regional touring.
- Mainstage programs are being reduced to cut costs.

Introduction

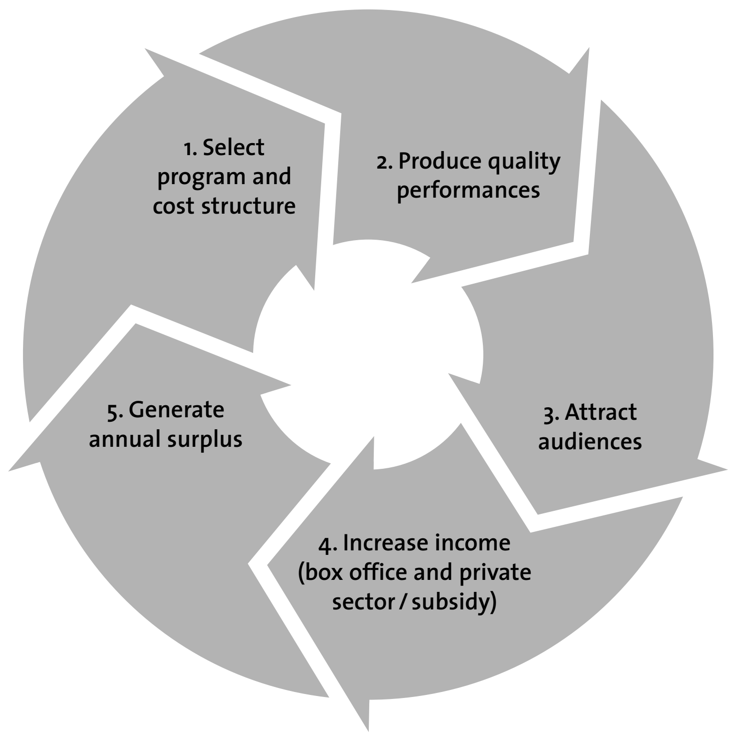
Australia's major performing arts companies, despite their contribution to the country's artistic life, have tended to lead a hand-to-mouth existence. However, the changes in industry dynamics described earlier, combined with the companies' responses to these developments, have put them under significantly greater pressure than has historically been the case.

These pressures have implications for the companies' artistic vibrancy, their ability to sustain access programs, and their financial viability.

The Major Organisations Fund's *Managing for the Future* report demonstrated how the three areas of artistic vibrancy, building audiences and financial viability are inextricably linked. When the three operate in tandem, a cycle of success can be built.

More specifically, the *Managing for the Future* report elaborated on the ways in which artistic, audience and financial elements of performance work together to build a cycle of success: 'The primary driver is selecting an artistic program that meets audience expectations with a viable cost structure. This underpins the production and presentation of quality performances. By putting on quality performances, there is the potential to attract larger audiences, which in turn results in increased income from the box office and facilitates increased income from the private sector. Success in this area results in the generation of an operating surplus, which then provides the basis for a repetition of a cycle of success'.[1] (Refer Exhibit 6.1)

EXHIBIT 6.1 Cycle of success



[1] *Managing for the Future* report, Major Organisations Fund, Australia Council, 1998, p6.

A company faced with financial difficulties may not have the necessary management skills, time and money to invest in creating artistic success and building audiences. Under these circumstances, a cycle of success may become one of decline.

This chapter examines the impact of the changing industry dynamics and the companies' responses in the areas of financial and artistic performance, and access. The financial performance is examined first because it constrains the companies' ability to put a cycle of success in train, in terms of both artistic vibrancy and audience access.

6.1 Financial performance adversely affected

Globalisation and changing industry dynamics have adversely impacted on the financial performance of Australia's major performing arts companies. The way in which financial pressures on the companies are manifesting themselves is discussed below:

6.1.1 the companies have inadequate reserves to cover their deficits;

6.1.2 increases in box office and private sector income are inadequate to cover rising costs;

6.1.3 while all artforms are adversely affected, opera, theatre and dance are the worst impacted;

6.1.4 while companies in all States are experiencing pressure, those in the less populous States are under the greatest strain; and

6.1.5 the dependence on government funding is increasing for the more vulnerable companies.

6.1.1 Inadequate reserves to cover deficits

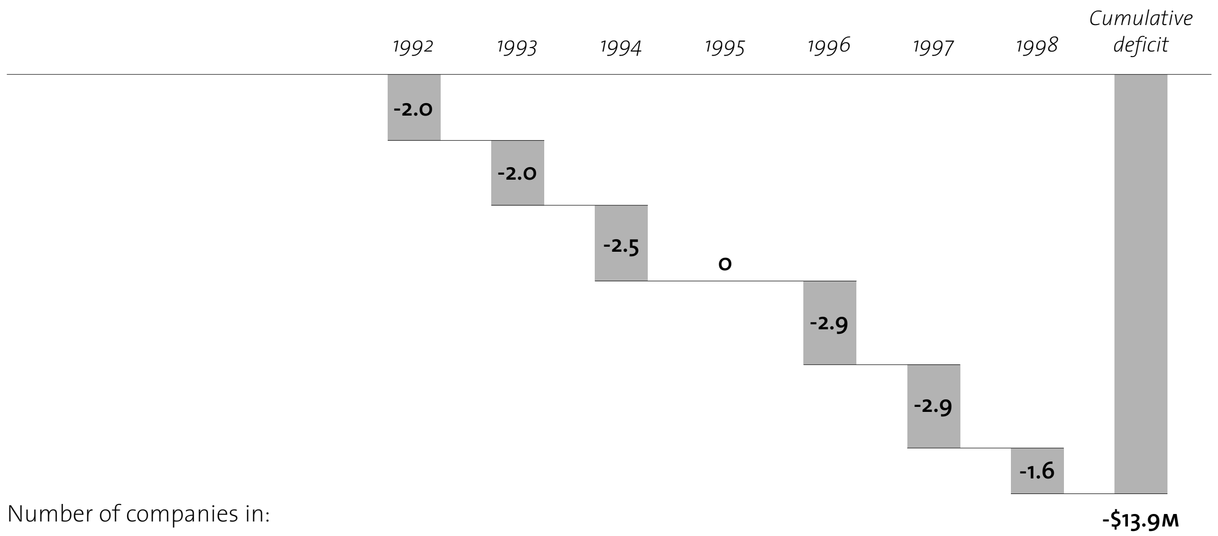
The fundamental challenge facing the companies is that they do not have the reserves and cash to cover the operating deficits they are accumulating.

6.1.1.1 *Cumulative deficits large and increasing*

Over the period from 1992 to 1998, the Inquiry Companies, excluding the orchestras and Victoria State Opera, which merged with Opera Australia in 1996, incurred a cumulative deficit of $13.9 million. The orchestras are not included because historical data is hard to interpret as they were previously part of the ABC.

An aggregate deficit was incurred by the companies each year between 1992 and 1998, with the exception of 1995 when a small surplus of $39,000 was made. In 1998, the deficit was $1.6 million. In all other years it was more than $2 million, ranging up to $2.9 million in 1996 and 1997. (Refer Exhibit 6.2)

EXHIBIT 6.2 Cumulative deficits of companies: 1992–1998 ($ million)



Number of companies in:	1992	1993	1994	1995	1996	1997	1998
Deficit	12	13	11	7	12	9	10
Surplus	9	8	10	14	9	12	11

In every year, at least seven of the 21 companies included in this analysis incurred a deficit, with the range being between seven (1995) and 13 (1993) companies. Some of the companies are in a parlous financial state.

6.1.1.2 *Reserves eroding*

Judged against the profits and losses made in Australia's corporate sector, the Inquiry Companies' cumulative losses of nearly $14 million do not seem large.

However, the significance of their losses must be assessed against the size of the reserves they maintain to cover such deficits.

In 1998, the cumulative reserves held by the companies were $11.3 million, with one company, The Australian Ballet, accounting for 76% (or $8.6 million) of those reserves.

The other 20 companies held reserves of only $2.7 million in aggregate. Over the last three years, these 20 companies made losses of an average of $2.7 million per year. In other words, their 1998 reserves will only cover one year of losses at the average rate they have been occurring over the past three years.

The seriousness of the situation varies by company and by artform. (Refer Exhibit 6.3)

Six companies already have negative net assets and, therefore, have no reserves to cover future operating losses. They are four of the nine theatre companies (Melbourne Theatre Company, Black Swan, Bell Shakespeare and the State Theatre Company of South Australia); one dance company (Australian Dance Theatre); and one music organisation (Australian Chamber Orchestra). All of these, except Bell Shakespeare, made cumulative deficits for the last three years; Bell broke even.

Ten companies have reserves of up to $500,000 each. They are four of the six dance companies (Queensland Ballet, West Australian Ballet, Bangarra, and Sydney Dance Company); three of the nine theatre companies (Company B, Playbox and Queensland Theatre Company); and three of the four opera companies (State Opera of South Australia, Opera Queensland and West Australian Opera).

Eight of the ten companies with positive reserves of up to $500,000 made a loss over the last three years, the exceptions being the State Opera of South Australia and Bangarra. As Exhibit 6.3 shows, the companies' capacity to cover another deficit at the level of their average annual loss for the last three years varies considerably. Queensland Ballet is the most vulnerable. Its reserves would cover only 70% of its average deficit. West Australian Opera is less vulnerable, with reserves sufficient to cover its average loss more than 22 times over.

Five companies have reserves greater than $500,000. They are Circus Oz and Sydney Theatre Company, Musica Viva, Opera Australia and The Australian Ballet. One of these companies, namely Opera Australia, made a loss over the last three years. Whilst showing signs of improvement, it is still incurring significant losses. At the average annual rate of losses over the last three years, Opera Australia's reserves would last only six months. (Refer Exhibit 6.3)

EXHIBIT 6.3 Profile of companies' reserves: asset base and profit cover: 1998 ($000)

Category	*Company*	*Average annual profit**	*1998 net assets*	*Profit cover (years)*
Negative net assets	MTC	(161)	(1220)	0
	BS	(186)	(591)	0
	Bell	0	(198)	0
	STC of SA	(131)	(126)	0
	ADT	(85)	(57)	0
	ACO	(28)	(97)	0
Net assets $0 - $500,000	QB	(75)	50	0.7
	Comp B	(29)	63	2.2
	WAB	(136)	97	0.7
	Bangarra	9	114	N/A
	Playbox	(101)	114	1.1
	SDC	(37)	128	3.4
	SOSA	150	231	N/A
	OQ	(162)	323	2.0
	QTC	(86)	301	3.5
	WAO	(28)	321	11.6
Net assets > $500,000	Circ Oz	55	545	N/A
	STC	249	762	N/A
	MV	55	935	N/A
	OA	(1,968)	975	0.5
	TAB	218	8,638	N/A

* *Average of last three years (1996–1998).*

As a result, the companies are extremely vulnerable. Six have negative net assets. A further six companies' reserves would be exhausted in the next three years if losses were to continue to be sustained at the rate incurred over the past three years. Furthermore, with one exception (The Australian Ballet), none of the remaining eight companies have net assets greater than $1 million.

Moreover, to maintain overall net assets at $11.3 million over the past six years (down from $12.9 million in 1992), assets have been revalued upward by $6.2 million (primarily by Opera Australia); $2.3 million of assets have been sold for a profit (Musica Viva, Playbox and The Australian Ballet); and capital grants of $2.5 million have been made by governments (Opera Queensland, State Opera of South Australia and the State Theatre Company of South Australia). A capital grant of $5.5 million was also made by the Victorian Government to Victoria State Opera in 1996 which is not included in these figures. Other minor changes were also made, such as changes in accounting standards, Bell Shakespeare's issuing of share capital, and the use of endowment funds by Musica Viva.

When reviewing any of the balance sheets, the question must be asked as to whether the assets on the balance sheet are able to be easily realised? It is clear that very few of the companies have material amounts of such assets.

6.1.1.3 *Cash position weakening*

The losses that the companies have made are being 'financed' primarily by an increase in current liabilities.

Detailed balance sheets for 1991 are not available for all the companies. The Inquiry has therefore not been able to examine how the $2 million loss incurred by the companies in 1992 was financed. The analysis therefore covers the period 1993 to 1998.

Governments were major funders, with 11 companies being provided with subsidies in advance: two in opera (Opera Australia and Opera Queensland), three in theatre (Sydney Theatre Company, Bell Shakespeare and Black Swan); five in dance (Australian Dance Theatre, West Australian Ballet, the Australian Ballet, Queensland Ballet and Sydney Dance Company); and one in music (Musica Viva).

Loans from banks and universities were the second largest source of funds, with five companies receiving funds in this way. Opera Australia borrowed against assets and the Melbourne Theatre Company received a loan from The University of Melbourne, while The Australian Ballet, Playbox and the Queensland Theatre Company all increased their bank overdraft.

In addition, seven companies effectively utilised income from the next season to continue to operate: one in opera (Opera Australia); two in dance (West Australian Ballet and Bangarra); two in theatre (Melbourne Theatre Company and Sydney Theatre Company); and two in music (Australian Chamber Orchestra and Musica Viva).

Finally, an increase in creditors was a large source of financing for 11 companies: two in opera (Opera Australia and West Australian Opera); five in theatre (Melbourne Theatre Company, Sydney Theatre Company, Queensland Theatre Company, Black Swan, Circus Oz); two in dance (Sydney Dance Company and Bangarra); and two in music (Musica Viva and Australian Chamber Orchestra).

The deterioration in the companies' cash position makes the companies highly vulnerable.

6.1.2 Earned income increases do not cover cost gap

As stated in the previous section, in 1998 the companies (excluding the concert orchestras, Symphony Australia, and the pit orchestras) made a loss of $1.6 million, a $400,000 improvement over the $2 million lost in 1992.

Before allowing for government funding, earned income over the period 1992 to 1998 rose at a healthy 4.2% per annum from $80.9 million in 1992 to $103.2 million in 1998. In 1998, the concert orchestras earned $23.8 million bringing the overall total to $127 million.

Unfortunately, costs rose at almost the same rate of 4.1% per annum, from $112.5 million in 1992 to $143.1 million in 1998. In 1998 concert orchestras' costs were $60.2 million, bringing the overall total to $203.4 million.

In other words, earned income did not rise fast enough to cover the increase in costs and to bridge the existing deficit.

The cost-revenue dynamics that have produced these results are described in the sections below.

6.1.2.1 *Costs rising steadily*

Expense growth of 4.1%[2] per annum reflects the companies' response to the forces of globalisation and changing industry dynamics.

Salary Expenses

Salaries and fees are the companies' largest cost area. Over the six year period from 1992 to 1998, salaries, fees and wages rose by 3.3% per annum to $65 million.[3] In 1998, the salary expense for the orchestras was $44.2 million, bringing the overall total to $109.2 million.

In an environment where few artistic productivity gains are possible and the international market place is putting significant upward pressure on artistic salaries, companies responded by taking the type of initiatives to control costs described in Chapter 5. Companies reduced the size and number of productions, reduced the size of ensembles, undertook more co-productions and buy-ins, and used less experienced artists.

As a result, salaries in music[4] rose by only 0.6% (Australian Chamber Orchestra increased 5.1% per annum, but Musica Viva declined by 1.6% per annum), theatre by 2.1%, and dance by 2.6%. Opera rose by 5.2%, largely reflecting Opera Australia's taking over the artistic responsibilities of Victoria State Opera. (If Victoria State Opera's non-commercial 1992 activities are included in Opera Australia's 1992 cost base, opera's salary expenses would have risen by 1.0% per annum.)

Production Expenses

Production expenses, the second largest overall cost, rose by 3.6% per annum to $42.6 million between 1992 and 1998.[5] In 1998, production expenses for the concert orchestras were $5.2 million, bringing the overall total to $47.8 million.

Having been exposed to productions such as *Les Miserables* and *The Phantom of the Opera*, audiences now have a more sophisticated view about the production values they expect to see on stage. However, the economics of the large commercial productions are very different from those of the Inquiry Companies, which cannot hope to match the stagecraft of these spectaculars. Nonetheless, increasing audience expectations have undoubtedly contributed to rising production costs.

[2] Excludes symphony orchestras.
[3] Excludes symphony orchestras.
[4] Excludes symphony orchestras.
[5] Excludes symphony orchestras.

Production costs also include venue hiring charges, which, as outlined in Chapter 4, rose significantly at Queensland Performing Arts Trust and, more modestly, at the Sydney Opera House Trust.

As a result, theatre production costs have risen by 4.5% per annum to $14.6 million between 1992 and 1998; opera by 3.5% per annum to $15.8 million in 1998; and music, off a very low base of $1.4 million, by 11.6% per annum. Dance production costs stayed relatively flat, reflecting a reduction of 1.7% by The Australian Ballet, which was offset by significant increases by all the other dance companies.

Marketing Expenses

Marketing costs showed the largest per annum increase of all the cost areas, increasing by 7% per annum to $17.2 million.[6] In 1998, marketing costs for the concert orchestras were $4.3 million, bringing the overall total to $21.5 million.

The explanation for this increase lies in the intensely competitive environment in which the companies find themselves. The companies not only have to compete against international productions, festivals and self-entrepreneuring by venues, but also have to deal with the changing buying patterns of their customers. The switch to later and more single ticket sales requires a greater marketing focus to reach and attract audiences.

The increased need for sophisticated marketing has occurred at a time when advertising rates have also increased markedly.

In addition, the companies have had to become more sophisticated in the way they use marketing to obtain private sector income. Development staff need to be better skilled and need to invest more in developing and cultivating each key private and corporate supporter.

As a result, marketing expenses have risen at rates between 4.3% for theatre to 11.2% for music.[7] Opera and dance, at 7.3% and 8.6% per annum respectively, were in the middle of the range.

Administration Expenses

Administration expenses, which account for 13% of costs, have also risen at a substantial 6.0% per annum between 1992 and 1998 to $18.4 million.[8] In 1998, the administration expenses of the concert orchestras were $6.6 million, bringing the overall total to $25.0 million.

Administration costs, which include expenses such as premises, systems investments (such as ticketing and accounting) and telecommunication charges, escalate as a result of increased organisational complexity. Undertaking more touring and education programs increases the level of administrative expenses, as does the need to increase private sector support. Increased industry cooperation to lower costs through such measures as co-productions and buy-ins, results in a need for greater coordination, thereby further increasing the administrative costs.

As a consequence, administrative costs have increased by 4.4% and 5% per annum for dance and theatre respectively, by 6.1% for opera (adjusted for Victoria State Opera, the figure would be 2%), and 16.2% for music off a low base of $900,000 per year.[9]

* * *

[6] Excludes symphony orchestras.
[7] Excludes symphony orchestras.
[8] Excludes symphony orchestras.
[9] Excludes symphony orchestras.

In summary, therefore, expenses in every category have risen at a steady rate despite significant efforts by the companies to control costs.

6.1.2.2 *Box office increases healthy, but inadequate to cover deficits and rising costs*

Box office and fee income, of $75 million which represented 53% of overall income (excluding orchestras), rose at a healthy 3.4% per annum between 1992 and 1998. However, with costs rising at 4.1%, the rate of increase in box office and fee income was not enough to cover the pre-existing deficit. When orchestras are added, box office and fee income rose by $18 million to $93 million.

Moreover, to reduce costs, some companies cut back on their level of activities in 1998. As a result, box office and fee income decreased between 1997 and 1998 from $77.5 million to $75 million. Income decreased in all artforms, but particularly in dance ($1 million) and theatre ($900,000). Opera and music saw reductions of $200,000 and $400,000 respectively. The annual growth rate in box office and fee income between 1992 and 1997 was 4.8%, in comparison to the 3.4% growth rate between 1992 and 1998.

Detailed information on attendances, ticket prices and fee income is not available for 1998. 1997 information is used to understand the underlying trends that are driving box office and fee income.

Box office

In 1997, box office receipts totalled $66.8 million and accounted for 86% of income generated from audiences. The remaining 14% came from fee income, which was obtained by selling off product.

Box office is estimated to have risen at a rate of 4.5% per annum over the period 1992 to 1997.[10]

As indicated in Chapter 2, it is not possible to obtain reliable paid attendance statistics for all companies for activities outside of their mainstage performances, including regional touring. Analysis of the relationship between ticket prices and attendances is, therefore, based on the companies' self-entrepreneured mainstage activities.

This data shows that, in aggregate (excluding Company B[11] and orchestras), the increase in self-entrepreneured mainstage box office came exclusively from higher ticket prices, which on average increased from $33.66 to $42.20 per ticket, or 4.6% per annum. Attendances on the other hand remained relatively static.

In other words, overall it does not appear to have been possible for the companies to increase both ticket prices and attendances. Despite consumers increasing their live theatre spending by over 7% per annum, the Inquiry Companies have not been able to 'keep up' with the competition, and have, as a consequence, lost market share. The trend to reduce the number and quality of performances in order to cover escalating costs has exacerbated that position.

The introduction of the GST and the strain imposed by the Olympics is likely to place significant additional financial pressures on the companies.

Fee Income

Fee income is generated by selling-off product to venues, festivals or other entrepreneurs including Inquiry Companies, which then assume the box office risk. In return, the company receives a fee for a negotiated number of performances. The 'entrepreneur' undertakes the marketing of the season. This occurs particularly in dance and theatre with buy-ins.

The attraction for companies in adopting this approach is that risk is reduced and they are more readily able to match costs and revenue. Equally, however, the company loses the potential upside associated with generating superior attendances.

Exhibit 6.4 shows, for 1997, the extent to which companies in each artform (including symphony orchestras) either self-entrepreneured or sold-off their product.

[10] Excludes symphony orchestras.

[11] Detailed Company B data is unavailable for 1992.

EXHIBIT 6.4 Profile of performance income by artform and company: box office and fees: 1997 (per cent)

Artform	*Company*	*Performance income* Box office	Fees
Dance	TAB	97	3
	QB	63	37
	WAB	77	23
	SDC	43	57
	ADT	21	79
	Bangarra	8	92
Dance total		**83**	**17**
Opera	OA	96	4
	OQ	92	8
	SOSA	100	0
	WAO	100	0
Opera total		**96**	**4**
Theatre	STC	88	12
	MTC	87	13
	QTC	82	18
	Bell	80	20
	STC of SA	100	0
	Playbox	74	26
	Comp B	57	43
	BS	96	4
	Circ Oz	45	55
Theatre total		**83**	**17**
Chamber Music	MV	59	41
	ACO	82	18
Chamber Music total		**68**	**32**
Orchestra	SSO	95	5
	MSO	96	4
	WASO	89	11
	QSO	73	27
	ASO	69	31
	TSO	90	10
	AOBO	0	100
	QPO	20	80
	SOV	41	59
Orchestra total		**81**	**19**
Overall total		**85**	**15**

Orchestras generate fees not only by selling off concerts but also by undertaking work for ballet and opera companies.

Smaller theatre and dance companies are more likely to sell-off productions as they are less able to absorb risk. As an example, Bangarra, the smallest of the Inquiry Companies, sells off almost all of its productions.

In many cases, it is venues which buy-in the companies' product. However, as discussed in Chapter 4, although venues have maintained their self-entrepreneuring activities, they are becoming more risk averse. Some have indicated to the Inquiry that they will reduce the number of productions they take from the companies in order to reduce their box office risk exposure.

6.1.2.3 *Large private sector gain, but off a small base*

Private sector income consists of revenue generated from donations from private individuals and corporations, as well as from sponsorships, primarily by corporations.

In 1998, total private sector income was $18.4 million. In addition, orchestras generated a further $4.7 million bringing the overall total to $23.1 million.

For the companies other than orchestras, total private sector income has risen from $11 million in 1992 to $18.4 million in 1998, an increase of 8.9% per year. Contrary to the box office and fee trend, private sector income increased by 19.5% between 1997 and 1998 from $15.4 million to $18.4 million. Sponsorship accounted for 63.7% ($9.8 million) of the 1997 figure, with donations representing the balance ($5.6 million).

However, while rising rapidly, private sector income[12] is small, accounting for only 13% of income, against 53% for box office and fee income in 1998 (11% if concert orchestras are included).

As a result, an increase in private sector income, even of the size recently experienced, has not been enough to offset rising costs.

Equally, other sources of income, such as from recordings and simulcasts, as well as other 'event' income is small ($9.8 million or 7% of overall revenue), rising at only 2.2% per annum since 1992.

* * *

In summary, therefore, significant increases in box office, fee income, and private sector support have been recorded, with the box office being driven by significant ticket price increases. However, despite the size of these increases, they have not been large enough to cover the existing deficit and the rate of rising costs.

6.1.3 All artforms affected—opera, theatre and dance most

All artforms are under significant financial pressure. However, the artforms in which these pressures are most strongly manifested are opera, theatre and dance.

The reasons this is occurring are:

6.1.3.1 competition is most directly impacting opera, theatre and dance;

6.1.3.2 opera and dance are the least flexible in being able to respond to increased competition;

6.1.3.3 the large opera, theatre and dance companies have limited capacity to increase box office income further; and as a result,

6.1.3.4 opera, theatre and dance have generated the largest deficits.

[12] Excluding symphony orchestras.

6.1.3.1 *Competition most impacting opera, theatre and dance*

Traditionally, competition among the artforms of opera, theatre, dance and music has been modest. The companies competed among themselves, but there was relatively little cross-over of audiences.

This situation has changed. The rise of large scale commercial musicals, festivals, opera and dance spectaculars, as well as film and CDs has given audiences more choice, with far greater competition for audiences. The factors that have resulted in these developments are outlined in Chapter 4.

As Exhibit 6.5 indicates, the artforms that have been most affected by these alternative forms of entertainment have been broadline theatre, opera and ballet. Orchestras have been least affected.

Looked at from the perspective of the new entrant, festivals are subject to the most intense competition, providing, of course, that the festival coincides with other performances of the artforms which the festival is presenting.

EXHIBIT 6.5 Profile of competition (nature of competition)

	Traditional competition							*New competition*							
								Venues	*Globalisation / New technologies*					
Type of company	*Broadline playhouse*	*Niche playhouse*	*Ballet*	*Modern dance*	*Opera*	*Orchestra*	*Chamber music*	*Commercial musicals*	*Festivals*	*Opera spectaculars*	*Dance spectaculars*	*Film*	*CD*	*Number of H/M*
Broadline playhouse	---	M	L	L	M	L	L	H	H	L	M	H	L	3/3
Niche playhouse	M	---	L	M	L	L	L	L	H	L	L	M	L	1/3
Ballet	L	L	---	M	M	M	L	L	H	M	H	L	L	2/4
Modern Dance	L	M	M	---	L	L	L	L	H	L	M	M	L	1/4
Opera	M	L	M	L	---	M	L	M	H	H	L	L	H	3/4
Orchestra	L	L	M	L	M	---	H	L	M	L	L	L	H	2/3
Chamber Music	L	L	L	L	L	H	---	L	H	L	L	L	H	3/0
Number of H/M	**0/2**	**0/2**	**0/3**	**0/2**	**0/3**	**1/2**	**1/0**	**1/1**	**6/1**	**1/1**	**1/2**	**1/2**	**3/0**	**---**

Level of substitution: H *= High M = Medium L = Low*

6.1.3.2 *Opera and dance least able to respond*

Opera and dance are the least flexible in being able to respond to increased levels of competition for four reasons. They have the most complex artistic development process, the highest level of production costs, the highest artistic costs per performance and longer lead times.

i. **Most complex artistic development process**

While artform differences exist, the fundamental process of getting a new work performed involves the following four stages:

1. *Creation of work*—the work is created by one or two of the following people: a composer, a playwright, a librettist, or a choreographer;
2. *Creation of production*—variously, a director, a choreographer, a composer and a design team for sets, props and costumes as well as lighting, are required to create the production;
3. *Building of production*—a workshop production team for sets, props and costumes builds the production; and
4. *Production rehearsal and staging*—a combination of a conductor, musicians, actors, dancers, and singers (as well as artistic support staff and technical staff) are involved in rehearsing and staging the production.

Creating a new work and its presentation on stage typically involves going through all four stages. In contrast, creating and staging a new production of an existing work involves only stages two to four. Remounting an existing production most typically involves only stage four.

Within this overall framework, there are significant artform differences, as outlined in Exhibit 6.6.

Appendix 2.2.6 Discussion Paper material

EXHIBIT 6.6 Overview of the artistic development process: Artform differences

	Dance	*Music*	*Opera*	*Theatre*
Create work				
Composer	F	F	F	
Playwright/Librettist			F	F
Choreographer	F			
Create production				
Design Team	F		F	F
Director			F	F
Choreographer			O	O
Composer				O
Organise Lighting	F	F	F	F
Build the production*				
Production team for:				
Sets	F		F	F
Props	F		F	F
Costumes	F		F	F
Rehearse and perform				
Conductors	F	F	F	
Musicians	F	F	F	O
Actors				F
Dancers	F		O	
Singers		O	F	

F = Frequently O = Occasionally

* *Music does not present productions.*

At the stage of creating the work, music and theatre involve a composer and a playwright respectively. In comparison, dance and opera are more complex to create because two artforms are involved. In the case of dance, a composer and choreographer are required, while with opera, a composer and librettist are necessary. Dance is unique as an artform in the way new work is created. A choreographer works with an ensemble of dancers, using the dancers as the palette on which to create the work. As a result, the ensemble is required through the entire creative process. Worldwide, more new musical compositions and plays are produced than are new works for dance or opera, reflecting the relative complexity of the creative process for the different artforms.

In the next two stages of creating and building a production, music again has fewer activities as it presents concerts not productions. Only lighting needs to be organised. In contrast, in dance, opera and theatre, the need to deliver a visual experience requires a director and design team. This may be supplemented by a choreographer in opera and theatre where dance is a part of the performance, or by a composer in theatre where music is integral to the production. Dance typically has less complex sets because stage space needs to be maximised for the dancers to perform. Opera could by-pass both of these phases of the production development process by presenting a concert version of an opera. However, this would no longer be regarded as mainstage opera.

Finally, the rehearsal and performance stage is also more complex for dance (specifically ballet) and opera, as it typically involves performers from two artforms, an orchestra as well as dancers and/or singers. In contrast, music and theatre usually involve one artform, musicians and actors respectively. Moreover, an orchestral performance can involve upward of 110 musicians as well as a conductor. In contrast, a cast of ten would be regarded as large in theatre and some plays only require one or two actors.

Overall, to the extent that more and different types of parties are involved at each stage of the production development and staging process, opera and dance pose the most complex management task, followed by theatre and then music.

ii. **Highest level of production costs**

The relative complexity of the production development process is reflected in the relative costs of staging dance, opera and theatre productions.

Production costs (including royalties) are large up-front costs that are driven by the programming decision about which production to perform, and involve the first three stages of the process outlined in the previous section.

Direct comparisons among artforms are obviously difficult. However, the Inquiry has invested significant effort in understanding the composition of the companies' costs by stage of process for each artform, both for mainstage and touring activities. It has undertaken this analysis for all of the companies' productions and performances for 1997 (except for the orchestras). Within the constraints of the repertoire performed by each company in that year, it is possible to draw conclusions from this analysis.

That data shows that production costs for a new full-length work by The Australian Ballet were more than $800,000. No new work was produced by any of the Australian opera companies, but the average cost of a new mainstage production of an existing work by Opera Australia was around $700,000. In contrast, the Sydney Theatre Company's average cost for a production of a new work or a new production of an existing work was around $220,000 and $238,000 respectively.

In other words, the production costs associated with creating a new work or a new production of an existing work for dance and opera were more than three times that for theatre.

Comparisons among the smaller companies are somewhat more limited because of the repertoire undertaken in 1997. However, to the extent that new work or new productions were undertaken in 1997, the production costs for opera were the highest ($570,000 for Opera Queensland), followed by theatre (between $75,000 and $190,000 for all the smaller theatre companies), and ballet ($75,000 for Queensland Ballet). However, the relatively low ballet costs result from a low-budget production of *Coppélia* and should not be regarded as typical of the costs associated with a significant production of a major classical work.

For the smaller opera and theatre companies, at least, the same three to one relationship for production costs broadly holds. In contrast, music has low 'production' costs for presenting a concert.

With higher fixed costs for opera and ballet also goes increased risk when the production is self-entrepreneured.

iii. **Highest artistic costs per performance**

Stage four of developing and staging a work involves the artists rehearsing and performing.

The relevant benchmark for examining artistic costs is on a per performance, rather than a per production basis, even though ensemble companies amortise their costs over as many productions and performances as possible to lower the cost per performance.

Again, there are significant differences among artforms, with opera and dance being the most expensive of the production artforms. The programs that are discussed below are the same as those outlined in the previous section.

The average per performance artistic cost for Opera Australia's four new 1997 productions was $45,000, including guest artists, the ensemble and associated travel costs (but not including orchestral costs). The Australian Ballet's costs, on the other hand, averaged $20,000, again not including orchestral costs. In contrast, the average costs per performance for Sydney Theatre Company's three new works and six new productions of an existing work were $1,700 and $2,000 respectively. In theatre, there is no full-time or part-time ensemble and artists are contracted for specific productions.

In other words, opera's artistic costs were double those of ballet in 1997, and theatre's costs were a tenth of ballet's. The performance economics of the various artforms are, therefore, quite different.

Music's performance economics differ from those of the production companies. The average per concert artistic costs for the Australian Chamber Orchestra for its homestage performances were $18,330. In contrast, the per concert artistic costs for the Sydney Symphony Orchestra's Philips Masters Series were $90,500. However, in these instances, the total costs are amortised over three or four concerts, compared with up to 12 in the case of opera and ballet.

The artistic performance economics of the smaller production companies are different again. In the case of opera, Opera Queensland (like the other state companies) operates as a *stagione* company and, unlike Opera Australia, does not have an ensemble. The average per performance artistic cost for Opera Queensland was $90,000, double that of Opera Australia, which clearly benefits from being able to deploy resident principals and chorus more flexibly. Queensland Ballet, on the other hand, has lower per performance artistic costs than The Australian Ballet ($15,000 versus $20,000), reflecting the smaller scale of its ensemble. Smaller theatre companies varied between $1,000 (Playbox) and $4,000 (Queensland Theatre Company).

In other words, while the difference between opera and ballet was greater for the smaller companies, theatre costs were between four and 20 times less than ballet. Opera and ballet had by far the highest artistic costs.

The higher artistic costs amplify the risk of managing opera and ballet companies as well as orchestras.

iv. **Longer lead times**

As elaborated in section 4.5, the lead time for finalising an artistic program varies significantly by artform.

All Australia's opera companies have lead times of between two and three years, as do the orchestras and chamber music companies.

Dance, particularly ballet, varies in Australia by company. The Australian Ballet faces lead times of between three and five years to secure a major overseas choreographer to produce a new work. In contrast, programming decisions for Queensland Ballet and West Australian Ballet are made within a six to 12 month time frame.

Theatre has short lead times of between six and 12 months.

Companies with long lead times, high fixed costs, and a high level of competition face a major strategic challenge. They cannot respond quickly and flexibly to changing audience demands and new competition. Programming choices which may have been desirable under one set of circumstances cannot readily be addressed for two to three years when the market changes. Under these conditions, the companies are artistically, managerially and financially more vulnerable. Australia's opera and ballet companies face these challenges to a larger extent than the other arts companies.

6.1.3.3 *Large opera, theatre and dance companies: constrained box office upside*

Faced with external uncertainty, the management of Australia's opera, theatre and dance companies have often responded by working to increase box office. Chapter 5 describes the nature of some of those responses, particularly in introducing a more popular repertoire, bringing in more 'names', and extending production runs through touring. Such initiatives are to be encouraged.

Nonetheless, in an environment of greatly increased competition, realistic expectations need to be set as to the extent to which increased costs can be recovered and deficits bridged by significant box office revenue expansion.

Australia's large ballet, dance and theatre companies, The Australian Ballet, Opera Australia, Sydney Theatre Company and Melbourne Theatre Company in particular, face constraints in their ability to generate higher box office revenues. The reasons for this are discussed in the following sections.

i. **Higher proportion of box office than Australian counterparts**

As Exhibit 6.7 shows, The Australian Ballet, Opera Australia, Sydney Theatre Company and Melbourne Theatre Company generated a far higher percent of their income from box office than other companies in their artform.

These four companies also generated a higher percent of revenue from box office than any other companies in any artform, except for Company B and Musica Viva.

EXHIBIT 6.7 Total revenue from box office and fees by artform and company: 1998 (per cent)

Artform	*Company*	*Box office and fee income*
Dance	TAB	54.3
	WAB	28.0
	QB	19.9
	SDC	40.6
	ADT	29.0
	Bangarra	29.7
Opera	OA	54.4
	SOSA	35.2
	WAO	39.3
	OQ	27.5
Theatre	MTC	76.5
	STC	70.7
	Comp B	61.2
	Bell	50.5
	Playbox	41.7
	Circ Oz	41.2
	QTC	40.7
	BS	31.9
	STC of SA	29.1
Music	MV	58.4
	ACO	53.2
	SSO	40.6
	MSO	32.2
	QSO	29.4
	WASO	20.0
	ASO	24.7
	TSO	12.1

ii. **More performances than international peers**

Exhibit 2.2 in Chapter 2 demonstrated that The Australian Ballet and Opera Australia, as well as the Sydney Theatre Company and Melbourne Theatre Company presented more performances than their international peers.

In the case of The Australian Ballet, this meant that it presented more performances than the English National Ballet, the Royal Ballet, and the American Ballet Theatre.

In the case of Opera Australia, it presented more performances than The Metropolitan Opera, the English National Opera, the Royal Opera House, the Bavarian State Opera, La Scala, or Opéra Nationale de Paris.

Sydney Theatre Company also presented more performances than its international peers, including the Royal National Theatre, the Goodman Theatre in USA and the Stratford Festival in Canada; and Melbourne Theatre Company also presented more performances than these companies, except for the Royal National Theatre.

In summary, Australia's leading dance, opera and theatre companies perform more than their international peers.

iii. Higher proportion of box office than international peers

A comparison of The Australian Ballet, Opera Australia, Sydney Theatre Company and Melbourne Theatre Company with their international peers show three distinct revenue generation models at work. (See Exhibit 6.8)

The Australian model is best classified as a *box office led* model, with The Australian Ballet and Opera Australia as well as Sydney Theatre Company and Melbourne Theatre Company showing the highest per cent of revenue from box office of any of their international peer companies.

The United States of America model could be called the *private sector model*, with the combination of both performance and the private sector making the major contribution to revenue, with virtually no revenue coming directly from government. However, when the tax benefits associated with income from the private sector is taken into account in the USA and Australia, the implicit level of government support is between 11% for opera and 15% for ballet in the USA, compared to 30% and 23% respectively in Australia.

The United Kingdom model is best described as a *government model*, with more revenue coming from government than from any other single source.

EXHIBIT 6.8 International benchmarks: composition of revenue: 1997 (per cent of total revenue)

		Revenue source			
Artform	*Company*	*Box*	*Private*	*Government*	*Other*
Ballet	**The Australian Ballet**	**55**	**15**	**17**	**13**
	American Ballet Theatre	48	46	2	4
	Houston Ballet	46	30	3	21
	English National Ballet	38	2	56	4
	Royal Ballet	38	6	44	12
Opera	**Opera Australia**	**57**	**10**	**27**	**7**
	The Metropolitan	51	49	0	-
	Canadian Opera Company	25	50	25	-
	English National Opera	38	5	57	-
	Royal Opera House	55	12	33	-
Music	**Sydney Symphony Orchestra**	**39**	**7**	**53**	**1**
	Minnesota	29	35	3	33
	San Francisco	35	37	4	24
	City of Birmingham	57	6	3	34
Theatre	**Sydney Theatre Company**	**76**	**6**	**13**	**5**
	Melbourne Theatre Company	**75**	**7**	**14**	**4**
	Goodman Theatre	62	32	2	4
	Seattle Repertory Theatre	56	30	6	8
	Stratford Festival	73	15	5	7
	Canadian Stage Company	40	24	32	4
	Shaw Festival	74	19	7	-
	Royal National Theatre	30	8	43	19

Notes: Minnesota, City of Birmingham and San Francisco Orchestras' other revenue includes endowment income. Other revenue for overseas opera companies is absorbed into Box Office, Private and Government income. 1998 figures were unavailable at the time this analysis was undertaken.

iv. Constrained box office upside

The large number of performances that The Australian Ballet, Opera Australia, the Sydney Theatre Company and the Melbourne Theatre Company currently undertake constrains the ability of the companies to increase the number of performances further. Doing so would also exacerbate the level of competitive pressure in the market.

In those circumstances, the largest opportunity is to ensure the companies play to larger capacity audiences with their existing level of performances.

For instance, if in the 1997 season (where attendances and average ticket prices are available by venue) 85% capacity houses had been achieved, the incremental revenue at existing average ticket prices would be as represented in Exhibit 6.9.

EXHIBIT 6.9 Changes in revenue: playing to 85% capacity houses: 1997 ($000; per cent)

Company	*Box office and fee income*	*Incremental revenue at 85% capacity*	*Percentage increase %*
TAB	11,901	851	7.1
OA	23,066	2,681	11.6
STC	11,494	83	0.7
MTC	7,383	1,521	20.6

The increases of 1% to 21% shown in Exhibit 6.9 would not, however, translate directly to an improvement in a company's bottom line.

Firstly, the current average ticket price is undoubtedly too high to set as the benchmark because the better and more expensive seats in the house always sell first. In addition, discounts would most likely need to be given to fill the remaining seats, putting at risk existing pricing strategies.

Secondly, additional advertising would be required to attract larger audiences. Such advertising would be a certain expense without the surety of attracting additional audiences.

Thus, it is likely that the potential gains would be significantly lower than those indicated by this analysis.

* * *

In summary, therefore, The Australian Ballet, Opera Australia, as well as the Sydney Theatre Company and Melbourne Theatre Company, are more performed than other companies in their artform and have a constrained ability to generate significantly greater revenue from the box office.

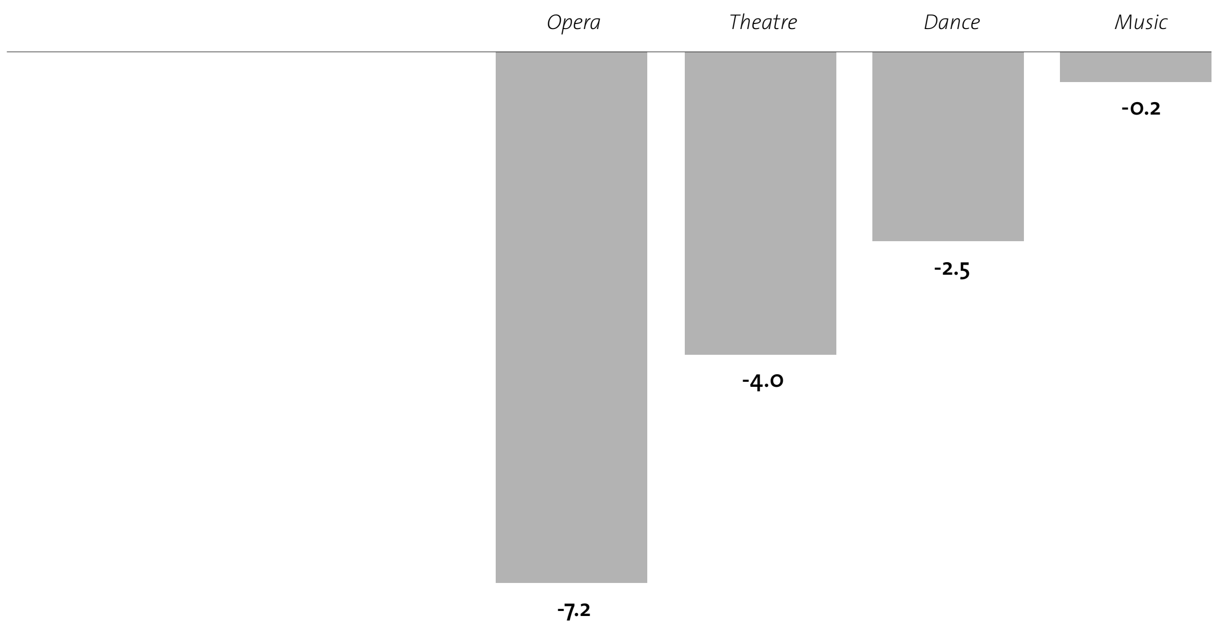
6.1.3.4 *Opera, theatre and dance: largest cumulative deficits*

As a result of the various pressures outlined above, opera, theatre and dance have incurred the largest cumulative deficits.

Over the period 1992 to 1998, the cumulative deficits incurred in aggregate in opera were $7.2 million, in theatre $4 million, and in dance $2.5 million. Music, excluding the concert and pit orchestras, recorded a $200,000 cumulative deficit. (Refer Exhibit 6.10)

With regard to individual companies, a cumulative deficit was recorded by all the music companies, excluding the concert and pit orchestras, half the opera companies, six of the nine theatre companies, and five of the six dance companies.

EXHIBIT 6.10 Cumulative deficits by artform: 1992–1998 ($ million)



Number of companies in:	Opera	Theatre	Dance	Music
Deficit	12	13	11	7
Surplus	9	8	10	14

Note: Data excludes VSO, Concert and Pit orchestras

The cumulative figures for the orchestras have been excluded because for most of the 1992 to 1998 period the companies were part of another organisation: either the ABC in the case of the concert orchestras; a venue in the case of the State Orchestra of Victoria and the Queensland Philharmonic Orchestra; and Opera Australia in the case of the Australian Opera and Ballet Orchestra. Therefore, it has not been easy to obtain numbers that reflect their full financial situation.

However, the aggregate result before abnormal items[13] for the concert orchestras in 1998 was a surplus of $2.54 million. The pit orchestras on the other hand recorded an aggregate deficit of $1.86 million, with all three orchestras recording a loss (Queensland Philharmonic Orchestra $1.06 million; Australian Opera and Ballet Orchestra $456,000; and State Orchestra of Victoria $342,000).

Four of the orchestras made a surplus before abnormal items[14] (Sydney Symphony Orchestra, $1.87 million; Melbourne Symphony Orchestra $790,000; Tasmanian Symphony Orchestra $223,000; and Queensland Symphony Orchestra $151,000). The Adelaide Symphony Orchestra and West Australian Symphony Orchestra made operating losses before abnormal items of $181,000 and $313,000 respectively.

A better perspective is provided by examining the results of the companies, other than orchestras, within an artform. In addition, by looking at the results for each company from 1992 to 1995 and from 1996 to 1998 (while recognising that 1992–95 includes four years compared to three years for 1996–98) the more recent trends by artform and company can be seen.

[13] Abnormal results related primarily to one-off corporatisation expenses.

[14] All numbers include allocations of Symphony Australia.

EXHIBIT 6.11 Cumulative deficit by artform and company (excluding orchestras): 1992–1995 and 1996–1998 ($000)

Artform	Company	Cumulative deficit 1992–1995	1996–1998	Total
Opera	OA	-1,302	-5,903	-7,205
	OQ	168	-485	-317
	WAO	151	-83	68
	SOSA	-215	450	235
Opera total		**-1,198**	**-6,021**	**-7,219**
Theatre	MTC	-1,793	-483	-2,276
	STC of SA	-533	-392	-925
	Bell	-495	0	-495
	Playbox	-176	-302	-478
	BS	105	-559	-454
	QTC	-79	-257	-336
	Comp B	146	-88	58
	Circ Oz	384	164	548
	STC	-300	748	448
Theatre total		**-2,741**	**-1,169**	**-3,910**
Dance	TAB	-1,880	653	-1,227
	SDC	-476	-112	-588
	WAB	1	-407	-406
	ADT	40	-255	-215
	QB	28	-224	-196
	Bangarra	83	26	109
Dance total		**-2,204**	**-319**	**-2,523**
Music	MV	-410	165	-245
	ACO	81	-83	-2
Music total		**-329**	**82**	**-247**
Overall total		**-6,472**	**-7,427**	**-13,899**

This analysis shows a marked deterioration in the situation in opera, but an overall improvement in every other artform.

A more detailed analysis, however, shows a more complex situation.

In opera, while the losses incurred by Opera Australia dominate the picture, Opera Queensland and West Australian Opera also recorded markedly worse results.

In theatre, the situation deteriorated for five of the nine companies, although the overall results are dominated by the marked improvement in the results from Sydney Theatre Company and Melbourne Theatre Company, even though Melbourne Theatre Company still made a loss.

In dance, four of the six companies saw a deterioration in their situation, although the vastly improved result from The Australian Ballet and Sydney Dance Company, despite the latter still making a loss, made a large difference in the overall artform result.

In music, the Australian Chamber Orchestra's result became negative, while Musica Viva's showed a strong improvement.

In essence, therefore, even though the overall result has improved in the past three years in all artforms except opera, that improvement results from a turnaround by relatively few companies. Most companies have seen a deterioration in their position, with opera, theatre and dance being the worst impacted.

* * *

In summary, therefore, all artforms are under financial pressure. However, the way competition has differentially impacted opera, theatre and dance has resulted in their being more adversely affected than music.

6.1.4 All states affected: less populous states most

Companies in all States have been adversely affected by the impact of globalisation and changing industry dynamics. The companies in Adelaide, Brisbane and Perth (the capital cites in the less populous States) are, however, under the greatest strain.

Exhibit 6.12 shows the cumulative results of the companies for 1992 to 1998 within each State and the improvement or deterioration in cumulative results for the periods 1992 to 1995 and 1996 to 1998.

EXHIBIT 6.12 Cumulative deficit and trends: smaller and larger state based companies: 1992–1998 ($000)

State	Company	Cumulative Deficit	Deterioration / Improvement (1996/98 – 1992/95)
Qld	QTC	-336	-178
	OQ	-317	-653
	QB	-198	-252
SA	STC of SA	-925	141
	ADT	-215	-295
	SOSA	235	665
WA	BS	-454	-664
	WAB	-406	-408
	WAO	68	-234

State	Company	Cumulative Deficit	Deterioration / Improvement (1996/98 – 1992/95)
NSW	OA	-7,205	-4,601
	SDC	-588	364
	Bell	-495	495
	MV	-245	575
	ACO	-2	-164
	Comp B	58	-233
	Bangarra	109	-57
	STC	448	1,048
VIC	MTC	-2,276	1,310
	TAB	-1,227	2,533
	Playbox	-478	-126
	Circ Oz	548	-220

This analysis shows that of the nine companies based in the less populous States, seven incurred a cumulative deficit over the period 1992 to 1998, and that, overall, only two showed an improvement in their profit position in the 1996 to 1998 period versus 1992 to 1995.

In contrast, of the 12 companies based in Sydney and Melbourne, four made a profit over the 1992 to 1998 period. More importantly, six companies showed an improvement in their position in the 1996 to 1998 period.

This trend in the less populous States is occurring for the following reasons:

6.1.4.1 their box office generation ability is less;

6.1.4.2 their private sector income generation ability is less; and

6.1.4.3 their cost-revenue dynamics are less favourable.

6.1.4.1 *Box office generation ability less*

Box office generation ability is a function of the average ticket prices that can be charged and the number of attendees. The trends in both these areas demonstrate the challenges facing the companies, particularly those based in the less populous States.

i. **Average ticket prices lower**

Sydney is able to command higher average ticket prices than any other city. Melbourne's prices are lower than Sydney's, sometimes by a significant amount, and, in most cases, the other cities' prices are lower than Melbourne.

As Exhibit 6.13 shows, this is the case across companies within an artform, and even for the same company within an artform.

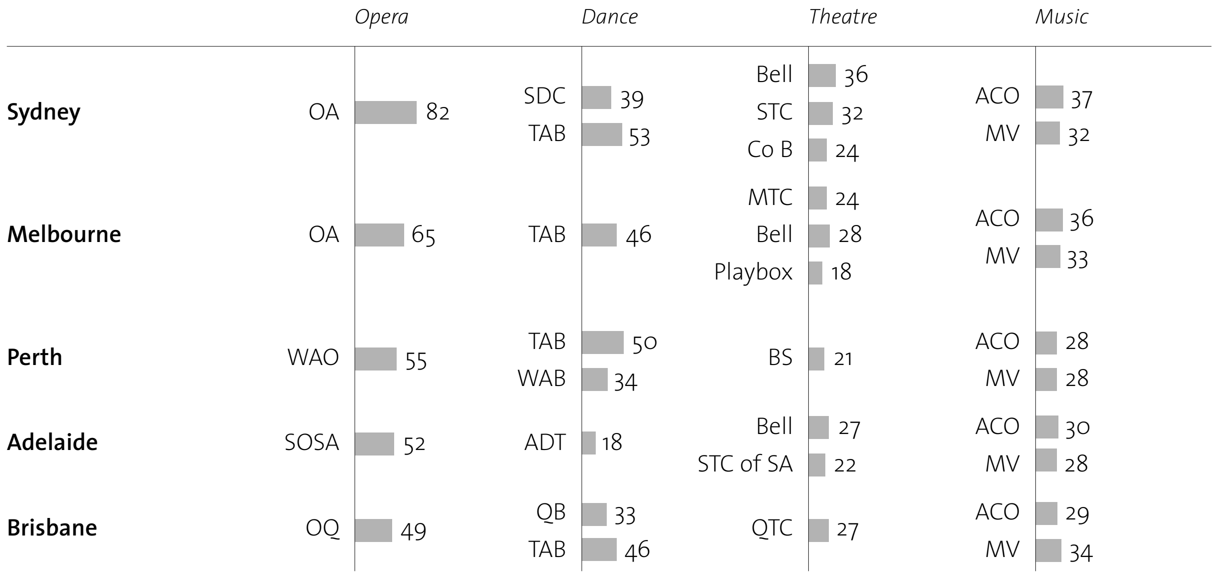
For instance, the average opera ticket price in Sydney is $82 (Opera Australia) versus $65 in Melbourne (also Opera Australia). West Australian Opera in Perth, State Opera Company of South Australia in Adelaide and Opera Queensland in Brisbane command ticket prices of $55, $52 and $49 respectively.

Similarly in dance, The Australian Ballet commands $46 on its home stage in Melbourne, but $53 in Sydney. Interestingly, it averages the same price in Brisbane as it does in Melbourne, and charges more in Perth ($49). However, in the same market, the local ballet companies, West Australian Ballet and Queensland Ballet, sell at around a 30% discount to The Australian Ballet's ticket prices.

In theatre, the same trend applies. The average ticket price for the State theatre companies which broadly offer a comparable type of repertoire is $32 for the Sydney Theatre Company, $27 for the Queensland Theatre Company, $24 for the Melbourne Theatre Company and $22 for the State Theatre Company of South Australia. To the extent that Company B, Playbox and Black Swan offer relatively comparable product, their ticket prices are $24, $18 and $21 respectively.

In music, Australian Chamber Orchestra averages the same ticket price in Sydney and Melbourne, but a lower price in the other cities. Musica Viva follows a relatively similar pattern—it commands, on average, comparable ticket prices in Sydney, Melbourne and Brisbane, but lower prices in Perth and Adelaide. (Refer Exhibit 6.13)

EXHIBIT 6.13 Average ticket prices by capital city and company: 1997 ($)



Note: Company average ticket price used.

ii. **Attendees static**

Excluding the concert orchestras, the overall number of attendees at major performing arts events has been static over the period 1992 to 1997.

This overall trend, however, conceals underlying differences between those States with larger populations and those with smaller populations.

As Exhibit 6.14 shows, the number of attendees rose by about 1% per annum in Sydney and Melbourne, but declined in Adelaide (by 5% per annum) and in Brisbane (by 2% per annum). Perth attendances remained virtually static within the five year period. However, significant volatility exists in attendances, particularly in the less populous States, and it is thus difficult to obtain a reliable interpretation of attendance trends.

EXHIBIT 6.14 Profile of paid attendances by capital city: main season: 1992 – 1997 (number)

Capital city	Year 1992	1993	1994	1995	1996	1997	CAGR % 1992–97
Sydney	663,262	655,585	670,147	669,930	660,931	683,838	1
Melbourne	465,315	521,607	484,210	448,573	408,330	492,326	1
Brisbane	149,914	165,946	149,448	154,825	131,419	132,251	-2
Perth	54,729	89,058	56,269	53,391	66,943	53,478	0
Adelaide	112,397	150,225	102,358	107,333	94,280	86,063	-5
Total	**1,445,617**	**1,582,421**	**1,462,432**	**1,434,052**	**1,361,903**	**1,447,956**	**0**

Note: Data for ABC orchestras and Company B is incomplete for earlier years and these companies are therefore excluded from the above figures.

By adding the paid concert orchestra attendances and Company B in 1997, a more comprehensive, although still incomplete, picture can be built of the relative size of audience in each State for 1997. (Refer Exhibit 6.15)

EXHIBIT 6.15 Profile of paid attendances and participation rates by capital city: 1997 (number)

Capital city	*Paid attendances*	*'Participation' rate*
Sydney	940,084	33.7
Melbourne	620,657	26.3
Brisbane	154,057	14.1
Adelaide	117,828	14.8
Perth	100,255	11.0
Total	**1,932,881**	**24.3**

Note: Attendances are paid capital city mainstage performances. The total participation rate is higher than that in Exhibit 2.12 as the above table excludes attendances and participation rates in Hobart, Canberra and Darwin.

When the number of attendees is taken as a percent of the adult population over 18 years of age to give a surrogate 'participation' rate, significant variations are seen among the States. Sydney has the highest participation rate at 33.7%, followed by Melbourne (26.3%); Adelaide, Brisbane and Perth are lower with implicit 'participation' rates of 14.8%, 14.1% and 11.0%, respectively. In other words, a lower proportion of the population attends major performing events in the capital cities of the less populous States.

It has not been possible to gather any 'hard' data to explain why this is occurring. Five possible reasons that have been put forward are:

- the higher participation rates in Sydney are Melbourne may be at least partly due to higher tourist numbers in those cities;
- there could be a perception that the quality of performance may be of a lower standard than in Sydney or Melbourne;
- local companies may not have been able to build a loyal clientele because performances are not as regular;
- the 'product' presented on stage in the less populous States may not be as well suited to the audience; and
- an inadequate number of performances are being presented by the local and touring companies.

While the first four explanations are worth considering, the last can be dismissed. If the companies were putting on too few performances, they would be playing to full houses and this is not the case. In 1997, with the exception of The Australian Ballet in Perth and Adelaide, and Musica Viva in Adelaide and Brisbane, no local or touring company played to houses that were at more than 80% capacity.

In general, therefore, the companies in the less populous States are facing the interrelated problems of lower ticket prices, lower audience participation rates, and static or declining audience numbers.

As a result, for companies based in the less populous States, the revenue generated from box office as a percent of total income is much lower than for companies based in Sydney and Melbourne. Indeed, not a single company based in Adelaide, Brisbane or Perth had a box office to total revenue figure greater than 50%. Put another way, the audiences in Sydney in particular and, to a lesser extent, in Melbourne contributed much more to covering the overall costs of putting performances on stage.

As a result, the revenue generated from box office as a percent of total income is much lower for companies based in the less populous States than for companies based in Sydney and Melbourne. This is shown in Exhibit 6.16 which recasts Exhibit 6.7 by State.

EXHIBIT 6.16 Total revenue from box office and fees by state: 1998 (per cent)

State	*Company*	*Box office and fee income*
NSW	STC	70.7
	Company B	61.2
	MV	58.4
	OA	54.4
	ACO	53.2
	Bell	50.5
	SDC	40.6
	SSO	40.6
	Bangarra	29.7
VIC	MTC	76.5
	TAB	54.3
	Playbox	41.7
	Circ Oz	41.2
	MSO	32.2
SA	SOSA	35.2
	STC of SA	29.1
	ADT	29.0
	ASO	24.7
WA	WAO	39.3
	BS	31.9
	WAB	28.0
	WASO	20.0
QLD	QTC	40.7
	QSO	29.4
	OQ	27.5
	QB	19.9

6.1.4.2 *Private sector income generation ability less*

Fewer large corporations are headquartered in Adelaide, Brisbane and Perth than in Sydney and Melbourne. Not unexpectedly, therefore, the private sector income from sponsorship and donations is less in those cities.

Of the total 1998 private sector income (excluding orchestras) of $18.4 million, 66.3% was generated by companies based in Sydney and 21.8% from those based in Melbourne. In contrast, the per cent from Perth, Brisbane and Adelaide was respectively 5.1%, 4.5% and 2.3%.

Sydney also had the highest rate of sponsorship growth, outpacing the overall growth rate of 8.5% with 12.7%. Perth has outperformed the other States with a growth rate of 7.1%, versus 3.4% for Brisbane, a relatively low 3.3% for Melbourne, and -2.6% for Adelaide. (Refer Exhibit 6.17)

The relative size and growth rates is also reflected in the number of companies which sponsor the arts in each capital city, with Sydney having 199, more than three times that of Brisbane. (Refer Exhibit 6.17)

EXHIBIT 6.17 Changes in private sector income and sponsor numbers by capital city: 1992–1998 ($000; per cent; number)

	Private sector income			
Capital city	*1992*	*1998*	*CAGR %*	*Sponsors (1998)*
Sydney	5,946	12,185	12.7	199
Melbourne	3,289	4,002	3.3	107
Brisbane	658	823	3.8	58
Perth	620	934	7.1	67
Adelaide	505	432	-2.6	64
Sub-total	11,018	18,376	8.9	495
Concert Orchestras	141	4,768	79.8	118
Total	**11,159**	**23,144**	**12.9**	**613**

Note: To determine the number of sponsors, 1998 data was used where available, otherwise 1997 data was used. Where a corporation sponsors more than one company, it is counted multiple times.

In examining private sector income for individual companies, only seven companies generated more than $1 million in sponsorship private sector income in 1998. As Exhibit 6.18 shows, five of these companies were based in Sydney, and the other two in Melbourne. Notably, the only theatre company in that group is The Bell Shakespeare Company. None of the State theatres, including the Sydney Theatre Company or the Melbourne Theatre Company, generated more than $1 million in private sector revenue.

In contrast, none of the companies in the less populous States generated more than $500,000 in revenue from the private sector, with Black Swan at $499,000 being the largest by over $145,000. (Refer Exhibit 6.18)

EXHIBIT 6.18 Changes in private sector income by size and home city location: 1992–1998 ($000; per cent)

			Private sector income	
Category	*Company*	*Home city*	*1998*	*92–98 CAGR*
> $1m	OA	Sydney	6,381	15
	TAB	Melbourne	2,661	1
	SSO	Sydney	1,989	68
	MSO	Melbourne	1,438	N/A
	Bell	Sydney	1,393	12
	ACO	Sydney	1,170	2
	MV	Sydney	1,116	17
$500k - $1m	STC	Sydney	993	19
	SDC	Sydney	830	10
	MTC	Melbourne	725	10
$250k - $500k	BS	Perth	499	29
	WASO	Perth	463	N/A
	ASO	Adelaide	448	N/A
	OQ	Brisbane	351	0
	Circ Oz	Melbourne	337	22
	STC of SA	Adelaide	293	21
	Playbox	Melbourne	279	-2
	QB	Brisbane	264	9
	WAB	Perth	251	-1
< $250k	Comp B	Sydney	215	21
	QTC	Brisbane	208	5
	QSO	Brisbane	228	51
	WAO	Perth	184	-4
	TSO	Hobart	202	35
	SOSA	Adelaide	89	-18
	Bangarra	Sydney	87	17
	ADT	Adelaide	50	-13

6.1.4.3 *Cost-revenue dynamics are less favourable*

The different cost-revenue dynamics that operate for companies in Sydney and Melbourne versus those in Adelaide, Brisbane and Perth are illustrated by examining the economics for each company's homestage performances.

As described in Section 6.1.3.2, production costs are driven by the complexity and production values of each particular production. The more performances of a production, the more the fixed production costs can be amortised over a longer run. This is the case regardless of geography or artform.

The key driver of artistic (performance) costs is whether the company has an ensemble or hires artists on a per performance basis. In the former case, the ensemble costs are fixed and are amortised over the number of productions and performances the company undertakes during the course of a year. The artistic (performance) cost structure for companies that do not have an ensemble, such as the theatre companies or the State opera companies that operate on a *stagione* basis, are driven by the cost per artist and the number of performances the artist provides.

The other key costs to present a performance on stage and attract an audience are venue and marketing costs. Venue costs are predominantly driven by the number of performances and the time spent rehearsing in the venue. Marketing costs, on the other hand, are influenced by both the number of different productions and the number of performances.

As a result of these varying cost dynamics, the total cost per production can differ markedly, not just by artform, but by its components, namely production, performance, venue and marketing costs. Exhibit 6.19 analyses the 1997 average cost per production by artform and company.

EXHIBIT 6.19 Composition of homestage production costs by artform and company: 1997 ($000; per cent)

Artform	Company	Average cost / production indexed ('000)	% Attributable to: Production	Performance	Venue	Marketing
Opera	OA	1,000	39	40	8	13
	OQ	658	28	45	13	14
	SOSA	529	28	52	9	11
	WAO	423	27	50	9	14
Ballet	TAB	671	32	27	22	19
	WAB	206	17	45	16	22
	QB	199	15	43	23	19
Contemporary Dance	SDC	423	26	17	29	28
	ADT	101	21	38	19	22
Theatre	STC	419	40	21	18	21
	MTC	379	45	22	21	12
	QTC	308	38	26	19	17
	STC of SA	256	51	23	8	18
	Comp B	219	44	27	18	11
	Playbox	108	51	22	3	24
	BS	136	36	25	13	26
	Bell	294	24	22	24	30

Note: Costs have been indexed using OA as 1,000,000 index.

Detailed cost breakdowns were not possible for all music companies. They have therefore been excluded from this analysis.

Two main conclusions emerge from this analysis. Firstly, reaffirmation that opera is the most expensive artform, regardless of where in the country it is performed, even though some companies such as West Australian Opera significantly reduced their costs by outsourcing all productions. Secondly, that overall costs per production for each artform are highest for the Sydney and Melbourne based companies as they are investing more in production values and have longer production runs. Production costs, which reflect complexity of productions and production values, regardless of artform, are a larger percent of overall costs for all Sydney and Melbourne based companies than for their counterparts in the same artform in the other States, the sole exception being the State Theatre Company of South Australia.

However, while Sydney and Melbourne based companies have higher overall per production costs, when the economics are examined on a per performance basis, a somewhat different picture emerges. (Refer Exhibit 6.20)

EXHIBIT 6.20 Profile of homestage performance costs by artform and company: 1997 ($000, number)

Artform	Company	Average Cost/production indexed ('000)	Average number of performances	Cost per performance indexed
Opera	OA	1,000	11.4	87,719
	OQ	658	6.5	101,194
	SOSA	529	5.7	92,849
	WAO	423	7	60,444
Ballet	TAB	671	12.4	54,152
	WAB	206	12.5	16,462
	QB	199	11.7	17,032
Contemporary Dance	SDC	423	30.5	13,872
	ADT	101	8	12,635
Theatre	STC	419	64	6,543
	MTC	379	42.3	8,961
	QTC	308	29.3	10,498
	STC of SA	256	20.6	12,443
	Comp B	219	33	6,629
	Playbox	108	28.6	3,762
	BS	136	23.5	5,807
	Bell	294	30.5	9,635

Note: Costs have been indexed using OA average cost of production as the base 1,000,000 index.

In some artforms, longer performance runs for each production result in a change in the relative ranking on a per performance basis. This occurs, for instance, in opera and the State theatre companies where Opera Australia's, Sydney Theatre Company's and Melbourne Theatre Company's per performance costs are lower than most of the comparable companies based in the less populous States.[15] In ballet and contemporary dance, on the other hand, the relative gap is narrowed.

The full impact of the difference in the economics is not seen, however, until the cost per attendee is compared to the revenue per attendee. (Refer Exhibit 6.21)

[15] WAO is lower cost than OA, but did not produce any of its own production. STC and MTC are compared with the other State theatre companies.

EXHIBIT 6.21 Cost and revenue per attendee by artform and company: 1997 (number)

Artform	*Company*	*Average number of attendees / performance*	*Cost / attendee indexed*	*Revenue / attendee indexed*	*Revenue-cost / attendee indexed*
Opera	OA	1,151	76	58	-18
	OQ	1,042	97	39	-58
	SOSA	1,136	82	40	-42
	WAO	855	71	40	-31
Ballet	TAB	1,559	35	33	-2
	WAB	488	34	19	-15
	QB	397	43	23	-20
Contemporary Dance	SDC	451	31	28	-3
	ADT	302	42	13	-29
Theatre	STC	352	19	23	4
	MTC	406	22	19	-3
	QTC	308	34	19	-15
	STC of SA	251	50	14	-36
	Comp B	215	31	17	-14
	Playbox	132	28	15	-13
	BS	147	40	16	-24
	Bell	288	33	26	-7

Note: Costs and revenues have been indexed using OA average cost of production as the 1,000,000 index.

The ability of companies in the larger cities to stage performances and attract large audiences has a large impact on the cost per attendee. With relatively few exceptions, the companies based in Sydney and Melbourne go from having the highest overall cost per production to the lowest or second lowest cost per attendee within their artform.

However, the greatest impact is felt when the lower cost per attendee is combined with the higher revenue per ticket, which occurs particularly for Sydney based companies. The result is that Sydney and Melbourne companies are able to recoup more of their costs from attendees than their artform counterparts in the less populous States' capital cities. This occurs in opera, ballet, contemporary dance, and theatre.

In this way, the cost-revenue dynamics work to the disadvantage of the companies in the less populous States.

6.1.5 Increased dependence on government funding

As outlined in the previous two sections, the financial pressures affecting the companies have had their greatest impact in the artforms of opera, theatre and dance, with the less populous States being more adversely affected.

As a result of these pressures, governments have come to the assistance of companies facing financial difficulties.

Appendix 2.2.6 Discussion Paper material

This is demonstrated by the annual growth rate in government funding having been greatest in the less populous States and in opera and theatre. (Refer Exhibit 6.22)

EXHIBIT 6.22 Government funding: annual growth: 1992–1998 (CAGR)

	Growth in government funding				
Artform	*Sydney/Melbourne based companies*		*Adelaide/Brisbane/Perth based companies*		*Adjusted for capital grant*
Opera	OA	4.2	OQ	15.9	20.1
			WAO	6.0	
			SOSA	-0.2	4.0
Theatre	STC	1.7	QTC	8.5	
	MTC	0.8	STC of SA	-1.0	8.4
	Playbox	2.9	BS	6.6	
	Circ Oz	6.4			
	Comp B	3.7			
Dance	TAB	4.1	QB	8.2	
	Bangarra	1.9	WAB	-0.6	
	SDC	2.8	ADT	-2.3	
Music	ACO	13.0			
	MV	4.1			

Another measure evidencing this effect is the change in the earned income to government funding ratio, which demonstrates the increasing dependence of companies in the less populous States on government funding. (Refer Exhibit 6.23)

EXHIBIT 6.23 Changes in earned income to government funding ratio: 1992–1998 (earned income/government funding)

	Earned income to government funding ratio							
	Sydney/Melbourne based companies				*Adelaide/Brisbane/Perth based companies*			
Artform		*1992*	*1998*	*change*		*1992*	*1998*	*change*
Opera	OA	2.80	3.09	0.29	OQ	1.86	0.65	-1.21
					WAO	1.18	1.06	-0.12
					SOSA	1.01	0.85	-0.16
Theatre	STC	6.98	8.36	1.38	QTC	1.89	0.93	-0.96
	MTC	6.66	6.62	-0.04	STC of SA	0.74	0.68	-0.06
	Playbox	1.24	1.37	0.13	BS	0.90	1.75	0.85
	Circ Oz	1.99	1.68	-0.31				
	Comp B	2.90	4.53	1.63				
Dance	TAB	4.94	4.58	-0.36	QB	1.02	0.46	-0.56
	Bangarra	0.32	0.89	0.57	WAB	0.78	0.76	-0.02
	SDC	1.83	2.29	0.46	ADT	0.24	0.48	0.24
Music	ACO	7.17	4.65	-2.52				
	MV	2.78	3.31	0.53				

Note: Bell Shakespeare is excluded from the analysis because it had no government funding in 1992.

Three key conclusions can be drawn from this analysis. They are, firstly, that the companies based in the less populous States are much more dependent on government funding than are those based in Sydney or Melbourne; secondly, that the level of dependence for the companies based in Adelaide, Brisbane and Perth is increasing, whereas the trend for the companies based in Sydney and Melbourne has been for reduced dependence on government funding; and thirdly, that opera and dance companies, regardless of which State they are in, are typically more dependent on government funding than are theatre companies.

These trends are in line with the findings from the previous two sections of this chapter.

* * *

In summary, therefore, globalisation and changing market place conditions have exacerbated the companies' precarious financial position. Mounting deficits have eroded the asset bases of a large number of companies, many of which have become more dependent on government funding for their survival. Companies in the less populous States are particularly vulnerable, as are the opera, theatre and dance companies.

6.2 Artistic performance adversely affected

Presenting high quality artistic performances is fundamental for any major performing arts company.

However, faced with ever-rising costs, the companies' response from an artistic perspective can broadly be characterised as 'minimise risk and survive by optimising for the short-term'.

Such a response is undoubtedly fiscally responsible. With very few exceptions, the management and boards of most companies have been mindful of their short-run financial and artistic obligations.

However, over the longer term, these short-term responses may put the companies' artistic vitality at risk. Risks arise in the following ways:

6.2.1 fewer new works in programming mix;

6.3.1 increasing reliance on existing productions;

6.3.2 fewer opportunities for creative and performing artists; and

6.3.3 less investment in the development of creative and performing artists.

6.2.1 Fewer new works in programming mix

Reducing the number of new works in a company's programming mix is a reaction by management and boards to the financial challenges facing the companies. New work is often more challenging for audiences and is clearly unproven, so restricting the amount of new work presented in main seasons allows the companies to reduce their levels of box office risk.

Between 1997 and 1998, this strategy was adopted in dance, music and theatre. As Exhibit 6.24 illustrates, the total number of new works programmed by these companies in their mainstage seasons decreased by 36% from 1997 to 1998, with all three artforms being affected.

Appendix 2.2.6 Discussion Paper material

EXHIBIT 6.24 Profile of new works: 1997–1998 (number of works)

Artform	*1997*	*1998*
Dance		
Ballet	14	9
Contemporary	3	2
Dance Total	**17**	**11**
Music		
Chamber	4	2
Symphony Orchestras	8	6
Music Total	**12**	**8**
Opera	0	0
Theatre/Circus	21	13
Total	**50**	**32**

Such an approach is fiscally responsible in the short-term. However, if continued, such a strategy would undermine the artistic vibrancy of the companies. Undertaking artistically riskier and more challenging new work in ways that push the artistic envelope is the life-blood of ongoing artistic vitality.

The challenge for the companies is, therefore, to undertake such work without putting themselves at risk financially. Managing audience expectations can assist in this process, as audiences that are surprised at the degree of challenge in a performance are less likely to return. This perspective provides the basis for the most common strategy adopted by the companies to address the problem—the segmenting of their presentation of new and challenging works. Sydney Theatre Company, for example, has established specific programs recently (*New Stages* in 1996 then *The Directorate*) which focus on new, more challenging work, separate from their main season. Similarly, each of the concert orchestras presents a contemporary series of new and more challenging works separate from their main subscription series.

To support the long-term development of their artform and their audiences, it is vital that companies find a way to take the artistic risk of developing new work, while managing both their financial results and their audience expectations.

6.2.2 Increasing reliance on existing productions

In dance, opera and theatre, management has always faced the challenge of finding an appropriate balance between mounting a new production to stimulate and attract audiences and remounting an existing production which reduces the average cost per performance. The problem is particularly acute for those artforms where the cost of mounting a new production is high, particularly in opera and ballet, but it is also a consideration for theatre companies.

EXHIBIT 6.25 Profile of productions*: new and existing: 1997–1998 (number of productions)

Artform	1997 New	1997 Existing	1997 Total	1998 New	1998 Existing	1998 Total
Dance						
Ballet	17	21	38	19	23	42
Contemporary	3	5	8	2	14	16
Dance Total	**20**	**26**	**46**	**21**	**37**	**58**
Opera	7	19	26	6	25	31
Theatre/Circus	57	10	67	47	14	61
Total	**84**	**55**	**139**	**74**	**76**	**150**

** Music is not included as the companies present concerts not productions.*

Between 1997 and 1998, the strategy of relying more heavily on existing productions was adopted in dance, opera and theatre. (Refer Exhibit 6.25) In 1997, existing productions constituted 39.6% of all productions presented across these artforms. In 1998, this had increased to 50.7%. The level of increase was similar across the three artforms.

While this strategy delivers a short-term financial benefit to the company, in the longer term it has the potential to impact negatively, both artistically and financially. A reduced ability to mount new productions inhibits a company's artistic vitality. It reduces the diversity of creative artists involved with the company and hence impoverishes the base of artistic ideas. It may also progressively diminish the company's capacity to attract the highest quality performers. Over time, with audiences' increased expectations regarding variety and quality of product, reliance on existing productions will impact negatively on attendances with a resultant loss of box office.

6.2.3 Fewer opportunities for creative and performing artists

The companies' increasing reliance on existing productions is reducing employment opportunities for creative artists. In the case of opera and theatre, this is being exacerbated by a high and/or increasing use of co-productions and buy-ins in their mainstage and regional touring programs.

Employment opportunities for performers are also constrained by the use of co-productions and buy-ins and by the companies' reducing the scale of works they present and the size of their performing ensembles.

While these strategies help to reduce costs, the resulting shrinkage in artistic employment poses the risk that artists will permanently leave the sector, thereby decreasing the diversity and vitality of Australia's artistic life.

6.2.3.1 *Co-productions and buy-ins*

Theatre and opera companies, particularly the smaller companies, now have a high use of co-productions and buy-ins. (Refer Exhibit 6.26)

EXHIBIT 6.26 Co-productions and buy-ins: opera and theatre: 1997–1998 (per cent; number)

Artform	1997 Per cent of co-productions and buy-ins	1997 Total number of productions	1998 Per cent of co-productions and buy-ins	1998 Total number of productions
Opera				
OA	21.7	23	15.0	20
OQ	100	4	100	4
SOSA	100	3	100	5
WAO	100	2	100	2
Opera total	**42.3**	**26**	**41.9**	**31**
Theatre				
STC	25.0	12	12.5	16
MTC	15.4	13	7.1	14
QTC	20.0	15	25.0	8
Bell	0.0	3	0.0	2
STC SA	0.0	6	16.7	6
Comp B	14.3	7	85.7	7
Playbox	25.0	12	30.0	10
BS	33.3	6	80.0	5
Theatre total	**14.9**	**67**	**24.6**	**61**
Total	**22.6**	**93**	**30.4**	**92**

In 1997 and 1998, over 40% of all productions presented by the opera companies were co-productions or buy-ins. This included all mainstage and regional productions presented by the three State opera companies in both years, 21.7% of Opera Australia's productions in 1997 and 15% of its productions in 1998. The total reliance of the State companies on co-productions and buy-ins reflects the difficulties in smaller markets of covering the high costs of new opera productions with income from the box office and the private sector. Co-productions and buy-ins are a significantly less costly way of accessing high quality productions for their seasons.

In theatre, the level of co-productions and buy-ins is lower, but increasing. In 1997, 14.9% of all productions were co-productions or buy-ins whereas in 1998, the percentage rose to 24.6%. All companies except Bell Shakespeare included at least one co-production or buy-in in their mainstage and regional programs in either 1997 or 1998, and six of the eight companies included at least one in both years. The highest levels of co-productions and buy-ins are found in the three smallest companies: Company B, Playbox and Black Swan which are committed to presenting a high percentage of new, challenging works. Their niche markets are not sufficiently large to allow box office to cover their increasing costs. The use of co-productions and buy-ins is one of the strategic options open to them to address cost increases.

6.2.3.2 *Smaller scale works and performing ensembles*

A further strategy implemented by the companies to effect cost reductions has been reductions of scale, either in the works presented in mainstage seasons or in the size of performing ensembles.

Theatre companies which have considerable flexibility in the scale of works performed have, in some cases, changed their repertoire selection to reduce cast sizes. All of the State theatre companies have utilised this strategy, but only Queensland Theatre Company has made a significant reduction in average cast size, from 12.4 to 8.7, a reduction of 30% between 1992 and 1998.

As noted earlier, the three ballet companies and Sydney Dance Company have all reduced their ensemble sizes in recent years, The Australian Ballet from 66 to 62 dancers, Queensland Ballet and West Australian Ballet from 23 to 17 dancers and Sydney Dance Company from 20 to 16 dancers. In some cases, the companies have also changed the balance of the ensemble, reducing the proportion of principal dancers, and have reduced employment contracts to less than a full year. As noted in Chapter 5, Opera Australia has also reduced its permanent ensemble size.

Since ensemble costs represent a high proportion of these companies' fixed costs, such strategies are effective in addressing a major area of cost increase. However, they place additional strain on the performers who are employed, because of increased workloads and more crowded rehearsal schedules.

6.2.4 Less investment in the development of creative and performing artists

The financial pressures facing the companies are also beginning to be seen in an area which historically has been one of the great strengths of Australia's major performing arts companies—namely, their preparedness to invest in the professional development of the next generation of creative and performing artists. For creative artists such as choreographers and playwrights, there are fewer opportunities to workshop their ideas and have them showcased in the companies' main seasons. Also, fewer young creative artists are given major responsibilities in production teams when companies stage new productions. For performing artists, there are fewer young artist programs and fewer young artists participate in those programs that remain.

These reductions in the companies' support for emerging artistic talent, if not redressed, could undermine the ongoing artistic vitality of the sector and its future contribution to Australia's cultural life.

6.2.4.1 *Fewer opportunities for developing young creative artists*

As indicated earlier, the pressure for companies to increase box office revenue is resulting in their reducing risk in their main season programming. Section 6.2.1 documented the impact of this in relation to reductions in the number of new works included in main seasons. A further impact is that all Australian works, including new works, are more likely to be by well known, established artists, which reduces the opportunities for young emerging artists.

This is particularly evident in theatre. Sydney Theatre Company and Melbourne Theatre Company, the two largest theatre companies and the most dependent on box office income, presented a total of seven Australian works in their subscription seasons in 1997 and 1998. Across the two years, 12 of the 14 productions were by established artists—David Williamson (four), Nick Enright (two), Michael Gurr (two), Katherine Thomson (two), Andrew Bovall (one) and Nigel Triffitt (one). The two smaller State theatre companies, Queensland Theatre Company and State Theatre Company of South Australia, also presented a majority of works by established writers in these two years—David Williamson (three), Nick Enright (one), Katherine Thomson (one), Louis Nowra (one) and John Romeril (one), but, in addition, offered some opportunities

to less experienced local writers. For example, one of the programs included in Queensland Theatre Company's 1997 subscription season, *Oz Shorts*, was a compilation of nine short Australian plays, most by emerging writers, including two local playwrights. In this context, Playbox's broad focus on developing Australian playwrights is of increasing importance to emerging writers. Company B and Black Swan also offer opportunities for these artists.

A similar impact is evident in dance in relation to Sydney Dance Company and The Australian Ballet which are the most strongly dependent on box office income. In the early 1990s, Sydney Dance Company commissioned and developed new works by a range of its dancers for inclusion in its mainstage seasons. *Shakespeare Dances*, a compilation of seven works by members of the company was presented internationally as well as around Australia in 1991 and 1992. New works by Gideon Obarzanek and Paul Mercurio were included in the company's Drama Theatre season in 1993. In contrast, in the last three years, the company's main seasons have focused on works by its Artistic Director, Graeme Murphy. The company still provides other opportunities for choreographic development of its dancers, but through non-main stage workshop seasons and even this is now a biennial, rather than an annual commitment. The Australian Ballet has also made its choreographic workshop a biennial rather than an annual opportunity, but continues to provide strong support for its two resident choreographers, Stanton Welch and Stephen Baynes. As in theatre, the smaller State companies continue to provide broader opportunities for emerging choreographers, including local dancers, and in some cases, this leads to opportunities with The Australian Ballet. For example, Natalie Weir, who received early opportunities from Queensland Ballet, has more recently been included in an Australian Ballet workshop with the resulting work being programmed in the company's 1999 subscription season.

In music, the concert orchestras still have strong composer development and commissioning programs now administered by Symphony Australia, but fewer of the works developed in these programs are being included in the orchestras' main subscription seasons. Australian work in these seasons focuses on established composers, such as Graeme Koehne, Peter Sculthorpe, Ross Edwards, Carl Vine and Richard Mills.

These developments are occurring because of the financial pressures facing the companies.

6.2.4.2 *Fewer young performers programs*

Historically, the opera companies have offered development opportunities, including stage performances, to talented young singers through their Young Artists Programs. In the early 1990s, the Australian Opera and the then four State opera companies all had such programs. As costs have risen, the smaller companies have withdrawn from these programs. West Australian Opera and State Opera of South Australia no longer have ongoing Young Artists Programs and Opera Queensland's program has been reduced.

The major program by Opera Australia is continuing, but the number of young artists able to be supported has been reduced from six in 1993 to four in 1999.

6.3 Access adversely affected

The short versus long-term trade-offs the companies are making in artistic quality are also being made in relation to access programs.

While the companies' response on the artistic front can be characterised as 'minimise risk and survive by optimising for the short term', their approach to access could be described as 'preserve the core'.

While specific responses vary considerably by company, the main trends that are emerging as a response to the external pressures facing the companies are as follows:

6.3.1 refocus educational programs;

6.3.2 refocus or reduce touring; and

6.3.3 reduce the number of mainstage programs.

The order in which these issues are discussed reflects the extent to which they threaten the company's core activities, with changes to education programs representing the smallest short term threat.

6.3.1 Refocused educational programs

School education programs are essential to the development of future audiences. Developing an appreciation of an artform at school represents an investment by the companies in Australia's longer term artistic vitality.

However, such education programs cost the Inquiry Companies (excluding the concert and pit orchestras, for which detailed 1997 data is not available) $4 million in 1997. The most extensive program, presented by Musica Viva, costs $2 million.

Some companies receive government support for education programs and some are able to obtain private sector support. For example, Musica Viva has been very successful in sourcing government and private sector support for its education program. Both Federal and State Governments support the program and McDonalds has become its principal sponsor. However, the total income received from these sources covers 30% of the costs. Indeed, no company has been able to cover the costs of its education program from government and private sector support alone. Bell Shakespeare, Playbox and Musica Viva achieved break-even results with their programs in 1997 with the additional assistance of box office and fee income, but overall there was a shortfall of $610,000 from the Inquiry Companies' education programs in 1997.

As a result of this financial pressure, a number of companies have moved to refocus their education programs in the last few years. For example, the concert orchestras are refocusing their programs away from simply being orchestral performances into more interactive programs involving small ensembles which have direct contact with students in joint performances and teaching. This is both highly effective educationally and more cost efficient. Opera Australia has changed the focus of its education program from a detailed experiential program related to its main subscription program to a specific youth opera production which can tour into schools. This provides broader access and again is more cost effective.

The immediate impact of such changes is an improvement in the companies' financial performance.

However, the changes need to be introduced with care to ensure that they do not cause any loss of quality in the program with a resultant loss of future audiences. It could also reduce the overall educational benefits children receive from participating in these programs. Recent research from the USA indicates that children, including those from socially disadvantaged backgrounds, who are exposed to artistic education programs do far better at school than those who do not receive such stimulation. (Refer Appendix 8)

6.3.2 Refocused or reduced touring

Australia's major performing arts companies have shown a significant commitment to providing access through interstate and intrastate touring.[16]

While some Inquiry Companies tour for financial gain, others undertake touring to extend access, either because it is a condition of their government funding or because they can secure additional government funding for touring. In such cases, the additional government support may not cover their total touring costs and they may incur marginal losses.

In 1997, before allowing for government grants, the companies lost $7.1 million from touring activities, $5.6 million through their self-entrepreneured touring (mainly interstate subscription seasons) and $2.7 million from sold-off tours. These losses were incurred after covering direct performance, venue and marketing costs, but make no allowance for infrastructure or administrative costs.

Only one company, Playbox, made a profit from both its self-entrepreneured touring and its sold-off tours. The Australian Ballet made a profit of $104,000 from its sold-off tours and Bell Shakespeare broke even on its touring activities. All other companies undertaking touring activities made a loss, with Opera Australia incurring the largest loss ($3.7 million) on its self-entrepreneured Melbourne subscription season.

Even when specific touring grants are included, the overall loss made by the companies on their touring activities in 1997 was still $5.9 million.

Faced with this pressure, some companies have begun to refocus or reduce their touring activities, both to capital cities and the regions.

6.3.2.1 *Capital city touring*

Capital city touring has been refocused, not reduced. In 1997 and 1998, the Inquiry Companies presented touring seasons in all eight State and Territory capital cities, with the total number of touring seasons remaining virtually constant at 178 for 1997 and 177 for 1998. (Refer Exhibit 6.27)

[16] See sections 2.2.1 and 4.4.4.

EXHIBIT 6.27 Capital city touring by artform: cities and seasons: 1997–1998 (number)

	Capital city touring			
	1997		1998	
Artform	*Cities*	*Seasons**	*Cities*	*Seasons**
Dance				
Ballet	7	17	4	11
Contemporary	5	6	7	9
Dance total	**7**	**23**	**8**	**20**
Music				
Chamber	7	97	7	98
Symphony Orchestra	3	6	2	4
Music total	**8**	**103**	**8**	**102**
Opera	4	13	4	14
Theatre/Circus	8	39	7	41
Total	**8**	**178**	**8**	**177**

** A touring season is a performance run of a production/concert by a company in a capital city other than the company's home city.*

The absolute level of capital city touring varied across artforms, with the two most expensive artforms to tour, orchestras and opera, having the lowest level of touring. Within each artform, the level of touring remained stable, but the distribution of touring seasons among the capital cities changed from 1997 to 1998.

In 1997, the two most remote capitals, Darwin and Perth, together with the smallest capital, Hobart, received 22.5% of the total touring seasons. In 1998, this had decreased to 19.2% as companies refocused their touring to less costly destinations and/or larger markets. For example, Musica Viva in 1998 reduced its Hobart subscription season from six to four concerts. This trend has continued in 1999, with the Australian Chamber Orchestra withdrawing from its four concert Hobart subscription season and substituting a new four concert subscription season in Wollongong.

Opera Australia has also refocused its Melbourne season to make it more cost effective and reduce management strain. In 1997, following the merger with Victoria State Opera, the company accommodated pre-existing subscription arrangements of Victoria State Opera by presenting a winter season of three operas in Melbourne. The repertoire, which was all new to Opera Australia and included a new Opera Conference production of *Manon Lescaut*, had to be mounted specifically for the Melbourne season. The Melbourne season also coincided with the major winter season in Sydney. These factors placed Opera Australia under considerable financial and management strain. In 1998, the company refocused the season. It was presented in November, following the conclusion of the Sydney spring season, and the repertoire was adjusted to overlap with works being presented in the Sydney seasons. The number of productions presented in Melbourne did not change, but the alterations to season timing and repertoire selection ensured that the season was more cost effective for the company.

In addition to the changes to capital city touring, there were marked changes in the nature of regional touring between 1997 and 1998.

6.3.2.2 *Regional touring*

Regional touring decreased significantly in 1998.

EXHIBIT 6.28 Changes in regional touring by artform: towns/cities and seasons: 1997–1998 (number)

	Regional touring			
	Number of regional towns / cities		Number of regional seasons*	
Artform	*1997*	*1998*	*1997*	*1998*
Dance				
Ballet	32	16	35	23
Contemporary	13	9	13	9
Dance total	**37**	**24**	**48**	**32**
Music				
Chamber	35	55	103	111
Symphony Orchestra	33	28	41	35
Pit Orchestra		3		6
Music total	**66**	**78**	**144**	**152**
Opera	28	22	28	22
Theatre/Circus	51	33	83	68
Total	**100**	**93**	**303**	**274**
Percentage decrease		**7%**		**9.57%**

** A touring season is a performance run of a production/concert by a company in a regional city or other than the company's home city.*

As Exhibit 6.28 shows, the total number of regional towns or cities receiving touring seasons from the Inquiry Companies decreased by 7% from 1997 to 1998 and the total number of regional seasons from the companies decreased by 9.6%. The decreases were not uniform across artforms. Dance and theatre showed the largest decreases, followed by the orchestras. Opera maintained its level of regional touring and chamber music increased its regional touring.

Overall, considering both capital city and regional touring, the artform which most strongly reduced its touring activity was theatre. Theatre companies do not have the ongoing fixed costs of an ensemble and are choosing to reduce their touring to ensure break-even or small surplus results. The Australian Chamber Orchestra, which needs to tour to provide work for its ensemble, is refocusing its touring to improve its financial position. The State ballet companies, which must also provide work for their performing ensemble, are limiting interstate touring to projects which ensure a break-even result and are undertaking more lower cost local regional touring.

The only Inquiry Company which significantly increased its touring levels in 1998 was Musica Viva. Its regional touring program was expanded, but its costs and risks are lower as it utilises small local ensembles and has a strong network of local presenters.

6.3.3 Reduced number of mainstage programs

Excluding the concert orchestras for which detailed financial data was not available, the Inquiry Companies presented 152 programs in their home mainstage seasons in 1997. Without taking government funding into account, the companies lost $13.3 million on these seasons after taking performance, venue and marketing costs into account (excluding infrastructure and administrative costs). Opera lost $8.9 million, theatre $3.6 million, dance $1.2 million and chamber music made a profit of $400,000.

Sydney Theatre Company, Musica Viva and the Australian Chamber Orchestra were the only companies to make marginal profits from their mainstage performances. The companies in the less populous States experienced the greatest difficulties in generating box office to cover their home mainstage performances. For five of these companies, the losses made on their home mainstage seasons were greater than the box office generated for the season.

Given the negative net financial contributions from their home mainstage activities, some of the companies have, over the past three years, sought to reduce the cost of these programs by decreasing the number of home mainstage programs and performances. For example, in theatre, between 1996 and 1998, each of the State theatre companies reduced its subscription seasons by one program, as did Opera Queensland. In taking these steps, the companies have sought to maintain access by ensuring larger audiences at remaining performances. The strategy appears to have been sound in that it has not adversely affected audience numbers in any of the companies.

* * *

In summary, therefore, changing industry dynamics and globalisation has adversely impacted the financial performance of the companies, which in turn has had a deleterious impact on artistic vitality and access.

Appendix 1: Key organisations

State	*Category*	*Company*	*Abbreviation*
VIC	Dance - Ballet	The Australian Ballet	TAB
QLD	Dance - Ballet	Queensland Ballet	QB
WA	Dance - Ballet	West Australian Ballet Company	WAB
SA	Dance - Contemporary	Australian Dance Theatre	ADT
NSW	Dance - Contemporary	Bangarra Dance Theatre	Bangarra
NSW	Dance - Contemporary	Sydney Dance Company	SDC
SA	Music - Orchestra	Adelaide Symphony Orchestra	ASO
VIC	Music - Orchestra	Melbourne Symphony Orchestra	MSO
QLD	Music - Orchestra	Queensland Symphony Orchestra	QSO
NSW	Music - Orchestra	Sydney Symphony Orchestra	SSO
TAS	Music - Orchestra	Tasmanian Symphony Orchestra	TSO
WA	Music - Orchestra	West Australian Symphony Orchestra	WASO
NSW	Music - Orchestra	Symphony Australia	
NSW	Music - Orchestra (Pit)	Australian Opera & Ballet Orchestra	AOBO
QLD	Music - Orchestra (Pit)	Queensland Philharmonic Orchestra	QPO
VIC	Music - Orchestra (Pit)	State Orchestra of Victoria	SOV
NSW	Music - Chamber	Australian Chamber Orchestra	ACO
NSW	Music - Chamber	Musica Viva Australia	MV
NSW	Opera	Opera Australia	OA
QLD	Opera	Opera Queensland	OQ
SA	Opera	State Opera Company of South Australia	SOSA
WA	Opera	West Australian Opera	WAO
WA	Theatre - Text Based	Black Swan Theatre Company	BS
NSW	Theatre - Text Based	Company B Ltd	Comp B
VIC	Theatre - Text Based	Melbourne Theatre Company	MTC
VIC	Theatre - Text Based	Playbox Theatre Centre	Playbox
QLD	Theatre - Text Based	Queensland Theatre Company	QTC
SA	Theatre - Text Based	State Theatre Company of SA	STC of SA
NSW	Theatre - Text Based	Sydney Theatre Company	STC
NSW	Theatre - Text Based	The Bell Shakespeare Company Ltd	Bell
VIC	Theatre - Physical	Circus Oz	Circ Oz
FED	Funding Agencies	Department of Communications, Information Technology and the Arts	DOCITA
FED	Funding Agencies	Australia Council	
QLD	Funding Agencies	Arts Queensland	
TAS	Funding Agencies	Arts Tasmania	
VIC	Funding Agencies	Arts Victoria	
SA	Funding Agencies	ARTSA	
ACT	Funding Agencies	ArtsACT	
WA	Funding Agencies	ArtsWA	
NT	Funding Agencies	Department of the Arts & Museums	
NSW	Funding Agencies	NSW Ministry for the Arts	
SA	Festivals	Adelaide Festival	Ad Fest
QLD	Festivals	Brisbane Festival	BF
WA	Festivals	Festival of Perth	FoP
NSW	Festivals	Festival of Sydney	FoS
VIC	Festivals	Melbourne International Festival of the Arts	MIFA
SA	Venues	Adelaide Festival Centre Trust	AFCT
WA	Venues	Perth Theatre Trust	PTT
QLD	Venues	Queensland Performing Arts Trust	QPAT
NSW	Venues	Sydney Opera House Trust	SOHT
VIC	Venues	Victorian Arts Centre Trust	VACT

Appendix 2: Synopsis of companies

Adelaide Symphony Orchestra Pty Ltd (ASO)

The Adelaide Symphony Orchestra was founded in 1936 as a radio ensemble under the auspices of the then Australian Broadcasting Commission. It was corporatised on 1 July 1997. The ASO presents orchestral concerts in South Australia and provides orchestral support for all mainstage productions of the State Opera of South Australia (SOSA) and for the Adelaide performances of The Australian Ballet. Its repertoire ranges from 18th to 20th century symphonic music, including new Australian works. In 1998, the ASO performed *Der Ring des Nibelungen* with SOSA conducted by Maestro Jeffrey Tate.

The ASO presents an annual subscription season in Adelaide and undertakes regional South Australian tours. Its first overseas tour to Asia was in 1996.

Employees, Management and Board

The Adelaide Symphony Orchestra is a wholly owned subsidiary company of the Australian Broadcasting Corporation, and member of the Symphony Australia Orchestral Network. Its Board of thirteen is chaired by Mr. John Uhrig. Managing Director is Robert Clarke.

The ASO has 91 permanent, full time employees, including 73 members of the orchestra, four marketing staff, four technical, two artistic support, two finance, two development and four managerial and administrative support staff. More than 148 guest artists were contracted by the orchestra in 1998. The ASO, as part of the Symphony Australia Orchestral Network, receives artistic, financial and planning services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised in the Profit and Loss statement below.

Balance sheet as at 30 June 1998 is set out below. The previous year is not available.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	1,082	1,511
Sponsorship, fundraising, other	1,008	497
Government grants	4,025	4,098
	6,115	**6,106**
Costs		
Performance and production	5,759	5,468
Marketing and administration	875	873
	6,634	**6,341**
Surplus (Deficit)	**519**	**(235)**
Abnormal/extraordinary items	0	(535)
Surplus (deficit) after abnormal items	**519**	**(770)**

Balance Sheet

$'000	*1997–98*
Current assets	941
Current liabilities	1,271
Working capital	**(330)**
Non current assets	339
Non current liabilities	567
Net assets/ (liabilities)	**(558)**

Appendix 2.3.2 Discussion Paper material

The Australian Ballet (TAB)

Formed in 1962, the Australian Ballet became an independent company in 1970 as part of the rationalisation of activities conducted by the Australian Elizabethan Theatre Trust. Its repertoire ranges from 19th century major classical works to contemporary Australian and international works, including full-length and shorter works. The company is highly regarded internationally.

TAB presents an average of five programs and over 140 performances in its annual subscription seasons in Melbourne, Sydney, Brisbane and Adelaide. It regularly tours to Canberra, Perth and Newcastle and undertakes an international tour every two to three years. The company presents annual regional tours of the Dancers Company which includes final year students from the Australian Ballet School.

Employees, Management and Board

The Australian Ballet is a company limited by guarantee. Its Board of 13 directors is chaired by Mr. Mel Ward. Artistic Director is Ross Stretton and General Manager is Ian McRae.

The company has 144 permanent, full time employees including 62 dancers, 17 artistic support staff, 24 technical staff, 21 marketing, development and communications staff, and 20 managerial, finance and administration staff. More than 111 guest artists and 96 technical and artistic staff were employed on a casual basis in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below:

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	10,394	11,901	11,244
Sponsorship, fundraising, other	6,079	6,144	5,687
Government grants	3,798	3,727	3,694
	20,271	**21,772**	**20,625**
Costs			
Performance and production	14,434	14,837	12,447
Marketing and administration	5,828	6,212	8,257
	20,262	**21,049**	**20,704**
Surplus (Deficit)	**9**	**723**	**(79)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	8,020	9,032	7,332
Current liabilities	5,058	5,475	3,961
Working capital	**2,962**	**3,557**	**3,371**
Non current assets	13,349	12,994	12,493
Non current liabilities	8,317	7,834	7,226
Net assets/ (liabilities)	**7,994**	**8,717**	**8,638**

Australian Chamber Orchestra Pty Ltd (ACO)

Founded in 1975, the Australian Chamber Orchestra is based in Sydney. Its repertoire ranges from 17th to 20th century chamber music, including new works by Australian and international composers.

The ACO presents subscription seasons in Sydney, Melbourne, Adelaide, Brisbane, Canberra, Perth and Newcastle and also undertakes annual regional and overseas touring. The ACO is highly regarded internationally and regularly appears in the top concert halls of Europe and the USA. It is ranked amongst the top six chamber orchestras in the world and has just completed a successful European tour where *The Times* of London concert review stated that 'this group must be the best chamber orchestra on earth'.

Employees, Management and Board

The Australian Chamber Orchestra is a non-profit company and its Board of seven is chaired by Mr. John Harvey. Richard Tognetti is Artistic Director and Timothy Walker is General Manager.

The company has a total of 20 performing artists and 19 permanent, full time employees: five marketing staff, three development, three artistic support, one artistic, one finance and six managerial, administrative and support staff. More than 50 guest artists were contracted by the Australian Chamber Orchestra in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	2,414	2,704	2,179
Sponsorship, fundraising, other	1,432	1,194	1,195
Government grants	835	767	725
	4,681	**4,665**	**4,099**
Costs			
Performance and production	3,662	3,580	3,129
Marketing and administration	1,011	1,078	1,067
	4,673	**4,658**	**4,196**
Surplus (Deficit)	**8**	**7**	**(97)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	1,509	1,762	1,771
Current liabilities	1,574	1,886	2,087
Working capital	**(65)**	**(124)**	**(316)**
Non current assets	58	124	219
Non current liabilities	0	0	0
Net assets/ (liabilities)	**(7)**	**0**	**(97)**

Australian Dance Theatre (ADT)

Founded in 1965, the Australian Dance Theatre is Australia's oldest contemporary dance ensemble. Meryl Tankard who was Artistic Director from 1992, developed a strong international profile for the company based on her work. She has recently left the company .

Based in Adelaide, the company produces one or two new programs each year which are then toured nationally and internationally.

Employees, Management and Board

The Australian Dance Theatre is a company limited by guarantee and its Board of seven is chaired by Justice Margaret Nyland. General Manager is Christian Haag and interim Artistic Director for 1999 is Bill Pengally. The Board recently announced the appointment of Garry Stewart as Artistic Director commencing in 2000.

ADT employs ten full time dancers and an administration and support staff of seven, including production, finance and marketing staff.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	488	427	468
Sponsorship, fundraising, other	152	143	55
Government grants	1,050	1,039	1,090
	1,690	**1,609**	**1,613**
Costs			
Performance and production	1,533	1,476	1,586
Marketing and administration	190	183	199
	1,723	**1,659**	**1785**
Surplus (Deficit)	**(33)**	**(50)**	**(172)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	217	186	192
Current liabilities	116	130	295
Working capital	**101**	**56**	**(103)**
Non current assets	64	59	46
Non current liabilities	0	0	0
Net assets/ (liabilities)	**165**	**115**	**(57)**

Australian Opera and Ballet Orchestra (AOBO)

Originally established under the auspices of the Australian Elizabethan Theatre Trust, the Australian Opera and Ballet Orchestra became an independent company in 1990 and in 1992 became a subsidiary company of Opera Australia.

It provides orchestral support for performances by Opera Australia and The Australian Ballet in Sydney with occasional concert performances.

Employees, Management and Board

The company has 69 orchestral players and support staff of four, with management and administrative services provided by Opera Australia.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	386	629	549
Sponsorship, fundraising, other	423	334	412
Government grants	3,769	3,702	3,732
	4,578	**4,665**	**4,693**
Costs			
Performance and production	4,094	4,504	4,636
Marketing and administration	336	328	513
	4,430	**4,832**	**5,149**
Surplus (Deficit)	**148**	**(167)**	**(456)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	2,410	3,731	3,417
Current liabilities	1,773	3,225	3,322
Working capital	**637**	**506**	**95**
Non current assets	99	84	78
Non current liabilities	80	101	140
Net assets/ (liabilities)	**656**	**489**	**33**

Bangarra Dance Theatre Limited (Bangarra)

Bangarra was established in 1989, when it separated from the National Aboriginal and Islander Skills Development school. It has since become Australia's leading Indigenous performing arts company. The company supports Aboriginal and Torres Strait Islander culture, and its own works merge traditional and modern dance forms.

The company is based in Sydney and regularly tours nationally and internationally. Under Artistic Director, Stephen Page, the company has developed a growing national and international profile through works such as *Ochres* and *Fish* which was performed at the 1997 Edinburgh Festival. A 1997 collaboration with the Australian Ballet for the Melbourne International Festival resulted in the creation of the critically acclaimed *Rites*.

Employees, Management and Board

Bangarra is a company limited by guarantee and has a Board of eight members chaired by Senator Aden Ridgeway. Stephen Page was appointed Artistic Director in 1992 and Jo Dyer is General Manager.

The company employs a total of 18 full time staff: ten dancers, five in technical and artistic support, one in marketing and two in administrative support.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	262	241	404
Sponsorship, fundraising, other	116	82	245
Government grants	584	667	730
	962	**990**	**1,379**
Costs			
Performance and production	749	717	1,028
Marketing and administration	274	204	333
	1,023	**921**	**1,361**
Surplus (Deficit)	**(61)**	**69**	**18**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	61	205	180
Current liabilities	73	121	150
Working capital	**(12)**	**84**	**30**
Non current assets	46	15	89
Non current liabilities	7	3	5
Net assets/ (liabilities)	**27**	**96**	**114**

Bell Shakespeare Company Limited (Bell)

The Bell Shakespeare Company was formed in 1990. Mainstage repertoire has focused on innovative productions of works by William Shakespeare to date, but is now being extended to more contemporary classics.

Bell Shakespeare is a national touring company based in Sydney. It presents two-play annual seasons in Brisbane, Sydney, Melbourne and Canberra, and tours to other State capitals every two to three years. Bell Shakespeare undertakes significant annual national regional touring with specifically developed product. The company has also developed an extensive education program performing to over 75,000 schoolchildren in both theatres and classrooms around Australia annually.

Employees, Management and Board

Bell Shakespeare Company is a public company and its Board of eight is chaired by Mr. Timothy Cox. John Bell is founding Artistic Director and Richard Evans is General Manager.

The company employs 12 permanent, full time staff; one in marketing, three in development, three in artistic and technical support, one in finance and four in managerial and administrative support roles. More than 38 actors and 24 production and artistic staff were contracted casually by the company in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,620	1,881	1,986
Sponsorship, fundraising, other	1,409	1,584	1,459
Government grants	276	271	490
	3,305	**3,736**	**3,935**
Costs			
Performance and production	2,187	2,682	2,889
Marketing and administration	1,045	1,135	1,039
	3,232	**3,817**	**3,928**
Surplus (Deficit)	**73**	**(81)**	**7**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	265	63	95
Current liabilities	295	280	341
Working capital	**(30)**	**(217)**	**(246)**
Non current assets	14	22	61
Non current liabilities	108	10	13
Net assets/ (liabilities)	**(124)**	**(205)**	**(198)**

Black Swan Theatre Company (BS)

Based in Perth, Black Swan was formed in 1990. Its repertoire focuses heavily on new Australian work, including large-scale Indigenous works and adaptations of books. These include *Bran Nue Dae* and *Merry-go-Round in the Sea*.

The company presents an annual four-play subscription season in Perth and undertakes major interstate tours intermittently when there is significant interest in a particular production, for example *Corrugation Road* in 1998.

Employees, Management and Board

Black Swan Theatre Company, a company limited by guarantee, has a Board of eight members, chaired by Mrs. Janet Holmes a Court. Founding Artistic Director is Andrew Ross, General Manager is Duncan Ord.

The company employs a permanent, full time staff of six; one in each of the areas of marketing, artistic and finance, and three in managerial and administrative support roles. In 1998, the company employed 54 guest artists and 14 artistic support and technical staff on a casual contract basis.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	501	292	597
Sponsorship, fundraising, other	327	183	593
Government grants	906	750	679
	1,734	**1,225**	**1,869**
Costs			
Performance and production		931	1,554
Marketing and administration		420	785
	1,697	**1,351**	**2,339**
Surplus (Deficit)	**37**	**(126)**	**(470)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	335	364	165
Current liabilities	373	562	291
Working capital	**(38)**	**(198)**	**(126)**
Non current assets	43	77	35
Non current liabilities	0	0	500
Net assets/ (liabilities)	**5**	**(121)**	**(591)**

Circus Australia Limited (Circus Oz)

From its beginnings in street performance in 1978, Circus Oz has grown into a professional circus company. The company's performances feature human circus acts with a distinctly Australian flavour that are combined into a unique form of physical theatre.

Melbourne based, Circus Oz is a touring company. It develops a new show annually and then tours the show extensively, nationally and internationally for a year. The company has a high international reputation, having represented Australia at numerous international forums including the South Pacific Festival in Port Moresby, the Los Angeles Olympic Arts Festival and the Seville World Expo. In 1997, it presented a highly successful six-week season in New York.

Employees, Management and Board

Circus Oz, a company limited by guarantee, has a Board of nine members chaired by Ms. Victoria Marles. Artistic Director is Mike Finch and General Manager is Linda Mickelborough.

The company employs five full time and three part time permanent staff. Its 11 performing artists are employed casually on a 39 week contract only. In any year an average of 51 casual production, front of house and artistic support staff are contracted.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	715	1,248	808
Sponsorship, fundraising, other	300	574	421
Government grants	947	782	731
	1,962	**2,604**	**1,960**
Costs			
Performance and production	1,486	1,867	1,473
Marketing and administration	468	621	447
	1,954	**2,488**	**1,920**
Surplus (Deficit)	**8**	**116**	**40**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	577	913	727
Current liabilities	243	445	225
Working capital	**334**	**468**	**502**
Non current assets	74	62	73
Non current liabilities	14	20	30
Net assets/ (liabilities)	**394**	**510**	**545**

Company B Limited (Company B)

Sydney based Company B was established in 1984. Its repertoire is an eclectic mix, drawn from English and American classics, European classics and a wide range of 20th century, contemporary work including new Australian work.

Company B presents an annual five-play season in its home venue, the Belvoir St Theatre. The company also undertakes regular regional and interstate touring.

Employees, Management and Board

Company B, a company limited by guarantee, has a Board of eight members chaired by Ms. Maureen Barren. Artistic Director is Neil Armfield and General Manager Rachel Healy.

Company B employs a total of 41 permanent, full time employees, including 33 artistic and technical staff, one marketing, one finance, one development, three front of house and two managerial and administrative staff. In 1998, more than 172 casual staff were employed, including 85 actors and 87 artistic support, production and front of house staff.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,364	1,675	2,037
Sponsorship, fundraising, other	129	317	690
Government grants	559	548	602
	2,052	**2,540**	**3,329**
Costs			
Performance and production		2,239	2,631
Marketing and administration		438	668
	2,032	**2,677**	**3,299**
Surplus (Deficit)	**20**	**(137)**	**30**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	462	1,008	667
Current liabilities	378	1,062	750
Working capital	**84**	**(54)**	**(83)**
Non current assets	88	89	148
Non current liabilities	0	0	0
Net assets/ (liabilities)	**172**	**35**	**65**

Melbourne Symphony Orchestra Pty Ltd (MSO)

The Melbourne Symphony Orchestra gave its first performance in 1934 under the auspices of the then Australian Broadcasting Commission. The orchestra has performed with some of the world's leading musicians and its repertoire covers the full range of orchestral music. It has enjoyed a 25 year association with conductor Hiroyuki Iwaki, now Conductor Laureate for the orchestra.

The MSO presents an annual subscription season in Melbourne and a regional subscription series at the Geelong Performing Arts Centre. In recent years it has also presented performances with popular commercial artists including Elton John (1987), Frank Sinatra (1991) and Johnny Farnham (1995). It undertakes occasional international touring, with tours of Japan in 1987 and 1994 and a European tour scheduled for 2000.

Employees, Management and Board

The Melbourne Symphony Orchestra is a wholly owned subsidiary company of the Australian Broadcasting Corporation, and member of the Symphony Australia Orchestral Network. Its Board of eight members is chaired by Mr. Brian Jamieson and includes Managing Director, Trevor Green. Markus Stenz is Chief Conductor.

The company employs 125 permanent, full time staff, including 100 members of the orchestra, seven marketing staff, five technical, two artistic, three finance, two development and six managerial and administrative support staff. More than 229 guest artists were contracted casually by the company in 1998. The MSO, as part of the Symphony Australia Orchestral Network, receives artistic, financial and planning services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised below.

Balance sheet as at 30 June 1998 is set out below. The previous year is not available.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	4,022	4,321
Sponsorship, fundraising, other	353	1,746
Government grants	7,322	7,362
	11,697	**13,429**
Costs		
Performance and production	9,785	10,395
Marketing and administration	1,819	2,298
	11,604	**12,693**
Surplus (Deficit)	**93**	**736**
Abnormal items	0	(1,932)
Surplus (Deficit) after abnormal items	**93**	**(1,196)**

Balance Sheet

$'000	*1997–98*
Current assets	3,075
Current liabilities	3,269
Working capital	(194)
Non current assets	643
Non current liabilities	1,207
Net assets/ (liabilities)	(758)

Melbourne Theatre Company (MTC)

Founded in 1953, the Melbourne Theatre Company is one of Australia's oldest theatre companies. Its repertoire is an eclectic mix, drawn from English and American classics, European classics and a wide range of 20th century and contemporary work. The company also maintains an extensive schools education program.

The MTC presents an annual 11-play subscription season in Melbourne. It also undertakes regular, regional and interstate touring.

Employees, Management and Board

Melbourne Theatre Company is a non-academic department of the University of Melbourne and has a university appointed Board of 13 members chaired by Mr. Ralph Ward-Ambler. Simon Phillips is Artistic Director and Ann Tonks is General Manager.

The company employs more than 116 permanent, full time staff, including 35 artistic support staff, 53 technical and production, eight marketing, four finance, four development and 12 managerial and administrative support staff. More than 160 actors, 98 production and artistic support staff and 23 staff in managerial and administrative support roles were employed on a casual basis in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	5,537	7,383	7,929
Sponsorship, fundraising, other	1,026	941	1,077
Government grants	1,381	1,488	1,361
	7,944	**9,812**	**10,367**
Costs			
Performance and production	7,082	8,267	9,041
Marketing and administration	1,326	1,444	1,446
	8,408	**9,711**	**10,487**
Surplus (Deficit)	**(464)**	**101**	**(120)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	2,626	3,840	4,142
Current liabilities	6,942	8,030	8,367
Working capital	**(4,316)**	**(4,190)**	**(4,225)**
Non current assets	3,177	3,150	3,103
Non current liabilities	62	60	98
Net assets/ (liabilities)	**(1,201)**	**(1,100)**	**(1,220)**

Musica Viva Australia (MV)

Musica Viva is now over 50 years old and continues to be Australia's leading presenter of chamber music. The company, which is based in Sydney, presents an extensive concert program with repertoire extending beyond classical music to jazz and world music. It also organises international tours by Australian ensembles.

The company presents an annual subscription season of international and Australian classical ensembles in all of the State capitals as well as Canberra and Newcastle. It also presents an extensive and varied regional touring program and a three-day Sun Microsystems Yarra Valley Festival at Domaine Chandon. The education program, founded in 1981, presented more than 2,131 performances in 1998 involving 350,000 schoolchildren in 1,000 Australian and Singaporean schools.

Employees, Management and Board

Musica Viva, a company limited by guarantee, has a Board of 12 members chaired by Mr. Kim Williams. Newly appointed General Manager is Mary Jo Capps and Artistic Director is William Lyne.

The company employs a total of 48 permanent, full time staff; three in marketing, four in development, two in production and the remaining 39 in managerial, administrative and support roles. More than 450 guest artists were contracted by Musica Viva in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	4,088	4,024	4,137
Sponsorship, fundraising, other	1,061	1,080	1,300
Government grants	1,781	1,720	1,643
	6,930	**6,824**	**7,080**
Costs			
Performance and production	4,062	3,845	4,103
Marketing and administration	2,730	2,812	2,887
	6,792	**6,657**	**6,990**
Surplus	**138**	**167**	**90**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	1,633	1,804	2,357
Current liabilities	2,090	1,957	2,354
Working capital	**(457)**	**(153)**	**3**
Non current assets	1,274	1,234	1,272
Non current liabilities	139	236	340
Net assets/ (liabilities)	**678**	**845**	**935**

Opera Australia (OA)

Opera Australia was formed in 1956 and became an independent company in 1970 as part of the rationalisation of activities conducted by the Australian Elizabethan Theatre Trust. In 1997, it merged with Victoria State Opera. Its repertoire ranges from 17th to 20th century works, including new Australian works. The Australian Opera and Ballet Orchestra is a wholly owned subsidiary of Opera Australia. The company is highly regarded internationally. Oz Opera is the company's audience development arm.

Sydney based, the company presents approximately 19 productions and 237 performances within an annual subscription season in Sydney and Melbourne. In other capital cities, its productions are usually co-presented with the State company. Opera Australia is also a partner in the Opera Conference, presenting Opera Conference productions under its own auspices. Oz Opera undertakes tours to capital cities and regional centres.

Employees, Management and Board

Opera Australia, a company limited by guarantee, has a Board of 14 directors, chaired by Mr. Graeme Samuel. The company's General Manager is Adrian Collette and its Artistic Director is Moffatt Oxenbould. Simone Young will become Musical Director in 2001.

The company employs more than 225 permanent, full time staff, including 67 singers, 87 technical staff, 28 artistic support, eight marketing, 13 finance and MIS, 11 development and 11 managerial and administrative staff. More than 635 guest artists, 232 technical staff, 63 artistic support and 58 administrative support staff were employed by the company on a casual basis throughout 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	20,604	23,066	23,115
Sponsorship, fundraising, other	7,314	6,836	9,006
Government grants	9,343	10,810	10,384
	37,261	**40,712**	**42,505**
Costs			
Performance and production	30,744	36,067	34,711
Marketing and administration	6,600	7,435	8,783
	37,344	**43,502**	**43,494**
Surplus (Deficit)	**(83)**	**(2,790)**	**(989)**
Abnormal item	(372)	(1,669)	0
Surplus (Deficit) after abnormal items	**(455)**	**(4,459)**	**(989)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	6,065	6,178	6,116
Current liabilities	18,988	24,105	26,092
Working capital	**(12,923)**	**(17,927)**	**(19,976)**
Non current assets	14,265	20,310	21,368
Non current liabilities	261	419	417
Net assets/ (liabilities)	**1,081**	**1,964**	**975**

Opera Queensland Ltd (OQ)

Founded in 1981 as the Lyric Opera of Queensland, Opera Queensland's productions are drawn principally from the mainstream operatic repertoire. It has a young artists development program and a substantial educational program.

The company presents an annual subscription season of three works and other ancillary activity, including concerts, in Brisbane and undertakes an extensive annual regional tour of Queensland. Opera Queensland is a partner in the Opera Conference, presenting Opera Conference productions under its own auspices. It also enters into co-productions with other opera companies.

Employees, Management and Board

Opera Queensland is a company limited by guarantee. Its Board of six is chaired by Mr. Martin Kriewaldt and its General Manager is Chris Mangin.

The company employs 11 permanent, full time staff, including two staff in each of marketing, finance and artistic, one in each of development and technical, and the remaining three in managerial and administrative roles. The company is a *stagione* company. In 1998, it employed more than 256 guest artists, and 38 management, technical and artistic support staff on a casual basis throughout the year.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,724	1,541	1,332
Sponsorship, fundraising, other	637	698	464
Government grants	2,335	2,600	2,755
	4,696	**4,839**	**4,551**
Costs			
Performance and production	4,750	4,216	3,724
Marketing and administration	351	812	718
	5,101	**5,028**	**4,442**
Surplus (Deficit)	**(405)**	**(189)**	**109**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	1,299	1,250	522
Current liabilities	1,798	1,937	1,067
Working capital	**(499)**	**(687)**	**(545)**
Non current assets	680	909	871
Non current liabilities	10	8	3
Net assets/ (liabilities)	**171**	**214**	**323**

Playbox Theatre Centre of Monash University (Playbox)

Playbox was formed in 1986 to develop and present Australian plays. With this focus, the company maintains an extensive playwright development program and dramaturgical support for many writers. It also presents a wide-ranging and varied, award-winning educational program.

The company's annual eight-play subscription season in Melbourne is presented in its home venue, The Malthouse. It features exclusively Australian repertoire, with a majority being premieres of new Australian plays. Extensive regional and capital cities touring is undertaken to promote these new works. The company is currently developing international exchange programs with Asian and American companies to promote Australian playwrights.

Employees, Management and Board

Playbox, a centre of Monash University, has a Board of seven members chaired by Ms. Margaret Jackson. Artistic Director is Aubrey Mellor and General Manager is Jill Smith.

Playbox employs 25 permanent, full time staff: four artistic staff, eight marketing and front of house, seven technical, and six managerial and administrative support staff. More than 100 guest artists were contracted in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,376	1,142	941
Sponsorship, fundraising, other	327	399	364
Government grants	915	1,150	950
	2,618	**2,691**	**2,255**
Costs			
Performance and production	2,293	2,051	1,836
Marketing and administration	618	571	497
	2,911	**2,622**	**2,333**
Surplus (Deficit)	**(293)**	**69**	**(78)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	344	409	302
Current liabilities	617	569	504
Working capital	**(273)**	**(160)**	**(202)**
Non current assets	417	368	322
Non current liabilities	21	16	6
Net assets/ (liabilities)	**123**	**192**	**114**

The Queensland Ballet Company (QB)

The Queensland Ballet, formed in 1960 by Charles Lisner, is the State ballet company of Queensland. The company's repertoire ranges from reinterpretations of major 19th century classical works to new Australian and international classical contemporary work.

The company presents an annual subscription season in Brisbane and tours extensively within Queensland every year. It has a wide-ranging education and community access program reaching an estimated 30,000 primary school children each year. The company undertakes occasional interstate touring and toured to the USA, its first international tour, in 1996.

Employees, Management and Board

The Queensland Ballet is a company limited by guarantee. The President of its ten member Board of Directors is Mrs. Lynette Denny. Artistic Director is Francois Klaus and General Manager is Judith Anderson.

The Queensland Ballet employs 27 permanent, full time staff: 17 dancers, one staff member in each of marketing, artistic, finance, five in technical, and two in managerial and administrative support.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	672	852	462
Sponsorship, fundraising, other	362	414	268
Government grants	1,139	1,194	1,591
	2,173	**2,460**	**2,321**
Costs			
Performance and production	1,954	1,896	1,740
Marketing and administration	434	604	550
	2,388	**2,500**	**2,290**
Surplus (Deficit)	**(215)**	**(40)**	**31**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	505	266	104
Current liabilities	476	290	165
Working capital	**29**	**(24)**	**(61)**
Non current assets	40	50	120
Non current liabilities	10	7	9
Net assets/ (liabilities)	**59**	**19**	**50**

Queensland Philharmonic Orchestra (QPO)

Established in 1976, the Queensland Philharmonic Orchestra became a division of the Queensland Performing Arts Trust (QPAT) in 1997. The QPO provides orchestral services for QPAT activities and orchestral support for the Queensland Ballet, Opera Queensland and The Australian Ballet.

The QPO presents a small subscription season focusing on Baroque and Classical period repertoire in Brisbane and undertakes regional touring and educational activities.

Employees, Management and Board

The Queensland Philharmonic Orchestra is a division of QPAT. Roberta Henry is General Manager and Anthony Camden is Artistic Advisor.

QPO has 38 permanent, full time employees: 31 orchestral players and seven managerial and administrative support staff.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Since January 1998, the QPO has reported within QPAT's financial statements and current balance sheet information is not available.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	891	1,286	833
Sponsorship, fundraising, other	432	142	196
Government grants	1,768	987	1,006
	3,091	**2,415**	**2,035**
Costs			
Performance and production		2,128	1,823
Marketing and administration		1,205	1,275
	3,441	**3,333**	**3,098**
Surplus (Deficit)	**(350)**	**(918)**	**(1,063)**

Balance Sheet

$'000	*1997*
Current assets	284
Current liabilities	732
Working capital	**(450)**
Non current assets	113
Non current liabilities	164
Net assets/ (liabilities)	**(501)**

Queensland Symphony Orchestra (QSO)

The Queensland Symphony Orchestra was formed in 1947 under the auspices of the then Australian Broadcasting Commission. The QSO presents orchestral concerts in Queensland and occasionally provides orchestral support for Opera Queensland and the Queensland Ballet. Its repertoire ranges from 18th to 20th century symphonic music, including new Australian work, and it has made a number of successful recordings. It has a wide-ranging education program.

The QSO presents an annual subscription season in Brisbane and undertakes extensive annual regional touring, performing in centres such as Mackay, Cairns, Rockhampton, Gladstone and Townsville. The QSO toured to China in 1994.

Employees, Management and Board

The Queensland Symphony Orchestra is a division of Symphony Australia and is in the process of being corporatised. General Manager is Rodney Jacobson and Chief Conductor is Muhai Tang.

The QSO employs 79 permanent, full time staff, including 68 orchestral players, three marketing staff, two technical, one artistic support, two finance, one development and two managerial and administrative support staff. More than 183 guest artists were contracted in 1998. The QSO, as part of the Symphony Australia Orchestral Network, receives artistic, financial and planning services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised below.

Balance sheet information for the Queensland Symphony Orchestra is not available, as the company's financial position is consolidated within Symphony Australia Holdings.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	1,470	1,827
Sponsorship, fundraising, other	211	207
Government grants	4,179	4,187
	5,860	**6,221**
Costs		
Performance and production	5,157	5,507
Marketing and administration	905	617
	6,062	**6,124**
Surplus (Deficit)	**(202)**	**97**
Abnormal items	0	(541)
Surplus (Deficit) after abnormal items	**(202)**	**(444)**

Queensland Theatre Company (QTC)

The Queensland Theatre Company was founded as the State Theatre Company of Queensland in 1970. It presents a mixed program, with a moderately strong focus on Australian work.

The company presents an annual seven-play Brisbane subscription season and undertakes touring to regional areas of the state. In recent years, the company has also undertaken regular interstate touring. QTC strongly supports local artists (writers, designers, directors and performers) and the local industry with a variety of youth, education and writer development programs.

Employees, Management and Board

The Queensland Theatre Company, a statutory authority, has a Board of ten chaired by Professor Ashley Goldsworthy. Newly appointed Artistic Director is Michael Gow and General Manager is Stephen Armstrong.

The company employs a total of 29 permanent, full time staff: seven technical / production staff, seven artistic support, six marketing, two artistic, one finance, one development and five managerial, administrative and support staff. More than 300 guest artists were contracted by Queensland Theatre Company in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,744	2,068	2,066
Sponsorship, fundraising, other	295	329	378
Government grants	2,037	2,481	2,630
	4,076	**4,878**	**5,074**
Costs			
Performance and production	3,153	3,629	3,360
Marketing and administration	1,455	1,048	1,640
	4,608	**4,677**	**5,000**
Surplus (Deficit)	**(532)**	**201**	**74**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	1,764	1,848	1,475
Current liabilities	1,747	1,828	1,285
Working capital	**17**	**20**	**190**
Non current assets	236	277	170
Non current liabilities	227	70	59
Net assets/ (liabilities)	**26**	**227**	**301**

State Opera of South Australia (SOSA)

The State Opera of South Australia was established in 1976, and presents mainstream operatic repertoire in its main season. It also utilises its studio space to present smaller scale and more challenging work. Its presentation of *The Ring* at the end of 1998 represented a landmark for the company and brought it considerable international acclaim.

SOSA presents an annual subscription season of three to four operas in Adelaide. It is a partner in the Opera Conference, presenting Opera Conference productions under its own auspices. The company also enters into co-productions with other opera companies.

Employees, Management and Board

State Opera of South Australia, is a statutory authority, and its Board of seven is chaired by Mr. Colin Dunsford. General Manager is Stephen Phillips.

SOSA employs six permanent, full time staff: one in each of marketing, artistic and finance, two in technical and one in administrative support. It is a *stagione* company. In 1998, it employed more than 320 guest artists for *The Ring* as well as 60 casual employees in technical and administrative support.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,034	1,111	1,114
Sponsorship, fundraising, other	352	274	130
Government grants	1,859	1,776	1,470
	3,245	**3,161**	**2,714**
Costs			
Performance and production	2,573	2,601	2,144
Marketing and administration	364	512	476
	2,937	**3,113**	**2,620**
Surplus (Deficit)	**308**	**48**	**94**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	701	793	432
Current liabilities	576	644	165
Working capital	**125**	**149**	**267**
Non current assets	14	43	34
Non current liabilities	50	55	70
Net assets/ (liabilities)	**89**	**137**	**231**

State Orchestra of Victoria (SOV)

Originally established under the auspices of the Australian Elizabethan Theatre Trust in 1969, the State Orchestra of Victoria has been administered by the Victorian Arts Centre for more than ten years. It provides orchestral support for performances by Opera Australia and The Australian Ballet in Melbourne and has occasionally toured with The Australian Ballet for performances in other cities such as Adelaide or Canberra. It also presents concerts in Melbourne and in regional Victoria and has made a number of recordings.

Employees, Management and Board

The company has 69 orchestral players and support staff of four, with management and administrative services provided by the Victorian Arts Centre. General Manager is Peter Garnick.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	511	509	772
Sponsorship, fundraising, other	210	201	282
Government grants	4,112	4,042	4,068
	4,833	**4,752**	**5,122**
Costs			
Performance and production	4,174	4,326	4,936
Marketing and administration	119	269	528
	4,293	**4,595**	**5,464**
Surplus (Deficit)	**540**	**157**	**(342)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	3,136	2,493	2,333
Current liabilities	1,295	502	621
Working capital	**1,841**	**1,991**	**1,712**
Non current assets	58	83	64
Non current liabilities	133	151	195
Net assets/ (liabilities)	**1,766**	**1,923**	**1,581**

State Theatre Company of South Australia (STC-SA)

The State Theatre Company of South Australia was founded in 1972. In 1996, it introduced a new programming focus, *The Australian Playhouse,* presenting exclusively Australian works. More recently, the company refocused on broader programming, working cooperatively with the Adelaide Festival Centre Trust.

The company now presents an annual six or seven-play subscription season in Adelaide of mixed repertoire and undertakes an extensive education programme. It has also recently undertaken an innovative youth audience project known 'Club 26'. The company strongly supports local artists.

Employees, Management and Board

State Theatre Company of South Australia, a statutory authority, has a ten member Board chaired by Ms. Elizabeth Raupach. Artistic Director is Rodney Fisher and General Manager is Atul Joshi.

The STC-SA employs 19 permanent, full time staff: three marketing staff, two artistic, one finance, one development, nine technical, and three managerial and support staff. More than 100 guest artists were contracted in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1995–96*	*1996–97*	*1997–98*
Revenue			
Subscriptions, ticket sales, fees	1,277	995	930
Sponsorship, fundraising, other	396	805	360
Government grants	1,994	1,933	1,901
	3,667	**3,733**	**3,191**
Costs			
Performance and production	3,304	3,212	2,594
Marketing and administration	580	795	498
	3,884	**4,007**	**3,092**
Surplus (Deficit)	**(220)**	**(274)**	**99**

Balance Sheet

$'000	*1995–96*	*1996–97*	*1997–98*
Current assets	1,048	770	431
Current liabilities	915	898	498
Working capital	**133**	**(128)**	**(67)**
Non current assets	65	34	44
Non current liabilities	139	62	103
Net assets/ (liabilities)	**59**	**(156)**	**(126)**

Sydney Dance Company (SDC)

Established in 1984, the Sydney Dance Company is a signature choreographer company presenting work by Graeme Murphy. It has developed a reputation as Australia's leading contemporary dance company. Its repertoire includes new works (an average of one per year) and revivals of existing productions.

The company presents two seasons in Sydney each year and tours annually to Melbourne, Brisbane and Canberra. It also tours to Perth and Adelaide every two or three years. The company has been highly successful in developing an international profile, with annual overseas tours.

Employees, Management and Board

Sydney Dance Company is a company limited by guarantee and its Board of nine directors is chaired by Mr. Rowan Ross. Artistic Director is Graeme Murphy and General Manager is Leigh Small.

The company employs a permanent, full time ensemble of 16 dancers and a further 16 permanent, full time staff in areas of management, artistic, production and marketing. More than 40 guest artists were contracted by the company in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	1,653	2,108	1,945
Sponsorship, fundraising, other	1,112	1,221	1,392
Government grants	1,300	1,237	1,455
	4,065	**4,566**	**4,792**
Costs			
Performance and production	3,008	3,446	3,915
Marketing and administration	1,201	946	1,019
	4,209	**4,392**	**4,934**
Surplus (Deficit)	**(144)**	**174**	**(142)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	565	944	760
Current liabilities	314	606	613
Working capital	**251**	**338**	**147**
Non current assets	122	165	168
Non current liabilities	277	233	187
Net assets/ (liabilities)	**96**	**270**	**128**

Sydney Symphony Orchestra Holdings Pty Ltd (SSO)

Founded in 1932 as a radio ensemble by the then Australian Broadcasting Commission, the Sydney Symphony Orchestra gave its first stage concert performance in 1934. It was the first of the ABC orchestras to be corporatised in February 1996. Its repertoire ranges from 18th to 20th century symphonic music, including new Australian work.

The SSO presents an annual subscription season of more than 150 concerts in Sydney and has a subscriber base of over 20,000. In addition to an extensive education programme in which over 25,000 schoolchildren participate, the SSO has established an internationally renowned education and vocational project for young Australian musicians, the Sydney Sinfonia, which combines orchestral members with talented young students for rehearsals and performances. It has also developed product for the international tourist market. SSO tours internationally every two to three years, most recently to the USA in 1998.

Employees, Management and Board

The SSO is a wholly owned subsidiary company of the Australian Broadcasting Corporation and its Board of 12 members is chaired by Mr. Leo Schofield. Chief Conductor and Artistic Director is Edo de Waart and Managing Director is Mary Vallentine.

The company employs a total of 141 permanent, full time staff, including 106 members of the orchestra, seven marketing, six technical and artistic support staff, three finance staff and 19 managerial and administrative staff. More than 183 guest artists were contracted throughout 1998. The SSO, as part of the Symphony Australia Orchestral Network, receives artistic services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised below. Prior to 1996, the orchestra was not a separate entity.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	7,049	8,273
Sponsorship, fundraising, other	1,556	2,398
Government grants	9,674	9,699
	18,279	**20,370**
Costs		
Performance and production	14,395	15,103
Marketing and administration	2,440	3,455
	16,835	**18,558**
Surplus (Deficit)	**1,294**	**1,812**

Balance Sheet

$'000	*1996–97*	*1997–98*
Current assets	5,998	8,932
Current liabilities	4,604	5,533
Working capital	**1,394**	**3,399**
Non current assets	1,246	1,094
Non current liabilities	1,115	1,156
Net assets/ (liabilities)	**1,525**	**3,337**

Sydney Theatre Company Limited (STC)

The Sydney Theatre Company was formed in 1978. It presents an eclectic repertoire mix, including Australian work. The company also supports the development of new Australian plays through a dramaturgical support program and a workshop program. In recent years it has had international success with Dein Perry's *Tap Dogs* in a commercial collaboration with Back Row Productions.

The STC presents an 11-play subscription season in Sydney which attracts over 20,000 subscribers. The company also tours extensively regionally and interstate.

Employees, Management and Board

Sydney Theatre Company, a company limited by guarantee, has a Board of seven chaired by Mr. Mark Burrows. Robyn Nevin is Artistic Director and Rob Brookman is the newly appointed General Manager.

STC employs over 68 permanent, full time staff: 17 artistic staff, 11 marketing and front of house, five finance, two development, 27 technical and six managerial and administrative support staff. More than 600 guest artists, artistic support and production personnel were contracted in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	13,274	11,494	10,026
Sponsorship, fundraising, other	2,133	1,733	2,643
Government grants	2,218	1,934	1,515
	17,625	**15,161**	**14,184**
Costs			
Performance and production	14,510	9,940	10,289
Marketing and administration	3,482	4,530	3,471
	17,992	**14,470**	**13,760**
Surplus (Deficit)	**(367)**	**691**	**424**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	5,883	8,434	9,432
Current liabilities	6,737	8,648	9,157
Working capital	**(854)**	**(214)**	**275**
Non current assets	564	605	522
Non current liabilities	63	53	35
Net assets/ (liabilities)	**(353)**	**338**	**762**

Symphony Australia Holdings Pty Ltd (Symphony Australia)

The Symphony Australia Orchestral Network comprises the Adelaide, Melbourne, Queensland, Sydney, Tasmanian and West Australian Symphony Orchestras. Symphony Australia is the umbrella company which provides a range of artistic, financial and planning services to the orchestras and also manages the National Artists Development Program.

Symphony Australia is also responsible for managing and finalising the corporatisation of the remaining two ABC symphony orchestras (the Tasmanian Symphony Orchestra and the Queensland Symphony Orchestra).

Employees, Management and Board

Symphony Australia Holdings Pty Ltd is a wholly owned subsidiary of the Australian Broadcasting Corporation and its Board of seven is chaired by Mr. Donald McDonald. Managing Director is Derek Watt.

The National Office of Symphony Australia is Sydney-based and employs 27 permanent, full time staff: 24 providing artistic and administrative services to the network orchestras and three in managerial and administrative support roles.

Financial performance

The audited financial performance of the company over the most recent two years is summarised below.

The audited financial position of the company at 30 June 1998 is set out below and includes the financial positions of the Tasmanian Symphony Orchestra and the Queensland Symphony Orchestra, as they are still managed by Symphony Australia. Balance Sheet information relating to previous years is not available.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	0	12
Sponsorship, fundraising, other	76	204
Government grants	4,546	4,448
	4,622	**4,664**
Costs		
Performance and production	2,255	2,473
Marketing and administration	2,653	1,867
	4,908	**4,340**
Surplus (Deficit)	**(286)**	**324**
Abnormal item		(1687)
Surplus (Deficit) after abnormal items	**(286)**	**(1,363)**

Balance Sheet

$'000	*1997–98*
Current assets	2,666
Current liabilities	3,822
Working capital	**(1,156)**
Non current assets	1,171
Non current liabilities	1,278
Net assets/ (liabilities)	**(1,263)**

Tasmanian Symphony Orchestra (TSO)

The Tasmanian Symphony Orchestra was created under a Tasmanian Act of Parliament in 1948 and came under the auspices of the Australian Broadcasting Commission. The TSO presents orchestral concerts in Tasmania. Its other activities include recordings for videos, film scores and over 20 CD's which have been released through the ABC Classic label. The TSO won an Aria Award in 1990 with its recording of Vivaldi's *Four Seasons*.

The TSO presents over 25 subscription concerts in Hobart, Launceston and the North West Coast of Tasmania. Over 14,000 schoolchildren participate in its educational programme. As a smaller orchestra, it has been able to tour frequently to Australian capital cities and regional centres and in 1998 toured to China.

Employees, Management and Board

The Tasmanian Symphony Orchestra is a division of Symphony Australia and is in the process of being corporatised. General Manager is Julie Warn, Chief Conductor and Artistic Director is David Porcelijn.

The TSO has a total of 58 permanent, full time employees, including 47 orchestral players, one staff member in each of marketing and artistic support, two finance, two technical and five managerial and administrative support staff. More than 123 guest artists were contracted during 1998. The TSO, as part of the Symphony Australia Orchestral Network, receives artistic, financial and planning services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised below.

Balance sheet information for the Tasmanian Symphony Orchestra is not available, as the company's financial position is consolidated within Symphony Australia Holdings.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	624	538
Sponsorship, fundraising, other	56	196
Government grants	3,755	3,718
	4,435	**4,452**
Costs		
Performance and production	3,691	3,686
Marketing and administration	748	597
	4,439	**4,283**
Surplus (Deficit)	**(4)**	**169**
Abnormal items	0	(313)
Surplus (Deficit) after abnormal items)	**(4)**	**(144)**

The West Australian Ballet Company (Inc.) (WAB)

Founded as a State company in Perth in 1952, the West Australian Ballet is the longest established and operating ballet company in Australia. Its repertoire includes both full-length and shorter works ranging from reinterpretations of 19th century classical works to 20th century contemporary works.

West Australia Ballet presents an annual subscription season in Perth and tours regionally within Western Australia every two to three years. The company also undertakes interstate and international touring intermittently.

Employees, Management and Board

The West Australian Ballet Company, an incorporated association, with a Board of nine, is chaired by Mr. Ken Perry. Artistic Director is Ted Brandsen and General Manager is Louise Howden-Smith.

The company employs a total of 27 permanent staff: 16 dancers, three marketing/development staff, three artistic, two technical and three managerial and administrative support staff. Financial services have been outsourced. More than 15 guest artists were contracted in 1998.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	643	529	507
Sponsorship, fundraising, other	259	366	273
Government grants	1,350	1,016	1,032
	2,252	**1,911**	**1,812**
Costs			
Performance and production	1,747	1,518	1,712
Marketing and administration	504	436	465
	2,251	**1,954**	**2,177**
Surplus (Deficit)	**1**	**(43)**	**(365)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	168	90	165
Current liabilities	243	166	389
Net current liabilities	**(75)**	**(76)**	**(224)**
Non current assets	80	67	556
Non current liabilities	0	29	235
Net assets/ (liabilities)	**5**	**(38)**	**97**

The West Australian Opera Company Limited (WAO)

West Australian Opera was established in 1967 and presents operas drawn from the mainstream operatic repertoire.

The company presents an annual subscription season of two productions and other ancillary activities, including concerts, in Perth. It is a partner in the Opera Conference, presenting Opera Conference productions under its own auspices. It also enters into co-productions with other opera companies.

Employees, Management and Board

West Australia Opera is an incorporated association and has a Board of eight directors, chaired by Mr. Frank Cooper. Artistic Director is Richard Mills and General Manager is Pamela Foulkes.

The company employs a total of five permanent, full time staff; one in marketing, one in artistic support and the remaining three in other managerial, administrative and support roles. It is a *stagione* company. In 1998, it employed more than 115 guest artists.

Financial performance

The audited financial performance of the company over the most recent three years is summarised below.

Profit and Loss

$'000	*1996*	*1997*	*1998*
Revenue			
Subscriptions, ticket sales, fees	620	805	744
Sponsorship, fundraising, other	218	191	230
Government grants	990	1,025	920
	1,828	**2,021**	**1,894**
Costs			
Performance and production	1,766	1,437	1,677
Marketing and administration	301	329	317
	2,067	**1,766**	**1,994**
Surplus (Deficit)	**(239)**	**255**	**(100)**

Balance Sheet

$'000	*1996*	*1997*	*1998*
Current assets	163	515	326
Current liabilities	83	142	83
Working capital	**80**	**373**	**243**
Non current assets	86	48	78
Non current liabilities	0	0	0
Net assets/ (liabilities)	**166**	**421**	**321**

West Australian Symphony Orchestra Holdings Pty Ltd (WASO)

The Western Australian Symphony Orchestra began its life as a concert ensemble known as the Perth Symphony Orchestra. By 1936, it was brought under the auspices of the then Australian Broadcasting Commission. In 1950, the State Government provided additional financial support to the orchestra and it then became known as the West Australian Symphony Orchestra. In 1989, it merged with the WA Arts Orchestra and it was corporatised in January 1998. The WASO presents orchestral concerts in Western Australia and provides orchestral support for the Western Australian Opera and the Western Australian Ballet.

The WASO presents more than 50 subscription concerts in Perth annually and undertakes regional touring. In addition, a smaller ensemble from the orchestra, EChO (the Education Chamber Orchestra) visits more remote communities presenting educational programs.

Employees, Management and Board

The Western Australian Symphony Orchestra is a wholly owned subsidiary company of the Australian Broadcasting Corporation, and a member of the Symphony Australia Orchestral Network. Its Board of 11 is chaired by Mrs. Janet Holmes a Court and includes Rod Lillis as Managing Director.

WASO has 113 permanent, full time employees: 89 orchestral players, eight marketing staff, six technical, three artistic, three finance, one development and three managerial and administrative support staff. More than 136 guest artists were contracted in 1998. The WASO, as part of the Symphony Australia Orchestral Network, receives artistic, financial and planning services from Symphony Australia.

Financial performance

The audited financial performance of the company over the most recent two years is summarised in the Profit and Loss statement below.

Balance sheet as at 30 June 1998 is set out below. The previous year is not available.

Profit and Loss

$'000	*1996–97*	*1997–98*
Revenue		
Subscriptions, ticket sales, fees	2,059	1,510
Sponsorship, fundraising, other	352	1,306
Government grants	5,387	5,460
	7,798	**8,276**
Costs		
Performance and production	6,710	6,755
Marketing and administration	869	1,888
	7,579	**8,643**
Surplus (Deficit)	**219**	**(367)**
Abnormal items	0	(682)
Surplus (Deficit) after abnormal items	**219**	**(1,049)**

Balance Sheet

$'000	*1997–98*
Current assets	905
Current liabilities	1,575
Working capital`	**(670)**
Non current assets	491
Non current liabilities	572
Net assets/ (liabilities)	**(750)**

Appendix 3: Inquiry personnel

Committee Members

The Inquiry Committee comprises:

Dr Helen Nugent (Chair)

Mr Michael Chaney

Mr David Gonski

Mrs Catherine Walter

Dr Helen Nugent (Chair)

Dr Nugent is a Director of United Energy, Macquarie Bank and TAB Queensland. She was previously the Director of Strategy at Westpac; Professor in Management and Director of the MBA program at the Australian Graduate School of Management; and a partner with McKinsey and Company. She is also Deputy Chair of the Australia Council and Chair of the Major Organisations Fund of the Australia Council. She was previously Deputy Chair of Opera Australia and a Director of the Playbox Theatre in Melbourne. Dr Nugent resigned from the Board of Opera Australia and has stood down from her roles with the Australia Council to chair the Inquiry.

Mr Michael Chaney

Mr Chaney is Managing Director of Wesfarmers Limited. He is also a Director of the Broken Hill Proprietary Company Limited and Gresham Partners Holdings. He is a Board member of the Business Council of Australia and is also on the Executive of the Australia-Japan Business Co-operation Committee. Mr Chaney has been instrumental in the development of the Wesfarmers Art Collection and arts support program, Wesfarmers Arts. He has been a Trustee of the Art Gallery of Western Australia Foundation and is a Patron of West Australian Ballet.

Mr David Gonski

Mr Gonski is a leading Sydney solicitor and a principal of the corporate advisory firm Wentworth Associates. He is also Deputy Chairman of Coca-Cola Amatil and a Director of a number of public companies, including John Fairfax, Westfield Holdings and Mercantile Mutual Holdings. Mr Gonski authored the Federal Government's 1997 review into the Federal Government's support of the Australian Film Industry, is President of the Art Gallery of New South Wales and Chairman of the Bundanon Trust.

Mrs Catherine Walter

Mrs Walter is a Director of National Australia Bank, Orica, the Australian Stock Exchange and the Melbourne Business School. She was previously on the Board of the Australian Ballet School and is a member of the Major Organisations Fund of the Australia Council. Mrs Walter has stood down from her role with MOF to be a member of the Inquiry.

Staff

Department of Communications,
Information Technology and the Arts
Mr Peter Young
Ms Helen Walker

Australia Council
Dr Catherine Brown-Watt
Ms Lee Williamson

Andersen Consulting
Mr Antony de Jong
Ms Caroline Chernov

Boston Consulting Group
Mr Paul Carter

McKinsey & Co.
Ms Nikki Blundell
Ms Amanda Satterly

Mitchell Madison Group
Mr Matt Ware

PricewaterhouseCoopers
Ms Cecilia Kendall

Wesfarmers Limited
Ms Fiona Kalaf

Office management
Ms Jayne Selby
Ms Kerry Oglesby

Appendix 4: Submissions received

Governments and Government Agencies

Commonwealth
Australia Council
Australia Foundation for Culture and the Humanities

States/Territories
New South Wales
Northern Territory
Queensland
South Australia
Tasmania
Victoria
Western Australia
Lotteries Commission of Western Australia

Organisations

Adelaide Festival of Arts (on behalf of the Confederation of Major International Arts Festivals)

Adelaide Symphony Orchestra

AICD Education Services

Arena Theatre Company

Arts Industry Council (SA) Inc.

Arts Industry Council (Victoria)

Arts Voice

Association of Eisteddfod Societies of Australia Inc

Ausdance

Australasian Performing Arts Centres Association Inc.

Australian Ballet, The

Australian Brandenburg Orchestra

Australian Chamber Orchestra (including letters of support)

Australian Dance Theatre

Australian Major Performing Arts Group

Australian Society for Keyboard Music (Ade) Inc. 'Recitals Australia'

Australian Writers' Guild

Bangarra Dance Theatre

Bell Shakespeare Company, The

Black Swan Theatre Company

Brisbane Festival

Chunky Move

Circus Oz

Company B

Country Arts WA Inc

Dance Works

Entertainment Industry Employers Association

Esperance Show Bizz

Friends of the Queensland Philharmonic

Friends' School, The

Gold Coast Tropicarnival Ltd

Gorokan High School

Grin & Tonic

La Boite Theatre Inc

La Mama Theatre

Ludmilla Machowicz Ballet School

Media Entertainment and Arts Alliance

Media Entertainment and Arts Alliance - WA

Melbourne Festival

Melbourne Symphony Orchestra

Melbourne Theatre Company

Moray Enterprises Pty Ltd

Music Council of Australia

Music Theatre Australia

Musica North

Musica Viva Australia

Musicians' Union of Australia

NAISDA Inc

Opera Australia

Opera Australia and The Australian Ballet (on behalf of the Australian Opera and Ballet Orchestra)

Opera Conference

Opera Queensland

Orange Regional Music Centre

Osborne Associates

Perth Theatre Company

Playbox Theatre Centre

Phoenix English Language Academy

Queensland Ballet

Queensland Performing Arts Trust (relating to the Queensland Philharmonic Orchestra)

Queensland Performing Arts Trust

Queensland Philharmonic Orchestra Players' Committee

Queensland Symphony Orchestra

Queensland Theatre Company

Richard Wagner Society of SA Inc. (including letters from members)

Rock Eisteddfod Challenge Pty Ltd

South Australian Country Arts Trust

Seventh Wave Ensemble Theatre, Griffith University

State Opera of South Australia, The

State Orchestra of Victoria (Musicians)

Sydney Symphony Orchestra (including letters of support)

Sydney Theatre Company

Symphony Australia

Symphony Orchestra Musicians Association

Tasmanian Symphony Orchestra

Tasmanian Symphony Orchestra Interim Board

Toowoomba and Gold West Regional Tourist Association Inc.

Victorian Arts Centre Trust

Victorian Arts Council

Victorian Association of Performing Arts Centres

Victorian College of the Arts

Walkington Theatre

WA State Literature Office Inc

West Australian Ballet

West Australian Opera

West Australian Symphony Orchestra

West Australian Symphony Orchestra Players Association

Youth Music Australia

Appendix 2.3.4 Discussion Paper material

Individuals

Adamson, Pam
Ahern, Barbara
Airey, G & J
Aitken, J N
Allen, T E
Aplin, Lorna
Armstrong, John
Armstrong, M & D
Arnold, Noni
Austin, Richard
Baker, Bronwyn
Bailey, David
Baharthah, Susanne
Baker, Peter
Barnacle, R & M
Barrett, C & M
Bastedo, Helena
Bateman, Peter
Baxter, John
Beck, Rolf
Bell, P A
Benjamin, E
Benn, Irene
Benson, Sylvia
Biddles, Suzanne
Bingham, F & P
Black, Sandiellen
Blake, Wendy
Boalch, Z
Boerema, W
Bolton, Carl
Bourke, Max
Bourke, Noel
Bowe, Kelsey
Bradley, John
Bradshaw, P & A
Breidahl, Peter
Brenan, Margie
Brewer, Kathleen
Briggs, Barbara
Brookes, M & D
Brophy, Leo
Brown, Don
Brown, Edna
Burgess, Ernestine
Burgess, Jillian
Burke, Richard
Burns, Margaret
Butcher, Ann
Butler, Peter
Byrne, A & B
Cahill, Ann
Callard, Valerie
Cameron, S & C
Carey, Eric
Carter, Cliff
Casson, Donald
Cawte, Mary
Chambers, Bob
Chambers, Claire
Chiffings, R & M
Clark, Kenneth
Clark, Mhairi
Cleary, L C
Coghlan, Brian
Cohen, Alex
Cohen, Avryl
Cohen, Neville
Coles, Joan
Colley, F & S
Colman, John
Connell, Ray
Cook, Bruce
Cooper, Betty
Cooper, Louise
Cox, David
Creel, Josephine
Crombie, E S
Cudlipp, Peter
Cumming, A L
Cumper, Fay
Cunniffe, A
Dangar, Helen
Darip, A
Davies, Susan
Davies-Pellow, Margaret
De Jong, Tania
De Rossi, Virginia
Dexter, B & J
Dibbs, E
Dobbins, S
Donald, Alan
Douglas, Angela
Duffy, Ann
Duffy, Claire
Duncan, Paul
Dunstone, G
Durland, Sam
Dyer, the Hon Ron (MLC)
Edmeades, V G
Edmunds, Barbara
Ellis, M B
Enright, David
Erber, Ilse

Esdaile, Warren
Faulkner, Ralph
Ferber, Judith
Finnie, Jean
Fisher, D P
Flaherty, Catherine
Fotheringham, Richard
Fowler, Margaret
Freeman, Roger
Frishling, Volf
Foulds, W A
Fullagar, E J
Gerbino, S
Gillam, Mervyn
Gilman, Shirley
Godfrey, Betty
Goodacre, S & E
Graham, D & P
Grant, N & C
Gregory, Prof Clive
Groves, John
Gulland, David
Gwynne, Mary
Halloran, Harold
Halsmith, M
Hamilton, Stephen
Harrington, Geoff
Harris, Kim
Harrison, Berenice
Harriss, R
Harry, Julian
Hartley, Bruce
Harvey, Graham
Hassam, Brother Leo
Haywood, Ken
Heal, Rosemary
Heasty, Patricia
Heath, Diana
Hemsley, Elizabeth
Henman, Ron
Heptinstall, Derek
Hew, LH & E
Hewitt, Brian
Hibbard, Benjamin
Hibbard, Karen
Hibberd, Jack
Hidas, Andras
Higham, P J
Hill, Margaret
Hiller, Roy
Hillman, F
Hillman, R M
Hinds, Winifred
Hodgson, D & L
Horan, C A
Hughes, Constance
Hurst, S M
Jacks, Sybil
Jackson, Robert
Jagelman, Ken
Jenkins, Tom
Johnston, N & S
Joseph, David
Julian, Harry
Katz, Ilse
Keating, P
Keep, G & I
Kemp, Dulcie
Kennedy, Joan
Killen, Brian
Killen, Julie
Kirke, Philip
Klaus, François
Knock, Rodney
Kornweibel, Jan
Krauss, Garry
Lambert, David
Lancester, Shirley
Laurance, G & J
Lawrie, Daniel
Le Marchant, Antoinette
Lemon, Peter
Letcher, Doreen
Letts, Richard
Levin, David (QC)
Lilly, R E
Little, Robert
Lobler, Frans
Lloyd, Narelle
Lloyd, Tim
Leonhardt, A R
Lukin, R & B
Lukin, Brendan
Lynley, Hewett
McAlister, Nola
McCall, Grant
McCarthy, R & A
McCracken, John
McDonald, A & E
McIvor, Denis
McLennan, Lesley
McMahon, Sister Betty
McMillan, J & A
Macansh, J D
Mackay, Kathleen

Macdonald, G & P
Magill, Katherine
Male, J S
Marriott, Tess
Martin, John
Martin, P
Mather, Jean
May, Bruce
Mazaraki, Barbara
Messingham, E
Michel, Richard
Miles, Ronald
Miller, Barbara
Mills, Gordon
Moffatt, Stephen
Moir, Malcolm
Moore, Clare
Moses, V
Moulton, A F
Moylan, the Hon Judi
Muir, Noella
Muirhead, Jim
Mulcahy, M & P
Murray, P & K
Mylott, John
Nerva, James
Neverd, Pamela
Nicol, I G
Nicholls, Judy
Nolan, Patricia
Nowland, Joy
Oliver, I A
Oliver-Aboagye, Sheree
Orr, Judith
Ossher, Daved
Osvarth, E K
Owens, Joan
Paisley, D R
Pascoe, Timothy
Paul, Veronica
Pearce, Patricia
Pease, Guy
Pereira, Keith
Perkins, Jane
Philip, Jack
Phillips, J & P
Phillips, Joy
Pilowsky, Issy
Platt, R A
Pope, T & F
Prest, Margaret
Pritchard, G B
Prouse, Alan
Prowse, Barbara
Quayle, Marilyn
Ranft, Graham
Reeler, Ian
Reizes, John
Retchford, Robin
Richard, P
Richards, F & M
Rick, Pamela
Ricker, Jennifer
Ridley, M E
Ritchie, C
Roberts, Mary Anne
Roberts, Melanie
Robins, Jennifer
Robinson, Noel
Rodda, June
Roe, Maxine
Rooda, Fayette
Rosenberg, Lev
Ross, Kay
Rothauser, C
Row, David
Safarty, Elizabeth
Salasoo, Tiiu
Scendelman, Margaret
Schlueter, Jean
Schmidt, Barbara
Scott, Glenys
Scott-Finlay, Eleanor
Secker, Patrick (MP)
Setton, E & E
Shannon, Shelagh
Shelley, Jean
Sherry, Sharon
Shoesmith, Margaret
Sholler, Gary
Siano, Nizza
Siglin, June
Silberstein, Prof J P O
Sillence, Jan
Skelton, Craig
Skopal, Dana
Small, Garrick
Smith, C A
Souster, Valentina
Spence, R D
Squire, Janice
Stegena, Joan
Stenning, Nicholas
Stenhouse, Gary
Stephens, J E

Appendix 2.3.4 Discussion Paper material

Stephenson, P & M
Steve, B
Stewart, Andrew
Stewart, Brian
St Leon, Mark
Storey-Wilson, Sandy
Stronach, Glenice
Strover, Colin
Sutherland, Grant
Swaine, J & A
Sweeney, Ann
Sweeney, M & B
Talbot, S & P
Tam, Tana
Taylor, Dulcie
Thatcher, G & J
Thompson, Heather
Thompson, Kevin
Thornton, Alan
Tonkin, Anne
Tooby, Michael
Trenaman, P & S
Trewin, Eileen
Trotter, John
Tsang, Laural
Tunley, David (AM)
Turnbull, Mattie
Tyler, Cyril
Utting, E & M
Van Beek, John
Van Hall, Una
Vern-Barnett, Brian
Viliunas, Ginta
Wackett, Murray
Wales, R P
Walford, Edna
Walker, Peter
Wallwork, Deirdree
Walne, Graham
Ward, J & G
Ward, John
Warnock, the Hon Diana (MLA)
Watts, E S
Waymark, Rosemary
Weston, Patricia
White, Rosie
White, Tim
Whitehead, Margaret
Whitwell, Geoff
Whyte, Elaine
Wilcox, D G (AM)
Wilding, Anne
Wilkins, C A
Wilkinson, Mary
Willets, J & V
Willis, Ann
Wilson, M
Wilson, Vera
Wright, John
Yates, Alison
York, Richard
Young, D A
Young, Pervin
Younghusband, Peter

Appendix 5: Glossary of terms

Term	*Definition*
ABSAAC	Australian Business Support Association for Arts and Culture.
Average household disposable income	A measure of the portion of income available to be spent on discretionary goods, including performing arts.
Base funding	Funding for a company's overall annual program and operating activities.
Box office income	Revenue derived by the companies, venues and festivals from the sale of tickets to performances.
Box office led model	Company income mix where the major source of income is box office income and fees, as opposed to subsidy or private sector support.
Box office risk	Commercial uncertainty associated with the success or failure of a given production to attract sales.
Broadline playhouse	A theatre company which presents an eclectic mix of productions in its annual program.
Buy-in of productions	The purchase of an existing production for a set fee.
CAGR	Compound Annual Growth Rate.
Chamber music	Music for performance by a small group of musicians.
Concert orchestra	An orchestra whose principal activity is presenting concert platform performances.
Co-production	A production produced by two or more organisations collaborating on its creation and presentation.
Core venue	Venue used more than 90% of the time for performing arts performances.
Creative team	People responsible for the creative, rather than performance or administrative aspects of a production, e.g. director, lighting designer, costume designer, set designer, composer, choreographer.
Development staff or department	The department within a company responsible for raising revenue from donations, sponsorship.
DFAT	Department of Foreign Affairs and Trade.
Direct funding	Explicit grants supplied to companies by funding agencies (versus implicit support such as tax deductions for donations, where a government foregoes revenue as a form of support).
DOCITA	Department of Communications, Information Technology and the Arts.
Donation income	Philanthropic support for companies by individuals or corporations given without any returns expected.
Earned income	Direct, non-subsidy revenue, e.g. box office, fees, sponsorship, donations, merchandise.
Education programs	A range of activities of performing arts companies designed to increase the knowledge and awareness of the performing arts by current and future audiences.
Endowment fund	A separate fund established to receive and invest donations; the company usually only has access to the income from such funds and then only for specific purposes.

Term	*Definition*
Endowment income	Revenue earned from Endowment funds.
Fee income	Income derived from selling off performance(s) to a presenter for a fixed fee. Box office risk becomes the responsibility of the presenter.
Flagship company	Performing arts company, with a broad-base and internationally competitive artistic product, who are a resident company in a single city or tour within Australia.
Global company	Performing arts company whose product is aimed at a broad international market and whose economics sustain touring.
Government model	Company income mix where the major revenue source is government funding, as opposed to box office or private sector support. Most major European companies follow this model.
Guest artist	Performer from outside the permanent company who is engaged for a specific production, season or performances.
Home stage	The performance venues where the majority of the productions/performances of a company are performed in the city of its residence.
Indirect funding	Implicit government support which comes from foregone revenue as opposed to direct expenditure, e.g. tax deductions for donations to companies, provision of office space at a discounted rent.
Inquiry Companies	The 31 major performing arts companies which fall under the scope of this Inquiry. See Appendix 1 for full list.
International productions	Works developed overseas and imported to the Australian market, usually appearing for commercial seasons or under the auspices of the festivals.
Lead times	The length of time that is required between a company committing to the performance of a production and the first performance
Librettist	Author of a sung text.
Mainstage performances	Performances that are part of a company's main season, which is usually a subscription season.
Mainstage touring performances	Performances that are usually part of the subscription season of a company in its home city and are then toured to other cities or towns.
Niche company	A performing arts company whose product is aimed at a specific large niche market either domestically or internationally.
Nominal prices	Historical prices which have not been adjusted to compensate for inflation.
Occasional venue	A venue used less than 60% of the time for the performing arts.
Opera Conference	The partnership of the five major opera companies. It receives an annual Federal government allocation for the construction of productions which can be presented by the companies.
Participation rates	A measure of attendance in a particular area (city, State) relative to the population of that area. (Does not necessarily adjust for the same person attending multiple times.)
Performance	A performance is the actual presentation of a program on the stage.
Performance costs	The direct labour costs incurred by the producer for the actors, singers and musicians in performing the work on the stage.

Term	*Definition*
Pit orchestra	An orchestra whose principal activity is performing in the orchestral pit of a lyric theatre supporting a staged performance, usually for ballet or opera.
Playing Australia	Government program launched in 1993, with the objective of supporting regional and interstate touring by performing arts companies.
Presenting company	A company managing and promoting a production and assuming the box office risk.
Private sector income/support	Revenue from individuals and corporations in the form of donations, fundraising events and sponsorship.
Private sector model	Company income mix where the major source of revenue is private sector support, as opposed to box office or government funding. This model is followed by many of the major companies in the United States.
Production	A production is the theatrical realisation of a dance piece, an opera, or a play.
Production costs	The direct costs incurred in creating, mounting and running the physical aspects of a production on the stage, including costs for the creative team, building the sets and props, making the costumes, venue hire and touring.
Production values	The quality, complexity and appropriateness of the sets, props, costumes and staging of a production.
Program	A program is one or more works or productions which constitute 'a night in the theatre'.
Project funding	Activity specific once-off funding supplied by a funding agency.
Real prices	Historical prices which have been adjusted to compensate for the effects of inflation.
Reconfigure house	Changing the mixture of ticket price categories for specific seats in a venue in order to maximise box office income.
Regional company	A performing arts company whose high quality product is primarily aimed at its local State audience.
Regional Touring	Touring to non-capital cities or towns, either interstate or intrastate.
Regular venue	Venue used between 60% and 90% of the time for the performing arts. Usually designed as a multi-purpose venue.
Season	A season is a number of performances of the same program in a specific venue.
Segment specific programming	Production selection designed to appeal to a specific market segment/demographic group.
Self-entrepreneured production	A production which is promoted and presented by the producing organisation (company, festival or venue), which thereby assumes the box office risk.
Self-generated income	Revenue generated by a performing arts company from sources other than Government, e.g. ticket sales, sponsorship, interest.
Single tickets	Tickets sold to a specific performance as distinct from tickets sold as part of a subscription package.
Sold-off productions	Productions which a performing arts company sells to a third party presenter for a fee, thereby eliminating box office risk for itself.

Appendix 2.3.5 Discussion Paper material

Term	*Definition*
Sponsorship income	Revenue (such as cash, goods or services) provided to performing arts companies or presenters by corporations in exchange for business associated benefits.
Stagione	Used in opera—a company which stages all its performances of one or more operas before moving onto the next season (not a full time company).
Subscription (series, seasons, packages)	The sale of a package of tickets to a number of different productions over a period of time.
Subsidised companies or venues	Any companies or venues which receive direct government support for their operating activities.
Trade the house	The strategy of changing ticket prices in the lead-up to a performance depending on advance sales.
Works	A work is a dance piece (choreography), a music composition (score), an opera (libretto and score) or a play (text only).

Appendix 6: Venues by capital city and category

Capital city	*Category*	*Venue*	*Capacity*
Sydney	Core	**SOHT**	
		- Concert Hall	2,679
		- Opera Theatre	1,453
		- Drama	544
		- Playhouse	398
		- Studio space	364
		Capitol	2,000
		Star City	
		- Lyric	2,000
		- Showroom Theatre	900
		Theatre Royal	1,175
		Her Majestys	1,500
		Wharf complex	
		- Wharf 1	309
		- Wharf 2	200
		Belvoir St	320
		Seymour Centre	
		- Everest	605
		- York	788
			15,235
	Regular	**State Theatre**	2,000
			2,000
	Occasional	**Town Hall**	1,800
		Entertainment Centre	7,500
		Conservatorium	500
			9,800
Total Sydney			**27,035**

Capital city	*Category*	*Venue*	*Capacity*
Melbourne	Core	**VACT**	
		- George Fairfax Studio	376
		- Playhouse	884
		- State Theatre	2,079
		- Concert Hall	2,677
		Princess	1,456
		Comedy	1,093
		Forum	800
		Her Majesty's	1,625
		Malthouse Complex	
		- Merlin	350
		- Beckett	181
		Athenaeum	950
			12,471
	Regular	**Regent**	2,200
		Monash - Alexander Theatre	508
			2,708
	Occasional	**ABC Iwaki Auditorium**	280
		Town Hall	1,714
		Melbourne Park	15,000
		Myer Music Bowl	2,000
		Entertainment Centre	6,500
		Monash - Robert Blackwood Hall	1,538
		Uni Melb - Melba Hall	350
			27,382
Total Melbourne			**42,561**
Adelaide	Core	**Adelaide Festival Trust**	
		- Festival Hall	1,942
		- Playhouse	612
		- Space	300
		- Her Majesty's	1,000
			3,854
	Regular	**Town Hall**	1,000
		Elder Hall	672
			1,672
	Occasional	**Entertainment Centre**	5,000
		Lion	140
			5,140
Total Adelaide			**10,666**

Capital city	*Category*	*Venue*	*Capacity*
Perth	Core	**Perth Theatre Trust**	
		- Playhouse	427
		- Subiaco Theatre	302
		- Perth Concert Hall	1,730
		- Her Majesty's Theatre	1,157
		Regal	1,100
			4,716
	Regular		**0**
	Occasional	**Entertainment Centre**	4,000
		UWA	
		- Dolphin	200
		- Octagon	658
		- Winthrop Hall	974
		The Quarry	580
		Burswood	2,300
			8,712
Total Perth			**13,428**
Brisbane	Core	**QPAC**	
		- Lyric Theatre	2,000
		- Concert Hall	1,800
		- Playhouse	850
		- Cremorne Theatre	300
			4,950
	Regular	**Brisbane Conservatorium**	664
			664
	Occasional	**Entertainment Centre**	6,000
		Basil Jones Theatre	400
			6,400
Total Brisbane			**12,014**
Hobart	Core	**Theatre Royal**	730
		Odeon	1,000
			1,730
	Regular	**Stanley Burbury**	570
			570
	Occasional	**Entertainment Centre**	3,000
			3,000
Total Hobart			**5,300**

	Core	*Regular*	*Occasional*	*Australia*
Grand total (capacity)	**42,956**	**7,614**	**60,434**	**111,004**

Appendix 7: Regional towns and cities that received seasons from the Major Performing Arts Companies

Major Companies regional touring 1998

State	*Town*	*Ballet*	*Dance Contemporary*	*Theatre*	*Circus*	*Opera*	*Music*	*Total seasons*
		Number of seasons						
NSW	*Newcastle*			2			13	**15**
	Albury	1						**1**
	Armidale		1				5	**6**
	Batemans Bay						2	**2**
	Bellingen						1	**1**
	Blue Mountains						5	**5**
	Broken Hill		1					**1**
	Coffs Harbour						2	**2**
	Coonabarabran						1	**1**
	Cowra						1	**1**
	Dubbo		1				1	**2**
	Gosford			2	1			**3**
	Goulburn						1	**1**
	Grafton						1	**1**
	Griffith		1				1	**2**
	Gulgong						1	**1**
	Lismore			1	1		6	**8**
	Milton						1	**1**
	Moree		1					**1**
	Mudgee						2	**2**
	Orange			1		1	2	**4**
	Parkes						1	**1**
	Port Macquarie						1	**1**
	Scone						1	**1**
	Tamworth						3	**3**
	Taree		1		1			**2**
	Temora						1	**1**
	Tyalgum						1	**1**
	UWS Hawkesbury						2	**2**
	Wagga Wagga						4	**4**
	Wollongong			3	1	1	5	**10**
	Total no. towns	**1**	**6**	**5**	**4**	**2**	**33**	**87**

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Appendix 2.3.7 Discussion Paper material

State	Town	Ballet	Dance Contemporary	Theatre	Circus	Opera	Music	Total seasons
				Number of seasons				
VIC	*Geelong*		1	5			5	**11**
	Ararat						1	**1**
	Ballarat	1		1		1	1	**4**
	Bendigo			5		1	2	**8**
	Hamilton						4	**4**
	Kyabram					1		**1**
	Mildura					1	2	**3**
	Mornington						3	**3**
	Port Fairy						2	**2**
	Portland						1	**1**
	Sale					1		**1**
	Swan Hill						1	**1**
	Traralgon						1	**1**
	Wangaratta					1	2	**3**
	Warrnambool			2		1	1	**4**
	Warragul	1	1	3		1	1	**7**
	Yarraville						1	**1**
	Total no. towns	**2**	**2**	**5**	**0**	**8**	**15**	**56**
			3					
QLD	*Gold Coast*	1		2		1	6	**10**
	Biloela	1						**1**
	Blackwater	1						**1**
	Cairns	3		2		1	1	**7**
	Caloundra			1				**1**
	Dalby	1						**1**
	Gladstone			2		1		**3**
	Gympie	1						**1**
	Ipswich			1			1	**2**
	Mackay	2		2		1	4	**9**
	Mt Isa						3	**3**
	Nambour	1		1		1	1	**4**
	Noosa						2	**2**
	Rockhampton	2		1		1	4	**8**
	Roma	1						**1**
	Stanthorpe	1						**1**
	Toowoomba	2		2		1	1	**6**
	Townsville	3		2		1	1	**7**
	Total no. towns	**13**	**0**	**10**	**0**	**8**	**10**	**68**
			13					
SA	Barossa						1	**1**
	Mt Gambier			2	1	1		**4**
	Port Pirie			2	1	1		**4**
	Renmark			2	1			**3**
	Tanunda						1	**1**
	Whyalla			2	1	1		**4**
	Total no. towns	**0**	**0**	**4**	**4**	**3**	**2**	**17**
			0					
WA	Broome			1			2	**3**
	Bunbury			1				**1**
	Derby						1	**1**
	Halls Creek						1	**1**
	Kalgoorlie						1	**1**
	Karratha			1			2	**3**
	Kununurra						1	**1**
	Mandurah			1				**1**
	Margaret River						1	**1**
	Port Hedland			1			2	**3**
	Turkey Creek						1	**1**
	Wangkatjunka						1	**1**
	Wyndham						1	**1**
	Total no. towns	**0**	**0**	**5**	**0**	**0**	**11**	**19**
			0					
TAS	*Launceston*			1	1	1	11	**14**
	Burnie			1	1		1	**3**
	Cygnet						1	**1**
	Devonport						1	**1**
	Total no. towns	**0**	**0**	**2**	**2**	**1**	**4**	**19**
			0					
NT	*Alice Springs*		1	2			2	**5**
	Gove						1	**1**
	Katherine						1	**1**
	Pine Creek						1	**1**
	Total no. towns	**0**	**1**	**1**	**0**	**0**	**4**	**8**
			1					
Total number of towns			**24**	**32**	**10**	**22**	**79**	**274**
				93				