

## Chapter 7

# Co-ordination of Assistance

*The existence of such widespread, unco-ordinated, public assistance to the performing arts was of particular concern to the Commission in formulating its approach to the inquiry since it has the responsibility of ensuring that assistance recommended for a variety of activities in all sectors of the community is consistent and equitable.<sup>1</sup>*

*IAC Report, 1976*

### 7.1 The Problem

**7.1.1** Like the IAC, this Committee was surprised and disturbed at the range of unco-ordinated, and often poorly costed, programs by which the Commonwealth delivers arts assistance. As well as the highly visible appropriation to the Australia Council the Commonwealth provides significant arts support through the Community Employment Program (CEP), the operation of the Australian Broadcasting Corporation (ABC) orchestras, the funding of galleries, museums and libraries, tax concessions, assistance to film, direct purchase of art, and through the purchase or production of material for broadcasting on the ABC and Special Broadcasting Service (SBS). The policies and decisions of the Australian Broadcasting Tribunal (ABT), the Minister for Immigration and the education authorities all affect sections of the arts in important ways. Commonwealth legislation in fields such as copyright is also a major avenue of assistance. Added to all this are the

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<sup>1</sup>IAC, p. 10.

substantial and varied efforts of State and Local Government in the cultural field.

**7.1.2** Several of the Commonwealth non-grant interventions are comparable in scale and cost to the efforts of the Australia Council and, in the Committee's view, deserve comparable public scrutiny. The net cost of the ABC orchestras, for example, has been estimated at \$22.2 million for 1983-84.<sup>2</sup> This represents an allocation to one type of artistic activity equal to 67 percent of the whole Australia Council arts support budget for that year.<sup>3</sup> The cost figure for the orchestras is no more than an estimate because:

... the ABC does not yet have a definitive basis for accounting of expenditure by various activities, such as orchestras.<sup>4</sup>

Expenditure on arts related projects under the CEP scheme has been another major form of assistance, totalling \$33 million from its inception in 1983 to the first of May, 1986, equivalent to approximately one third of Australia Council arts support over the same period.<sup>5</sup>

**7.1.3** The effect of taxation concessions to the arts, while difficult to estimate precisely, is certainly a significant cost to the revenue with the Committee able to identify deductions from taxable income of almost \$14 million in 1984-85.<sup>6</sup> Indirect costs to the community through various forms of protection provided through the ABT and immigration restrictions have not been measured but undoubtedly exist. Arts related expenditure in the education portfolio dwarfs the Australia Council budget. This assistance is supplied both directly through arts training and indirectly through providing academics with the paid time to produce a significant component of Australia's artistic output in fields such as literature and the visual arts.

**7.1.4** The Committee shares the IAC's concern that this dispersed and unco-ordinated effort makes it impossible to ensure that the pattern of arts

<sup>2</sup>Tribe Report, p. 220.

<sup>3</sup>Australia Council, *Annual report: 1983-84*, Australia Council, Sydney, p. 98.

<sup>4</sup>Tribe Report, p. 219.

<sup>5</sup>Evidence p. 1389, (Department), Australia Council, *Annual Report, 1982-83*, p. 90, 1983-84, p. 98, *1984-85*, p. 118.

<sup>6</sup>See chapter 9 for details of calculation.

assistance is consistent and equitable. It is not easy, for example, to compare the situations of the visual arts and music. The first is supported not only directly, by Australia Council grants, but also indirectly through purchases by public galleries and by various Government agencies as well as by the employment of artists as teachers. Music receives a higher proportion of direct assistance through grants and the operation of the ABC orchestras but proportionately less indirect support. The Committee is also concerned that the lack of a proper overview of Commonwealth arts support may lead to inefficient allocation of resources. We had no way of establishing, for example whether the allocation of \$22.2 million to the ABC orchestras and \$9.8 million to Music Board grants was the best way of assisting music in Australia. Nobody in Commonwealth politics or administration has the necessary overview to answer this, or many other questions of efficiency.

**7.1.5** Some possible advantages of greater co-ordination of Commonwealth cultural activities were canvassed by Tim Rowse:

The Commonwealth has constructed a system of cultural fiefdoms. A Commonwealth cultural policy must try to make them work together. It is both financially and culturally unsound that the ABC has had, until recently, so little inclination to assist the AFC [Australian Film Commission] and the Australia Council. It is an ideal exhibition facility for the work they subsidise. Why are not the Commonwealth dollars spent by the ABC sometimes spent on goods subsidised by another Commonwealth agency? It is a good chance to use the public dollar twice and get much more for it. And why have the 'Australian content' requirements developed since the mid-1960s by the ABT and its predecessor not included some recognition of the work subsidised by the AFC and the Australia Council?<sup>7</sup>

Mr Rowse has argued for a greater emphasis in arts support on distribution. He suggests assistance through such means as subsidised dissemination of a wide range of cultural material through commercial video libraries and through annual quotas of independent film and video material to be broadcast by the ABC and commercial television stations.<sup>8</sup> Such an approach

<sup>7</sup>Submission No. 130, P. 2554, (Rowse).

<sup>8</sup>ibid., p. 1.

would require a change in the Commonwealth cultural support structure which has tended to focus more on production than distribution.

**7.1.6** A further disadvantage of the present lack of co-ordination is the distortion of the whole assistance debate by failure to recognise and measure the effects of many of the non-grant programs of assistance. The National Association for the Visual Arts, for example, told the Committee that:

It is quite clear that the life-blood of the arts industry, that is, the individual creative artist, is largely ignored and the contribution of the artists is not reflected clearly in the way that funds flow out into the arts industry.<sup>9</sup>

This assertion, based on a crude analysis of Australia Council grant statistics, was typical of many submissions to the Committee which ignored both the effect of assistance from sources other than the Australia Council and the differing needs of different sections of the arts.

**7.1.7** The Committee noted arguments advanced by a number of witnesses in support of diversity in arts support funding and decision making. Professor Horne, for example, put it to the Committee that:

In a liberal democratic society like ours we believe in plurality and diversity and when you are talking about culture, that is it. . . . You can work out very neat administrative devices which would seem to centralise everything, but they may simply mean finally that bureaucratic mediocrities, as it were, impinge and reduce art activities to something that can be easily handled, but which lose a lot of the essential difference that they should have.<sup>10</sup>

We accept that it may be difficult to co-ordinate arts support so as to minimise waste and inefficiency without also restricting creativity. Nevertheless, the Committee believes that significant improvements in the co-ordination of arts assistance can be made.

<sup>9</sup>Evidence, p. 223, (Heathcote).

<sup>10</sup>Evidence, p. 686, (Australia Council).

**7.1.8** The Committee does not make any claim to originality in identifying the need for co-ordination. We also recognise that steps have been taken to improve the level of co-ordination in recent years. Professor Yerbury told the Committee that:

I would say that there is a need for some more co-ordination than there is at present, ... I think, however, it should be appreciated that there is a great deal of co-ordination which goes on at the present time. ... I know that in meetings of Commonwealth cultural authorities, coming under the Minister, at which I have represented the Council, there has also been representation from, by invitation, the Department of Communications and by the major broadcasting authorities — the Australia Council, the Australian Broadcasting Corporation, and the Special Broadcasting Service. It was agreed that the Australian Broadcasting Tribunal should also be present. I can speak, however, on behalf of the Australia Council and there I would say that co-ordination was extremely good between the Australia Council and the electronic media organisations including broadcasting organisations. We also have a lot of dialogue between us and the Department of Communications. Some of this, I acknowledge, is fairly recent.<sup>11</sup>

The question concerning the Committee was whether these recently established, largely ad-hoc arrangements have been sufficient to establish proper co-ordination of arts support.

## **7.2 Co-ordinating Institutions**

**7.2.1** The most significant formal institution established to improve co-ordination in the cultural sphere is the Cultural Ministers' Council. The Council, which comprises the Commonwealth Minister for Arts, Heritage and Environment and his State and New Zealand counterparts, has met in its present form in November 1985 and May 1986. It provides a forum in which Commonwealth/State co-ordination issues can be discussed. Under its authority, significant research can be commissioned. The Council's decisions are not binding on its constituent governments and important Commonwealth cultural responsibilities, such as those under the Department

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<sup>11</sup>Evidence, p. 1314, (Australia Council).

of Communications and its attached statutory authorities are not formally represented.<sup>12</sup>

**7.2.2** As indicated in Professor Yerbury's evidence, another important institutional structure is the network of links, of varying degrees of formality, between relevant cultural agencies. The Committee received evidence suggesting that these links have increased both in scope and effectiveness in recent years.<sup>13</sup> Evidence from State Governments generally suggested that the Cultural Ministers' Council is seen by the States as contributing effectively to co-ordination of Commonwealth and State activities.<sup>14</sup> Nevertheless, the Committee saw room for improvement in the co-ordinating institutions, especially those concerned with Commonwealth programs.

**7.2.3** The options for reform are either to improve the existing institutions or to establish new ones. The Committee received proposals tending in both directions. Prominent among those proposing new institutions were Mr Tim Rowse and Dr Jean Battersby. Mr Rowse suggested:

Another political/administrative reform would be to coordinate aspects of the work of the two ministries. [Arts and Communications] I am not sure what coordinating mechanism would work best. However there seem to be two obvious levels where contact could be made. One would be to have a Cabinet sub-committee on cultural policy which included the above ministers and Finance and Education. There should also be a committee which ensured regular consultation between senior officers of the four statutory corporations and the two ministries.<sup>15</sup>

Dr Battersby raised the possibility of creating, in the cultural field, a body similar to the Australian Science and Technology Council (ASTEC); saying:

ASTEC acts as a source of comprehensive policy advice to the federal government on matters relating to science and technology. There is no overall equivalent in the cultural field. A similar council, attaching like ASTEC to the Department of the Prime

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<sup>12</sup>Exhibit No. 57.

<sup>13</sup>ibid., Evidence p. 502-504, (Dept of Territories), Exhibit No. 58.

<sup>14</sup>Exhibits No. 56 and 59.

<sup>15</sup>Submission No. 130, 2554, (Rowse).

Minister and Cabinet, would lend prestige and a sense of commitment to government cultural initiatives, and would enable cultural issues to be voiced at a high level within government and the bureaucracy.<sup>16</sup>

**7.2.4** The Committee sought responses from existing institutions in the cultural field to Dr Battersby's suggestion of a high-level cultural body capable of considering issues across portfolio boundaries. While generally conceding that better co-ordination is needed, none were enthusiastic at suggestions for the creation of a new agency. Representatives of both the Australia Council and the Department of Arts, Heritage and Environment submitted that their organisations had been established, in part, to carry out in the cultural field functions similar to those which ASTEC undertakes in science and technology. The Australia Council told the Committee that:

...the purposes and role of ASTEC in science and technology correspond very closely to some of the research, policy development, advisory and advocacy functions of the Australia Council in the field of the arts, although it does not have the nexus between grant-giving and policy formulation which the Council sees as very important ... It is relevant also to note that:

- the Australia Council's governing members are already drawn from many of the sources that would supply a Cultural Advisory Council;
- the Australia Council, furthermore, has had more than ten years experience in working hand in glove with the field of practitioners and cultural organisations — a vital requirement for success in the proposed venture;
- it has much experience in public advocacy;
- its network of contacts throughout Australia is unparalleled and reaches well into cultural sectors besides the arts;
- its statutory independence from government is well recognised.<sup>17</sup>

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<sup>16</sup>Exhibit No. 40, p. 6.

<sup>17</sup>Exhibit No. 54, pp. 11-14.

7.2.5 Mr Galvin put his views to the Committee in the following exchange:

CHAIRMAN — In the answers you gave to the Committee's questions, you expressed doubt on the utility of an organisation along the lines of ASTEC as a means of increasing co-ordination of government cultural activities. It would seem to the Committee that the range of Commonwealth activities under at least six portfolios, plus the various State initiatives, ought to be better co-ordinated. Do you think that the existing arrangements actually involve all those authorities?

Mr Galvin — Yes and no is the answer to that. The process of consultation within a Cabinet system ensures that at the Commonwealth level at least—

CHAIRMAN — We are not talking about consultation, we are talking about co-ordination at a bureaucratic level.

Mr Galvin — I am talking about that too. To take an example, if there are initiatives proposed for radio and television, for example, this Department is involved in commenting on it and so is the Film Commission, and involved in the bureaucratic processes that lead to their consideration in the Cabinet. Similarly, if there are proposals for initiatives in the collection, the museum field, interested Commonwealth bodies have the opportunity to be part of the formulation. I think we have moved a fair way in the past three years. One part of the whole cultural spectrum, which is the collecting museums, galleries group — which was the source of considerable criticism by the Public Accounts Committee not so many years ago for lack of government co-ordination — has been cobbled together under the Advisory Committee on National Collections.

This Department of which I am the Departmental head, was set up in the Government's statement of the day as a Department of Home Affairs effectively to try to bring co-ordination to this cultural area. It is, of course, difficult when the portfolio does not cover the field. But to the extent that the mechanisms can be made to embrace the others, it is done. For example, in the Minister's meeting with the various cultural authorities within his portfolio, from the outset we have always invited, say, the ABC and the Special Broadcasting Service, two major contributors. . . . What I was saying was not that the present system is



as good as it ought to be. We are still working at it, and I think we have come a long way, although there is a fair way to go yet. What I really was saying was that I do not know whether jumping straight to an ASTEC model, having an umbrella body above what we have, and effectively above the Minister, is necessarily the step that is needed at this stage.<sup>18</sup>

**7.2.6** Responses from a number of States were also hostile to any proposal for an additional cultural agency. The Premier of South Australia, for example responded to a written question from the Committee in the following terms:

South Australia believes that establishing an Australian Cultural Advisory Council would be too costly an exercise when there are other agencies and mechanisms to co-ordinate various arts assistance initiatives. It is felt that the other mechanisms suggested such as inter-departmental committees or regular meetings of interested agencies would be more preferable.<sup>19</sup>

The Tasmanian Government, in similar vein, argued:

... while Tasmania supports calls for greater co-ordination in the Arts, it does not consider that the establishment of another organisation, per se will ensure this. There is the potential for increased consultation and co-operation within existing structures.

Personnel resources in the Arts are in short supply overall and this coupled with the absence of clear and unequivocal national strategies, is the greatest inhibitor to effective co-ordination. Tasmania already has difficulties in meeting its obligation to the various subcommittees and working groups of the Cultural Ministers Council.

Tasmania contends that existing avenues for general co-ordination should be strengthened in the context of clearly defined strategies and responsibilities and where specific areas of need are identified, appropriate remedies should be sought.<sup>20</sup>

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<sup>18</sup>Evidence, p. 1368-70, (Department).

<sup>19</sup>Exhibit No. 59, p. 1.

<sup>20</sup>Exhibit No. 56.

**7.2.7** The Committee saw three major areas of common ground in these arguments. Firstly, there seems to be general agreement on the need for more co-ordination of government cultural interventions. Secondly, it seems to be common ground that both the Australia Council and the Department of Arts, Heritage and Environment were established partly with a view to improving co-ordination and that, while both have had some success in this, there are still considerable deficiencies. Thirdly, there is opposition to adding any further to the layers of bureaucracy in the cultural field.

**7.2.8** The Committee was sympathetic to the last concern. We believe that it is generally better to reform existing institutions than to create new ones. Having concluded that the existing co-ordination arrangements were inadequate, it was necessary for the Committee to consider whether any existing Commonwealth cultural agency could cope with an increased co-ordination function or whether this was the exceptional case which would justify a new institution.

**7.2.9** The existing formal institutions, the Australia Council, the Department of Arts, Heritage and Environment and the Cultural Ministers' Council, all have particular spheres of responsibility. It may not be easy to elevate any of them to a central co-ordinating role without detracting from their important primary functions. The Australia Council must have a heavy representation from the subsidised arts to properly carry out its functions in arts support. Large and important cultural sectors such as entertainment and the media can not be adequately represented on the Council without diluting its capacity to serve as a peer review agency in the subsidised arts. The Department, has a broader charter but has no authority over critically important Commonwealth cultural programs under other portfolios such as communications, sport, recreation and tourism, education, and foreign affairs.

**7.2.10** The Cultural Ministers' Council serves principally as a vehicle for Commonwealth/State co-ordination. The Committee does not consider it practical, or appropriate, to resolve Commonwealth co-ordination issues within such a forum. The Ministers comprising the Council do not represent many important areas of cultural policy. Expansion of the Council to include Commonwealth and State representatives of all the relevant fields

would make the Council too large to be effective. Representation of the full range of relevant Commonwealth portfolios on the Council with restricted State representation would affect the balance between Commonwealth and State interests as well as changing the focus of the Council towards internal Commonwealth co-ordination.

**7.2.11** This leaves the existing interdepartmental committees and similar lower level mechanisms. In the Committee's view, these lack the authority and the resources to properly co-ordinate Commonwealth cultural programs. None of them have, or ever could have, a sufficiently wide view of the issues. They are generally not accessible to interests outside the Commonwealth bureaucracy. These arrangements, in the Committee's opinion, are not suited to more than housekeeping functions within policies and strategies set at a higher level.

**7.2.12** To place a new co-ordinating agency over all these institutions, however, may not lead to any improvement. In the Committee's view, it would be undesirable, for a number of reasons, to separate the development of policy from its implementation. An outside agency, superimposed on existing agencies, but with no authority over them, cannot be expected to consistently develop a good policy balance. It would be too far from the field for its judgements to be credible. To the extent that it could propose desirable co-ordination measures, it would be hampered in implementing these proposals by lack of executive authority. The prospects for any new body would be particularly bleak given the hostility to the concept of existing agencies, so clearly evident in their submissions to the Committee.

**7.2.13** The Committee therefore concluded that it would be preferable to improve the co-ordination performance of existing institutions. Of these agencies, the Committee considered the Department of Arts, Heritage and Environment to be best suited to an overall co-ordinating role. Although the Department is itself separated from the implementation of most cultural policy, it has a broader charter than the other possible co-ordinating agencies. The Committee noted that the Department was established largely to improve co-ordination of cultural policy and it seems reasonable for it to retain this role.<sup>21</sup>

<sup>21</sup>Evidence, p. 1369, (Department).

**7.2.14** It must be admitted that the Department shares some of the disadvantages of the proposed new agency. It is also remote from the implementation of the greater part of cultural policy, most of which is carried out by statutory authorities in its own or other portfolios, by other Commonwealth departments, or by other levels of government. It is also junior to ministries responsible for much cultural policy. Nevertheless, the Department is an existing agency with a specific co-ordinating charter and well established in the relevant field. The Committee considers that, on balance, it would be preferable to improve the Department's co-ordinating performance rather than attempt to supersede it.

**7.2.15** The Committee believes that for the Department to effectively co-ordinate cultural policy, a significant upgrade of its policy branches would be required. This would be necessary in our view because of the nature and standing of the other agencies involved in the broad cultural field and the complexity of the issues involved. It was clear to the Committee that the Department's current policy resources are insufficient to provide co-ordination of cultural policy to the extent we consider necessary. This requires more a qualitative than quantitative improvement and need not be expensive. It ought to be less costly than the establishment of a new agency. The Committee considers the small additional cost to be amply justified by the importance of co-ordination in this area and the manifest inefficiencies resulting from the present lack of co-ordination. We believe that investment in this area has the capacity to more than pay for itself.

**7.2.16** The Committee therefore recommends:

*Recommendation 13: The Department of Arts, Heritage and Environment should undertake a reporting and co-ordinating role for the full range of Commonwealth cultural policy. The Department's policy branches should be appropriately structured to undertake this role.*

### **7.3 A National Cultural Strategy**

**7.3.1** As important as the structure of government cultural institutions is the question of what they ought to be doing. In line with the growing

trend towards co-ordination of government cultural support has been a move to develop strategies within which the various support mechanisms can operate. Thus, for example, the Australia Council has devoted considerable effort to developing a strategic plan along with Board and issue sub-plans.<sup>22</sup> At a higher level, the Cultural Ministers' Council has agreed that the Commonwealth prepare a proposal for the development of a national cultural strategy.<sup>23</sup> The value of some form of national strategy follows logically from the whole thrust of this Committee's report.

**7.3.2** Evidence received by the Committee generally supported this approach. The South Australian Government, for example submitted that:

South Australia has had for some time a view that a national cultural strategy should be developed. The current Government arts funding practice across the States is such that some States have initiated policies which may be considered as being applicable as national policies and objectives. These are primarily in the areas of education and the arts, community arts, the regional arts development and capital works programmes. There are, however, a number of States that do not have any stated policies on these issues and indeed other policies and objectives within those particular States.

If Australia is to mature as a nation, it would seem that the development of an Australian cultural identity is paramount and a national cultural strategy agreed on by the States and the Commonwealth would be the first step towards this.<sup>24</sup>

While not accepting the implied assumptions that Australia does not have a cultural identity, or that such an identity can only be defined in terms of the subsidised arts, the Committee endorses the advantages of a national strategy suggested by South Australia.

**7.3.3** Our appreciation of these advantages was reinforced by advice in the following terms from the Tasmanian Government:

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<sup>22</sup>Evidence, p. 1307, (Australia Council).

<sup>23</sup>Evidence, p. 1366, (Department).

<sup>24</sup>Exhibit No. 59.

Tasmania's support for the development of a national cultural strategy which incorporates a definition of objectives and clarification of roles is clear and unequivocal and has been consistently expressed over a number of years in every available national arts forum. Funding, and by implication, structure, should follow policy. The already confused and complex picture of overlapping Commonwealth and State structures has been exacerbated by the introduction in arts funding of a number of unco-ordinated parties, namely business and local government authorities with partial or limited areas of focus. If a national policy and co-ordinating structure is not developed there will be increased duplication in administrative expenditure and activity. This will be at the expense of new initiatives and developmental programmes which maximise the use of resources, resources which are all too small when compared with the obvious needs of arts organisations and individual artists.<sup>25</sup>

**7.3.4** The appropriate scope and contents of a national cultural strategy will inevitably become an issue as attempts to devise the strategy proceed. The Australia Council expressed some reservations to the Committee on the whole concept of a national strategy on the grounds that:

When one speaks of a national culture one may be speaking of the dominant meaning-system of a nation. In this sense, it is difficult to see what place there would be for a 'national cultural strategy' in a liberal-democratic society. One of the defining features in a society such as ours is an acceptance of cultural difference and cultural conflict.<sup>26</sup>

If a strategy were to be developed, the Council considered that it should:

... go no further than a broad statement; it should be indicative rather than prescriptive; and it should concern itself only with issues relating to *support* for cultural development. It should not be a blueprint giving directions for development of Australian culture per se ...<sup>27</sup> (emphasis in original)

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<sup>25</sup> Exhibit No. 56.

<sup>26</sup> Exhibit No. 54, p. 1.

<sup>27</sup> *ibid.*

The Council considered that any national cultural strategy should be developed in tandem with initiatives under the Cultural Ministers' Council and should:

... be prepared on the basis of the same sort of principle that informs the Australia Council's planning and policy development in the arts — ie input from the field with review, evaluation and determination by artists and their colleagues.<sup>28</sup>

**7.3.5** The Committee recognises the danger of attempts to manipulate cultural development through government intervention. We see these dangers, however, as being reduced rather than increased by the existence of an open policy. The present system, in which large government cultural interventions occur in a variety of ways without any coherent strategy and with little definition of boundaries of responsibility, is open to more abuse, the Committee believes, than would be possible under an open, explicit, cultural policy. The most effective and most appropriate way to protect cultural diversity and plurality is, in our view, through proper design of the structures of cultural support not through reliance on a free for all in which the most powerful or the most vocal may win. Our recommendations on the structures for delivering arts support have been drafted with this in mind.

**7.3.6** The Committee utterly rejects the Australia Council's proposition that cultural policy is a matter for determination by 'artists and their colleagues'. As well as wrongly equating culture with the subsidised arts, this proposition denies the community its place in determining policy in a field of central importance. While noting that the Council's proposal related to a very broad and specifically non-prescriptive policy, the Committee found repugnant the suggestion that cultural policy should be imposed on the community by a select group.

**7.3.7** Mr Galvin, whose Department has been charged with responsibility for preparing a draft national cultural strategy for consideration by the Cultural Ministers' Council, told the Committee that the draft would be very general. It would set out broad objectives to which relevant parties could subscribe and would provide a framework for planning by agencies

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<sup>28</sup>ibid., p.2.

involved in the cultural field. Mr Galvin saw the policy development process as taking a considerable period of time with periodic reference of issues to annual meetings of the Cultural Ministers' Council.<sup>29</sup> The process of community consultation in development of the strategy is proposed to be wide-ranging:

One would hope that the community at large would respond. To take an example, you would send the terms of reference, or the background document, initially to a range of community organisations, a range as wide as the RSL on the one hand and the National Farmers Federation on the other and trade unions, as well as those groups that make up the arts.

Then if you move from submission level to some form of conference workshop discussion, I think it is equally important that the groups who are encouraged to attend that are a broadly-based group representative of the community, as well as those who practise arts and culture within it.<sup>30</sup>

**7.3.8** It will be clear from the discussion above, that the Committee believes that there should be a national cultural strategy. We believe that the strategy should not be a blueprint and should not attempt to prescribe the direction of cultural development. It should, however, define the roles and relationship of the various participants. It should define the art-forms and other cultural activities to which it applies. It should define the types of assistance to be used and the Government's objectives. Most importantly, it should go beyond the arts. Communications, entertainment, recreation, tourism and education are examples of important areas of culture in which the Commonwealth intervenes. Some definition of the Commonwealth Government's role and objectives in these interventions is needed.

**7.3.9** A strategy which covers such a broad area may include many 'motherhood' statements. The Committee sees no disadvantage in this. 'Motherhood' statements need to be made if the concepts they embody are to remain generally accepted. In some cases the act of making them may lead to necessary critical review and revision of accepted dogma. In others, they may

<sup>29</sup>Evidence, pp. 1368-9, (Department).

<sup>30</sup>ibid.



provide for the first time an accepted formulation of an important concept. It has been widely noted for example that 'life, liberty and the pursuit of happiness' were not accepted as 'motherhood' rights until Thomas Jefferson wrote that they were.<sup>31</sup>

**7.3.10** The Committee is not entirely satisfied with the present arrangements for developing a national policy. The pace of development seems unacceptably slow given the importance of an overall policy framework. The resources devoted to the task also contrast unfavourably with those dedicated to other, apparently less significant, projects. The Committee is concerned that the Department of Arts, Heritage and Environment may have difficulty in playing as prominent a role as is planned in development of a national cultural strategy. In our view, the Department currently lacks the resources to undertake such a task in an acceptable time-frame.

**7.3.11** The Committee believes that a national cultural strategy should be developed as a matter of priority. We believe that its development ought to be undertaken by a broadly based group. The Committee therefore recommends:

*Recommendation 14: A national cultural strategy should be developed as a matter of priority. Development should continue to be under the authority of the Cultural Ministers' Council but drafting should be undertaken by a broadly-based group under the control of the Department of Arts, Heritage and Environment.*

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<sup>31</sup>Fawn M. Brodie, *Thomas Jefferson: An Intimate History*, W.W.Norton & Co., New York, 1974, p. 122.

## Chapter 8

# The Flagships

*A large portion of the funds preserves past culture rather than promoting innovations; and, in the case of opera, the past culture of overseas countries, notably Germany, Austria and Italy. A large proportion goes to established, often relatively large, companies of national, sometimes international, reputation that have developed the art of ear-stroking and arm-twisting of public authorities to a fine degree.<sup>1</sup>*

*Alan Peacock*

### 8.1 The Flagship Philosophy

**8.1.1** Professor Peacock's comment, directed at western arts support systems in general, applies with particular force in Australia. The proportion of the arts support dollar allotted to the major performing arts companies, the so-called flagships, has been one of the continuing sources of controversy in the Australian arts debate since its earliest years. And, the Committee concluded, the Australian flagships are undoubtedly among the world leaders in the art of ear-stroking and arm-twisting. Our attention was drawn to an entry in the published diaries of a former Minister for the Arts, the Honorable Peter Howson. On 17 April, 1972, Mr Howson recorded in his diary:

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<sup>1</sup>Alan Peacock, 'Economics, Inflation, and the Performing Arts' in H. and W.J. Baumol (eds), *Inflation and the Performing Arts*, New York University Press, New York, 1984, pp. 111-12.

... I then had a long talk with [Dr Coombs] about the prospective deficit of the Opera Company, which now turns out to be even larger than I'd expected. It is a pity how much the opera is taking of our total funds for the arts. Next year Coombs is asking for \$1.8 million, when all the bids together come to only eight, and even with that amount of money they are still losing. ... I told him that unless he could ensure much better financial control, we should have to change the chairman of the Opera Company, and I think he realized this time that I really meant business.<sup>2</sup>

Mr Howson was not the first Minister to grapple with a financial crisis in the Australian Opera and to lament the proportion of Commonwealth arts funding swallowed up by a single institution. Nor was he to be the last.

**8.1.2** The term 'flagship' for large performing arts organisations originated in Britain where it presumably was intended to convey images of majesty, leadership, and prominence. The nautical metaphor might also be apt, however, in that large arts organisations, like large ships, are very expensive to run and impossible to turn in a short time. The IAC identified the 'flagship philosophy' as one of two main philosophical approaches to assisting the performing arts:

the 'flagship' philosophy of deliberate discrimination involving the channelling of the majority of available support into a few selected 'high arts', as performed by a few 'elite' companies; and

a philosophy of not discriminating between art forms except insofar as they meet certain criteria based on the generation of demonstrable community benefits.<sup>3</sup>

Assistance to the small number of major performing arts companies in Australia fell clearly into the flagship category, relying on the assumption that:

... a few companies in selected art forms should be heavily subsidised to 'pursue excellence' which, if achieved, will benefit the community at large.<sup>4</sup>

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<sup>2</sup>Howson, p. 850.

<sup>3</sup>IAC, p. 3.

<sup>4</sup>ibid.

**8.1.3** In the IAC's view, there were three main deficiencies in this argument. Firstly, It discriminates heavily in favour of art forms which not only cater for minority tastes but which are among the most expensive manifestations of Western culture. Little logical evidence or rational argument was advanced to support this discrimination. Secondly, the flagship approach involved a conscious decision, at an early stage in Australia's cultural development to opt for particular categories of art without considering their relevance to the Australian community. This, by masking the signals from the community, might hamper the evolution of these art-forms towards greater relevance rather than assist it. The third deficiency was in the area of accountability in the broadest sense. The flagship philosophy assumed that public patronage should be provided unquestionably without regard to the results obtained.<sup>5</sup>

**8.1.4** The IAC solution was essentially to throw the flagships into an open arts market to compete on their merits. By redirecting public subsidy towards education and dissemination, the IAC hoped to keep the flagships accountable and to force them to become and remain relevant to Australian culture. This approach was rejected by the Government, as described earlier, and in 1984-85 the three largest companies still absorbed 26 % of Australia Council grant funding.

## **8.2 The Australian Flagships**

**8.2.1** The major subsidised performing arts organisations in Australia can mostly trace their origins, at least as stable, continuously operating organisations, to the Australian Elizabethan Theatre Trust. The Trust was incorporated as a non-profit company in 1954 at the instigation of a group of private citizens, prominent among them Dr H.C.Coombs. The Trust was intended:

... primarily to develop the theatre arts which, for economic and other reasons, were not ordinarily undertaken at that time (or since) by the commercial theatre.<sup>6</sup>

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<sup>5</sup> *ibid.*, p. 3-4.

<sup>6</sup> Exhibit No. 60.

The Trust served as the main channel of direct Commonwealth assistance to the performing arts until the establishment of the Australia Council for the Arts in 1968 and operated a number of arts companies and entrepreneurial services. Out of it grew the Australian Opera and the Australian Ballet, while the Trust, at the time of writing still provides the orchestral support for these companies through the Elizabethan Sydney and Melbourne Orchestras. It also serves as the principal channel for tax deductible private support to the performing arts as well as providing a superannuation fund and a range of other support services for performing arts organisations.<sup>7</sup>

**8.2.2** The Trust, the Australian Opera and the Australian Ballet are the three largest clients of the Australia Council, accounting together for almost 26 % of its arts support budget in 1984-85.<sup>8</sup> The term 'flagship' is often restricted in the Australian context to these three companies; their support allocations in the Australia Council budget being separately specified by the Government for a period in the late 1970s as a reflection of this status. The operational problems of these organisations however have much in common with those of the large State theatre and dance companies, which absorb another 8 to 10 % of Australia Council funding. While applying the flagship tag mainly to the big three in this report, the Committee believes that many of its conclusions apply with equal force to the other large clients of the Australia Council.

### **8.3 Should We Sink the Flagships?**

**8.3.1** The perpetual argument on the place of the flagships in Australia's arts fleet has two elements; whether they are sufficiently relevant to Australian culture to deserve support at all, and, if so, how effectively they perform. In the first stream, there are those like Mr Graham Seal, of the Australian Folk Trust who argue that:

Opera and Ballet are hardly the cultural treasures of Australia.  
They are the cultural treasures of the Old World, transplanted

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<sup>7</sup>ibid.

<sup>8</sup>Australia Council, *Annual Report: 1984-85*.

and cossetted at the tax-payers expense into an overstuffed antique with meagre relevance to the Australian experience.<sup>9</sup>

Others, like Mr Geoffrey Ingram, former administrator of the Australian Ballet, believe that:

The special means which communities have established to make sure the imagination is tied down to reality and not lost in the clouds of mysticism, is ballet and opera. Ballet ties the imagination to the human body. Opera binds it to the human condition.<sup>10</sup>

The Committee preferred a position between these two views; seeing a case for significant but not exclusive support for the major companies.

**8.3.2** It became clear to the Committee that a number of features of opera and ballet, and to a lesser extent serious theatre and orchestral music, have been well established. Firstly, these art-forms are very expensive and labour-intensive. The Australian Opera, for example, requires a total of 242 employees to perform *Tosca*, a typical example of the classical repertoire.<sup>11</sup> Further, revenue is very difficult to predict in this field, especially for innovative work, and this in conjunction with high costs makes the major performing arts financially risky. As Dr Coombs put it:

Popular taste is as fickle as the wind and directionally as single minded. Everybody wants to come or everybody stays away. Theatre is an enterprise for gamblers with big reserves or an open ticket to South America.<sup>12</sup>

Also, the planning cycles for large performing arts organisations are necessarily very long. A nautical flagship may require ten kilometres to turn, its artistic equivalent is equally slow to turn with the Australian Opera, for example, being committed to its 1987 season by mid 1985.<sup>13</sup>

<sup>9</sup>Graham Seal, letter to the editor, *The Australian*, 4 June 1984, quoted in Rowse, *Arguing the Arts*, p. 3.

<sup>10</sup>Submission No. 133, p. 2569, (Ingram).

<sup>11</sup>Exhibit No. 61.

<sup>12</sup>Coombs, *Trial Balance*, p. 235.

<sup>13</sup>Exhibit No. 61.

**8.3.3** Among the benefits that the classical performing arts provide their audiences is a distinctive indication that the audience is cultured. Sociologist Tim Rowse put it best in a passage, which he stressed to the Committee is descriptive rather than critical:

... there is no question that the central activity of the Australian Opera is the mounting of seasons of opulent performances in the nation's most exalted venue to an audience with which it engages in delicious mutual flattery.<sup>14</sup>

From a sociological perspective, Mr Rowse argues:

All audiences created by performance or exhibition, and this includes wrestling matches and cinema matinees, are status groups or fellowships, formations of common identity and interest. Some are more internally enduring and cohesive than others, actually moulding in some permanent way the individuals sense of who he or she is. Subscribers attending a very special building in what the government has expensively decreed to be an event of public importance must be one of the most cohesive, and self confident of such fellowships.<sup>15</sup>

**8.3.4** The combined effect of these features of the classical performing arts has two results. The first is that levels of cost and financial risk are such as to make subsidy essential for these activities to exist at a professional level. The Committee could find no examples of large scale opera or ballet existing anywhere in the world without direct or indirect subsidy. Likewise most large scale, serious theatre and orchestral music depends on government interventions of some sort. The second feature is that the financial risks and the nature of the audience work against significant innovation. The established repertoire is significantly less risky than new work because audiences, by and large are satisfied with it; receiving, if Mr Rowse is correct, more satisfaction from attendance than from the performance itself. For whatever reason, the established repertoire sells best and thus powerful forces against innovation apply to the large performing arts companies.

<sup>14</sup>Rowse, *Arguing the Arts*, p. 56.

<sup>15</sup>ibid. p. 57.

**8.3.5** The implications of this for government can be simply stated. Firstly, if the Government wants local access to live performances of opera, ballet, classical theatre or orchestral music at any level above the amateur, it must be prepared for significant cost. The only way of making a large saving on the flagships would be to sink them. Secondly, the core activities of the major companies are not connected with innovation or with wide public access. The flagships exist to present an established aspect of culture to a particular audience. If the Government wants to promote more innovation in these arts, or access to them by a wider audience, the cost of doing so will be additional to the cost of maintaining the flagships at their core level.

**8.3.6** If this reasoning is correct, the IAC's proposed solution could have been expected to result in the demise of the flagships. It is unlikely that they would have the capacity or the inclination to compete with other cultural activities. The Committee believes that attempts to use market forces to orient the major companies towards more innovation and wider access misunderstands the nature of their activities and their appeal. We see direct subsidy as inevitable if the major performing arts companies are to remain viable as full-time, professional organisations. The question immediately arising from this conclusion is whether the public benefits of full-time, professional operation justify the costs.

**8.3.7** The Committee accepts that there is a case for government spending on the preservation of cultural heritage. The Committee believes the major performing arts to be an important part of Australia's cultural heritage. Whatever their national origin in Europe, these art-forms were well established in Britain by the time Australia was colonized. They have consequently been important in Australia for a sufficiently long period to have heritage significance in this country. Added to this is the effect on Australia's culture of its people's predominantly European origins. The Committee does not believe that the continued evolution of an Australian culture requires the fruits of previous cultural influences to be jettisoned.

**8.3.8** A further case for continued public support of the flagships rests on the size of the existing public investment in them. Substantial public subsidies over a long period of time have created large performing arts



institutions in this country which, the evidence suggests, are of high international standard. (Although it should be noted that there were some claims to the contrary. One witness described the Australian Opera as being 'hardly better than a South American [company]'; an unkindness which the Australian Opera did not 'wish to dignify' and to which a later witness retorted 'I am sure they have very good operas in South America').<sup>16</sup> The Committee accepts that the Australian Opera and the Australian Ballet have reached standards of quality sufficient to provide the Australian community with a significant return on its investment in terms of ready access to high quality performances, international prestige and opportunities for talented Australians to practise these arts. The Committee was presented with no contrary evidence sufficiently strong to support the writing off of this large public investment.

**8.3.9** There is also substantial evidence of strong public support for continued assistance to the flagships. The Committee found very persuasive the evidence that suggested that much of the measured public support resulted from an honorific or deferential approach to the subject by respondents who were reluctant to appear uncultured. We broadly accepted the arguments to this effect of Mr Ramsay and Mr Rowse discussed in Chapter 2 and agreed with Mr Peter Robinson, former IAC Commissioner and current Associate Editor of the Australian Financial Review, who said:

The problem is, of course, that most Australians are like Herman Goering who said that, 'whenever I hear the word 'culture' I reach for my gun.' I am not implying that Australians are determined to resist the arts or are positively opposed to them (although a substantial number are, despite what some rather unbelievable polls taken by the Australia Council say) but rather that the very word 'culture' is like the red rag and the bull. It is ill-defined, frightening and formidable to many people.<sup>17</sup>

In the absence of any sign of widespread popular opposition to the funding of the flagships, however, and in view of the survey evidence of feeling to the contrary, the Committee could not find other than that there is community support for funding of the major companies. Whatever the roots of this support may be, there is little doubt that it exists.

<sup>16</sup>Evidence, pp. 923, 993, 1158, (Corrigan, Veitch, Rowse).

<sup>17</sup>Exhibit No. 62, p. 6.

**8.3.10** Because of the measured popular support and because of their contribution as heritage art-forms, the Committee believes that public assistance to the flagships should continue at a sufficient level to maintain them as full-time, professional companies. This does not mean that we accept that the present level and method of funding should be sacrosanct. It leads, rather, to the questions of how well the flagships have performed and whether improvements are feasible.

## **8.4 Refitting the Flagships**

### **Accountability**

**8.4.1** The first point that must be stressed is that the flagships are not owned by the Commonwealth. They are private companies incorporated under the appropriate Companies Acts with Directors who have rights and obligations under those Acts. Although the Opera, the Ballet and the Trust receive a major proportion of their revenue from the Commonwealth and State Governments, directly in the form of subsidy and indirectly through taxation concessions, they are not directly answerable to government. Mr Howson's 1972 plans notwithstanding, the power to change the Chairman of the Opera Board does not reside with the Commonwealth.

**8.4.2** This presents particular problems for the Commonwealth Government in relation to the big three companies. Other major performing arts companies can be allowed to fail. The theatre, like capitalism, is fertilised with the carcasses of bankrupt companies. No government has yet been prepared, however, to allow the failure of companies that are the only full-time employers in the fields of opera and ballet and that are widely identified as national companies. Thus the Australian Opera has approached the brink of collapse in 1976 and in 1985 but has been saved on each occasion by a substantial injection of additional public funds. It has been suggested that this company, at least, has played on its flagship status to bargain for higher levels of support. Economic consultant Mervyn Smyth in a submission to the Committee, for example, described the Opera's decision to revert to part-time operations in 1987 as fatal and continued:

However, on the well accepted theory that most attempted suicides are really cries for help, perhaps this idea merits some

attention. If this speculation is accurate, then this was near self destruction on a truly grand scale. But for the alarms sounded by the Company's singers, and the stomach pumps provided by the Australia Council, what we would have observed is the managerial equivalent of the Jonestown Massacre.<sup>18</sup>

The Committee agrees with this assessment and rejects the Opera's contention that its difficulties were caused by the Australia Council.

**8.4.3** If it were true that the flagship companies could not be allowed to fail, it would be very difficult for the Commonwealth Government to hold them accountable for the very large public investment in them. They may be characterised by 'stagnant policies and incestuous boards',<sup>19</sup> as Mr Whitlam recently suggested but short of forcing the companies, and thus possibly the art-forms, into liquidation, the Government has no way of influencing the management of its investment. It should be noted in fairness at this point that representatives of the flagships strongly defended their performance to the Committee. But regardless of the merits of the present management of these companies, and the merits of the management of the Opera, at least, are debatable, the lack of accountability is potentially a problem whenever management failure occurs. Such failure is inevitable in any large organisation at some time. Access to a virtually unbreakable government lifeline must remove a healthy incentive for management efficiency in the flagships.

**8.4.4** The Committee has already recommended that assistance to major clients of the Australia Council be consolidated in a single unit within the Australia Council. As well as having administrative advantages, we see this as likely to improve accountability by providing more thorough and expert oversight of company management by representatives of their largest stakeholder, the taxpayer. Any further moves towards increased accountability depend on the performance of the Companies' boards and management.

**8.4.5** In this regard, the Committee noted the special features applying to the boards of large arts organisations. Our attention was drawn to analysis by an American academic, Dr Ichak Adizes. Dr Adizes' argument, based

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<sup>18</sup>Submission No. 125, 2512, (Smythe).

<sup>19</sup>Whitlam, p. 564.

on extensive survey research, is that the role and functions of boards of directors in performing arts organisations differs significantly from those of business organisations. A businessman may thus have difficulty orienting himself to the very different circumstances of an arts company. In the arts, the management infrastructure will be much less sophisticated than in conventional organisations, the need for involvement of the board in matters of detail will be much greater and many decisions of detail will raise questions of policy for decision by the board. Dr Adizes summarises the difference in the following way:

... a new Board member may well be confused. ... He usually expects to serve as a sounding board for well-planned strategies presented by professional managerial staffs. Instead he finds himself asked to roll up his sleeves and work raising funds, providing professional services free of charge, and confronting conflicts with which he may not feel sufficiently competent or familiar to effectuate a solution.<sup>20</sup>

**8.4.6** Dr Adizes is not alone in perceiving problems at board level in major arts companies. Mr Charles Lisner, former administrator of the Queensland Ballet recently wrote:

I can speak with authority on the Queensland Ballet's succession of boards. The ineptness of many of the members was such that my company was all but wrecked on more than one occasion. It is scandalous that a group of unqualified amateurs could not only be allowed to give artistic advice but also be permitted the responsibility of spending public funds with so little knowledge of what they were doing.<sup>21</sup>

Mr John Mostyn, a Sydney businessman who was once a member of the board of directors of the Australian Opera Company, raised similar points in evidence to the Committee:

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<sup>20</sup>Ichak Adizes, *The Unique Character of Performing Arts Organisations and the Functioning of their Boards of Directors: A Managerial Analysis*, Management in the Arts Research Program, Graduate School of Management, University of California, Los Angeles, 1971, quoted in Submission No. 125, p. 2523-26, (Smythe).

<sup>21</sup>Charles Lisner, *The Australian Ballet: Twenty One Years*, University of Queensland Press, St Lucia, n.d., p. 70.

CHAIRMAN — Could I put a question to you that I think I put to the Opera when it gave evidence to us last, that one would be really worried about the way large public companies in Australia are run if the directors of these companies were running them in the same way that they run the public enterprises that governments appoint them to or they are elected to in the artistic field.

Mr Mostyn — in the main, they do not. I have said it many times. There is an almost schizoid change which occurs when businessmen join the boards of artistic organisations. they tolerate things, do things, agree to things, overlook things—

CHAIRMAN — Perhaps they want to be seen to be cultured.

Mr Mostyn — I do not know the answer.<sup>22</sup>

**8.4.7** In the Committee's view there are two important, distinctive features of arts organisation boards that are relevant to public policy on arts support. These boards are required to be more involved in the detailed management of the companies than is the case in most fields and hence require a greater level of technical expertise than is usual. And, because boards of arts organisations are generally dealing with public funds rather than with their own, they often can be expected to expose management proposals to a lesser degree of scrutiny than would otherwise be the case.

**8.4.8** In one approach to improving accountability of the flagship boards, the present Government has agreed to nominate one member for appointment to the board of the Australian Opera. While recognising that this solution has been negotiated in exceptional circumstances during the latest attempt to rescue the company, the Committee has serious reservations about the principle of appointing government nominees to the boards of private arts organisations. It appears to the Committee that a single government nominee on a company board will generally not be in a position to influence the company's affairs to any extent commensurate with the increased risk to which his presence exposes the Government. Mr Fred Millar, a member of the board of the Australian Ballet Foundation and a businessman of considerable experience, discussed this issue with the Committee in

<sup>22</sup>Evidence, p. 1180, (Mostyn).

the context of a possible Australian Ballet appointee on a board of the Australia Council. His comments, however, are equally relevant to appointments in the other direction:

I have always had a view in business that I will not be represented on a board that I do not control. I would rather not be a director or not have a representative than be there. If you are on a board, you are saddled with the responsibilities without the capacity to influence them.<sup>23</sup>

**8.4.9** Further, it seems to the Committee, that a government nominee is not likely to have relevant skills to offer an arts organisation board. The Committee believes that the two qualities most needed on such boards are technical expertise and the capacity to properly control management. The first, we believe, is not especially likely to be found in government nominees while the second could best be secured by holding directors fully accountable for their successes and failures rather than by the appointment of a single outside nominee.

**8.4.10** The total government contribution to the flagships in terms of direct subsidy, taxation concessions and access to subsidised venues is of an order that would approach a controlling interest in a private enterprise context. The Committee is firmly of the view that this entitles the Government to a substantial say in the composition of boards and of management in these companies. In the Committee's view, this entitlement ought to be exercised not by the appointment of a token board member but rather by insistence on results. We see little prospect of success in this while there is a perception that the flagships will not be allowed to fail. There ought rather be an expectation that the consequences of failure will be at least a substantial restructuring of management.

**8.4.11** While opposing in principle the appointment of token government nominees to arts company boards, the Committee has not examined the particular case of the Australian Opera in sufficient detail to draw conclusions on whether it is a justifiable exception. The Committee is aware that this case has been the subject of extensive and sensitive negotiations which

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<sup>23</sup>Evidence, p. 487, (Ballet).

were continuing at the time this report was drafted. Rather than involve ourselves in these negotiations, we preferred to make a general recommendation on the issue of government/board relationships without dealing with the particular, current case of the Australian Opera. The Committee recommends:

*Recommendation 15: The Government should not generally propose nominees for membership of the boards of major arts organisations. Rather, in the event of management failure in these companies, the Government should insist that continued support be conditional on an acceptable restructuring of board and management to ensure a return to financial viability within a specified period of time.*

## Share of Resources

8.4.12 In a pioneering study of the economics of the performing arts published in 1966, W.J.Baumol and W.G.Bowen pointed out that the live performing arts have considerably less scope than most industries to match higher costs by increasing productivity.<sup>24</sup> The authors highlighted the difficulties of increasing productivity in this field with a well-known example of an imaginary management consultant's report on a symphony concert suggesting such measures as:

- reducing the number of oboe players and spreading their work over the whole of the concert;
- reducing the staff of the violin section, 'if a larger volume of sound is required it could be obtained by means of electronic apparatus';
- rounding all notes up to the nearest semi-quaver, enabling the use of trainees and lower grade operatives;
- reducing repetition so that the concert time could be reduced from two hours to twenty minutes, 'no useful purpose is served by repeating on the horns a passage which has already been handled by the strings'.<sup>25</sup>

<sup>24</sup>W.J.Baumol and W.G.Bowen, *Performing Arts: The Economic Dilemma*, M.I.T.Press, Cambridge, MA, 1966.

<sup>25</sup>ibid.

#### 8.4.13

The logical outcome of the Baumol/Bowen thesis in a period of inflation would be either a decline in production of the performing arts or a steady increase in the subsidy to them. The validity of this theory has come increasingly into question, with even William Baumol recognising in 1981 that:

The surprising answer, which seems to be confirmed from every quarter, is that at least up to 1981 the arts had, indeed managed to keep up. For some arts forms and many groups it was undoubtedly far from easy. Yet, somehow, incomes did manage to keep up with costs.<sup>26</sup>

There is substantial evidence to suggest that the major performing arts companies have been able to cope with the Baumol/Bowen syndrome by a combination of belt-tightening and improved marketing.<sup>27</sup> Modern electronic technology, in particular, has opened large new markets and, Baumol/Bowen notwithstanding, some prospects for productivity gains. Examples of the latter include electronic ticketing, and improved handling of sets and lighting.

**8.4.14** If the Baumol/Bowen theory is used to justify increased public support for the flagships, the inevitable result during periods of restraint will be to the advantage of established companies and heritage art at the expense of new companies and innovative or new art. As British economist Alan Peacock puts it:

I do not doubt that in the more hostile climate encountered in a period of stagflation, or at least of slow economic growth, performing arts companies of established reputation with well maintained means of communication have every prospect of survival. Indeed, the fact that their survival is less assured than it was will improve their sensitivity to market forces and will make them more conscious of the need to justify their demands for continuing public support by the use of more cohesive argument and greater willingness to be subject to closer empirical investigation. The disturbing feature — if I may drop my

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<sup>26</sup>Baumol and Baumol, p. 6.

<sup>27</sup>Peacock, pp. 116–124.



economist's mask for a moment — of the foreseeable future is the more formidable economic problems encountered by both new entrants to the business of performance anxious to exploit new ideas in presentation and in repertoire and their natural allies, the creators of new plays, operas, orchestra compositions, and ballets.<sup>28</sup>

In short, the preservation of artistic heritage is likely to fare better than artistic development in the type of economic climate facing Australia in the foreseeable future.

**8.4.15** The Committee accepts that an essentially subjective decision is required on the balance between heritage art on the one hand and new and innovatory art on the other. We have argued earlier that this decision should be a deliberate decision of government and subject to the normal political processes. In the Committee's view, however, there are good reasons to oppose any significant real increase in funding to the flagships in the near future. We believe this to be desirable, firstly because we accept Professor Peacock's argument on the danger of the flagships crowding out new and innovatory art. Secondly, we believe it desirable for the major companies to take greater advantage of the new marketing and distribution opportunities which technology is opening to them. The Committee believes that the flagships are more likely to move in this direction if they do not have access to unlimited funding increases. The Australian Opera, the Australian Ballet and the Trust Orchestras are generally accepted as having achieved high international standard and we see no reason to believe that a freeze in real government funding for some years need reduce their performance standards.

**8.4.16** A freeze on real, general support funds for the major companies would not preclude additional grants aimed at specific public policy targets. The Committee believes that additional grants for specific projects intended to advance particular objectives of government funding should also be available to the flagship companies, in competition with other claimants. Such assistance might be sought, for example, for the commissioning and performance of a major new work.

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<sup>28</sup>ibid., pp. 124-5.

8.4.17 The Committee recommends that:

*Recommendation 16: Provided that Recommendation 17 on forward commitment of funding is also implemented, aggregate, general support funding to the Australian Opera, the Australian Ballet and the Australian Elizabethan Theatre Trust should not be significantly increased in real terms above the present level for a period of three years. These organisations should be eligible to apply during that period for assistance additional to their general support funding for specific projects under other Australia Council programs.*

### Forward Commitment

8.4.18 The Committee formed the impression that the Australian Ballet and the Australian Elizabethan Theatre Trust, at least, were concerned more with stability and predictability in their public funding than with its level. Thus Mr Millar of the Australian Ballet Foundation told the Committee that:

I do not care very much about more funds. I would like more but I rather believe that is a matter for the Treasury rather than for the Minister. I would hope that there would be more but what we would like is to be able to get a certainty of funds ahead and not be subject to an arbitrary allocation.<sup>29</sup>

Ms Kathleen Norris, Chief Executive of the Australian Elizabethan Theatre Trust expressed similar views:

We believe that forward commitment of funding to major organisations is one of the most important problems to be solved at the Australia Council. It is not possible to run a large organisation when major funding assumptions can be changed at short notice. We find that if the Australia Council cannot make a decision about funding until a few months before the beginning of the funding period and if its decision requires a major alteration, and the program is to be funded at that point, it is too late to turn the ship — we are headed into the iceberg. I think that is one of the most serious problems that large organisations face.<sup>30</sup>

<sup>29</sup>Evidence, pp. 475-6, (Ballet).

<sup>30</sup>Evidence, p. 1141, (AETT).

**8.4.19** The Committee fully understands these concerns. The three flagship companies are required to enter into commitments 18 months or more in advance. This must sit very uncomfortably with the Australia Council's annual funding cycle. Both the Opera and the Ballet informed the Committee that late approval of funding imposed significant costs on their operations. The then Chairman of the board of the Australian Opera, Mr Charles Berg, suggested that forward commitment of support funding, possibly on a triennial basis, could lead to savings of the order of 5 to 7 % of the Opera's annual budget; approximately one million dollars per year.<sup>31</sup> Representatives of the Australian Ballet spoke of annual savings of the order of \$150,000 in its budget if triennial funding were available.<sup>32</sup>

**8.4.20** The Committee is aware of the general arguments against forward commitment of public funding. Forward Commitment reduces the Government's budgetary flexibility, it does not allow for changing circumstances, it may encourage complacency and there are difficulties in deciding which agencies should receive it and which should not. In the case of the three flagship companies, however, the Committee sees compelling arguments in favour of forward commitment. This is especially so as it could be implemented within the Australia Council budget without reducing the Government's flexibility. It is clear that the Commonwealth is committed to the survival of these companies. Equally clearly, the present annual funding cycle for these companies wastes very large amounts of scarce arts funds. A commitment by the Australia Council to triennial funding for its three largest clients would recognise the fact that government is committed to their continuation and would result in significant savings.

**8.4.21** If the Council were to give a triennial commitment to the flagships without itself being assured of triennial funding, it follows that reductions in the Council's funding in any Commonwealth budget would be initially borne entirely by its other clients. As there is no realistic prospect of triennial funding for the Council and every prospect of real reductions in its budget from time to time, this is a serious concern for the Council's smaller clients. While recognising this concern, the Committee still supports forward commitment to the flagships. To continue the present stop-start funding process

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<sup>31</sup>Evidence, p. 1012, (Opera).

<sup>32</sup>Evidence, p. 465, (Ballet).

for these companies incurs an annual cost which is almost certainly in the seven figure range. While the removal of this cost through triennial funding may indirectly impose hardship on the smaller clients in some years, the same clients will benefit proportionately in other years. The Committee is convinced that the net effect would be positive for all sections of the arts.

**8.4.22** The Committee therefore recommends that:

*Recommendation 17: The Australia Council should introduce a system of triennial funding for its three largest clients.*

## **Rationalisation of Commonwealth and State Resources**

### **8.4.23**

Although the flagships are largely funded by the Australian community through taxation, many members of that community have little or no prospect of seeing the major companies perform. Country taxpayers have no practical prospect of seeing a flagship performance on their home ground. Taxpayers in cities and towns other than Sydney, Melbourne and Brisbane are only slightly better served. There are obvious physical constraints in the capacity of the major companies to provide access to live performances of their work. The result has been a growth in locally based companies throughout Australia providing live performances of opera or dance. This in turn raises the question of whether national opera and ballet companies are in fact required at all. Theatre functions satisfactorily without a national flagship company. Would better or fairer results be achieved in opera and ballet if Commonwealth funding were dispersed among State companies.

**8.4.24** The Committee was not disposed to place as high a value on live performance as do many arts commentators. In our view, the national companies provide important benefits other than their accessibility to small and possibly privileged live audiences. These benefits include the widely viewed telecasts of their work. The flagships also provide full-time professional employment for artists, leading to higher standards in these and related art-forms by raising the standard of artist available. These companies also are of sufficient size and status to achieve an international standing which would probably be beyond the reach of a collection of State companies. The

existence of the flagships provides important indirect benefits for other companies and important public benefits other than access to live performance. Even if a dispersed base for the opera and ballet art-forms were theoretically desirable, it is likely that the costs of breaking up the flagships after twenty years of substantial public investment would be prohibitive.

8.4.25 The Committee does not believe, however, that this means that the present allocation of resources in these art-forms is equitable. Opera and ballet have come a long way since 1971 when Arts Minister Howson was gloomy at the prospect that an opera company large enough to fit the new Sydney Opera House would be too large to perform anywhere else in Australia.<sup>33</sup> Four State opera companies as well as the Australian Opera now regularly fill venues 50 to 100 % larger than the Opera House. The processes for allocating resources, the Committee believes, have not kept up with this growth. As the Australia Council table below shows, total State Government subsidies to State opera companies now approach the Commonwealth grant to the Australian Opera. Subsidies per performance of the State companies are often higher than those of the national organisation reaching a peak, with the Lyric Opera of Queensland, of \$75,670 per performance.

Opera Company	State Subsidy	Subsidy/Performance # Perf	\$	Aust Cncl Subsidy (6)	Subsidy/Performance # Perf	\$	Total Subsidy/Perf
AUST OPERA	NSW	166	6 900	ESO	4 200	241	25 020
	incl oth	50			1 830		
	VIC	53	940				
	(prorate EMO)						
	QLD	16	7 500				
VSO	SA	5	20 000				
		1 100	39 (2)				
LYRIC QLD	(prorate EMO)	50	27 560				27 560
		1 074	15(3)				75 670
SOSA	(prorate QTC)	30(4)	54 500				54 500
		1 392 oper.					
WAOC	343 mort.	38(5)					
		569					
	(prorate WAOC)	240	21 290				21 290

- (1) AO total includes light opera performances. The SA contribution is actually through the Adelaide festival, and is not a direct government grant.  
 (2) \$75 000 was subtracted from the total subsidy to take account of the schools program. The Victorian Ministry does not consider that it funds the company for performance of musicals, and so these are not included in the performance total.  
 (3) \$50 000 was subtracted from the total to allow for losses from the country tour and city concerts.  
 (4) \$100,000 was subtracted from the total to allow for the various aspects of the youth program.  
 (5) The WA Arts Council does not distinguish between opera and musicals in allocation of its subsidy. Therefore the performance total includes musicals. Subsidy per performance thus would be higher if only opera was subsidised, as with Victoria.  
 (6) Australia Council Music Board subsidies to the State companies are not included because they do not apply directly to mainstage performances.

Dividing the total subsidy for opera provided by each State and dividing by number of performances received from the State company plus the AO, the State subsidy per performance for all opera is as follows:  
 N.S.W.: \$6 900 VIC: \$12 230 QLD: \$40 480 S.A.: \$48 750 W.A.: \$21 290

<sup>33</sup>Howson, p. 741.

<sup>34</sup> Anon. 'Arts Funding: Report on the Australian Opera', *Artforce*, No. 53, 1986, p. 15.

8.4.26 There is little doubt that significant rationalisation of major company funding and resources is possible. The Committee notes that this is high on the Australia Council agenda and is the subject of a current study by a working group of the Cultural Ministers Council. Noting also that the total direct Commonwealth and State support of opera companies alone exceeds \$12 million per annum, the Committee believes that progress in this area holds potential to free significant resources for other arts purposes. The Committee therefore recommends that:

*Recommendation 18: Proposals for the rationalisation of State and Commonwealth resources devoted to major performing arts organisations should be developed and implemented by the Cultural Ministers' Council as a matter of high priority. In particular, those States in which a national organisation is based, should make an appropriate contribution to reflect the savings accruing to them as a result of the location of the national company.*

## Chapter 9

# Taxation Expenditures

*Individuals and businesses derive financial benefits from taxation concessions of various kinds. In the year(s) when they have effect, the concessions reduce, or delay, collections of taxation revenue, and are as much a call on the budget as are direct outlays. They are comparable in other ways also with direct outlays and are often referred to as 'taxation expenditures'<sup>1</sup>*

*Commonwealth Treasury*

### 9.1 Tax Expenditures — A Hidden Subsidy

**9.1.1** The variety of special exemptions, deductions, rebates, credits, exclusions, preferential rates and deferrals with which the Australian taxation system is riddled has long been an interest of this Committee. In a report tabled in August 1982, entitled *Taxation Expenditures*, the Expenditure Committee brought to public attention the important social and economic consequences that can result from selective taxation concessions. The conclusions of that report were recently echoed in a widely circulated paper of the Economic Planning Advisory Council (EPAC).<sup>2</sup> Both the Committee's report and the EPAC paper concluded that tax expenditures will normally tend to be inferior to direct outlays as a method of achieving government

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<sup>1</sup>Quoted in, Australia, Parliament, *Taxation Expenditures: A Report from the House of Representatives Standing Committee on Expenditure*, (Expenditure Committee) Canberra, 1982, p.4.

<sup>2</sup>Economic Planning Advisory Council (EPAC), *Tax Expenditures in Australia: Council Paper No. 13*, EPAC, Canberra, 1986.

policy objectives but that the choice between the two methods of subsidy needs to be made on a case by case basis.<sup>3</sup>

**9.1.2** The arguments against frequent use of tax concessions as a means of subsidy are clear. Taxation expenditures are less visible than are direct budgetary outlays. They are difficult to measure and they are likely to come under less scrutiny in the budget process than does direct expenditure. Tax expenditures are open ended in that the amount of revenue foregone by the Government depends on the extent to which a particular concession is taken up rather than on any decision of government. Tax expenditures are generally inequitable; those with the highest taxation liabilities receive the greatest benefit. They are likely to be less efficiently targeted than are direct outlays. They increase the complexity of the taxation system and thereby reduce the public perception of its fairness.<sup>4</sup>

**9.1.3** It is particularly ironic, as the EPAC paper notes:

... that many of the advocates of small government also strongly favour particular tax expenditures as they look upon these measures as a reduction in taxation and do not appreciate that they are alternatives to incurred direct outlays.<sup>5</sup>

Tax expenditures, although appearing in the form of lower tax revenue rather than higher government expenditure, still affect the budget deficit. The use of tax expenditures rather than direct outlays disguises the extent of this effect and renders it difficult to measure.

**9.1.4** Some advantages of tax expenditures have also been suggested. Tax expenditures allow individuals and firms to decide for themselves how much of a given activity to support. They may be more effective in encouraging successful ventures if their level is proportional to income. In some cases tax expenditures may be less expensive to administer than direct outlays.<sup>6</sup> The Committee still believes, however, that the potential disadvantages will often outweigh the advantages. We still support the conclusion expressed

<sup>3</sup>Expenditure Committee, p. 7, EPAC, p. 2.

<sup>4</sup>EPAC, p. 6.

<sup>5</sup>ibid.

<sup>6</sup>ibid.



in our 1982 report that tax expenditures ought to be justified on a case by case basis with an explanation as to why the taxation system was preferred to direct outlays as a means of granting assistance.<sup>7</sup>

**9.1.5** Tax expenditures are the principal form of public support for the arts in the United States, where, a recent study concludes, some two thirds of the public subsidy is delivered in the form of tax concessions.<sup>8</sup> This analysis, which aptly describes the American taxpayers as 'patrons despite themselves', concludes that tax expenditures can often distort resource allocation in arts support.<sup>9</sup> Importantly, the study suggests that some changes to the taxation system, including for example, those which reduce the higher marginal rates, may have the unintended effect of reducing private contributions to the arts.<sup>10</sup> All these findings accord with the Committee's view and support the need for close assessment of this type of support.

**9.1.6** The arts in Australia benefit from a variety of tax expenditures. The total value of these concessions has not been assessed, nor are they generally cited in argument about levels or direction of assistance. Although less significant than American tax expenditures on the arts, and much smaller than some which apply in other sectors of the Australian economy, tax concessions to the arts in this country are still an important source of public support. Among the tax expenditures benefiting the arts are:

- Tax concessions for film under Division 10BA of the Income Tax Assessment Act.
- The Taxation Incentives for the Arts Scheme under section 78 of the Income Tax Assessment Act.
- Tax deductible donations to approved organisations under sub-section 78(1) of the Income Tax Assessment Act.
- Tax deductible corporate donations and sponsorship of artists and arts organisations.

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<sup>7</sup>Expenditure Committee, p. vii.

<sup>8</sup>A.L.Feld, M.O'Hare, and J.M.D.Schuster, *Patrons Despite Themselves: Taxpayers and Arts Policy*, New York University Press, New York, 1983, p. 24.

<sup>9</sup>*ibid.*, pp. 177-8.

<sup>10</sup>*ibid.*, p. 199.

- Exemption from State payroll tax of the Australian Opera.
- Exemption of some artists' materials and artwork from sales tax.
- Exemption of some artwork from import duties.

While no complete estimate of the cost to revenue of these measures is available, the Committee was able to obtain indicative figures for some of the larger concessions.

## 9.2 Tax Concessions for Film

**9.2.1** Successive governments have chosen to encourage the development of an Australian film industry more by the use of taxation concessions than through direct grants. In so far as grants have been used, there has been a tendency to create what the Committee considers to be a false distinction between 'art' film, funded by grants, and 'entertainment', assisted indirectly through tax expenditures.<sup>11</sup> The scale of hidden subsidy to the film industry through the taxation system is now such as to offer a useful case study on the effects of tax expenditures.

**9.2.2** The present taxation concession provided under Division 10BA of the *Income Tax Assessment Act* allow for a tax deduction of 120% on eligible capital expenditure and a net revenue exemption from income tax of 20% of the amount of the investment.<sup>12</sup> The effect of this scheme on revenue is very significant. The 1985 Draft White Paper on taxation (DWP) estimated film tax concessions to have cost the Commonwealth \$95 million in revenue foregone in 1984-85.<sup>13</sup> This estimate is not universally accepted however. Management Consultants, Coopers and Lybrand, WD Scott, commissioned by the Screen Production Association of Australia, reviewed the DWP estimate and assessed the real net government contribution to the film industry to be as low as about \$20 million.<sup>14</sup>

<sup>11</sup>Rowse, *Arguing the Arts*, pp. 15-21.

<sup>12</sup>Exhibit No. 63, p. 2.

<sup>13</sup>EPAC p. 11

<sup>14</sup>Exhibit No. 63, p.ii

**9.2.3** This substantial variation in estimates highlights the difficulty of assessing the effect of tax expenditures. The consultants considered the DWP estimate to be based on three unreasonable assumptions:

- that in the absence of the concessions, investors will enjoy negligible alternative tax shelters;
- that similar dollar levels of income would continue to be earned on private film investment even though the concessions are withdrawn;
- that secondary revenue effects of tax concessions are ignored.<sup>15</sup>

**9.2.4** The consultants suggested that the level of direct government subsidy required to replace the tax expenditure would be influenced by a complex inter-relationship of factors. In one of many possible scenarios, they estimated a required direct subsidy of \$45 million to replace the present tax concessions but pointed out that this estimate assumed no reduction in the top marginal rate of income tax. Should the anticipated reductions in that rate occur, the requirement for direct support would rise.<sup>16</sup> The difficulty of assessing the real impact of tax expenditures is illustrated in this example.

**9.2.5** Also highlighted is the inequity which tax expenditures can create. The DWP found that, in a sample of 74 taxpayers with an average gross income of \$370,000, various deductions reduced the average taxable income to \$180,000. Of this reduction, an average of \$43,000 was claimed as film investment. The 74 taxpayers surveyed accounted for 12.8% of the total revenue foregone by film tax concessions in that year.<sup>17</sup> The American survey cited earlier concluded similarly, on the basis of extensive quantitative analysis, that tax expenditures to the arts in the United States generally 'flow from the very wealthy to the moderately wealthy and the well educated'.<sup>18</sup>

**9.2.6** The open-ended nature of tax expenditures is particularly well illustrated in the case of film. The DWP estimates, whether overstated or not, are at least internally consistent. They show a growth in tax expenditures

<sup>15</sup>ibid., p.15.

<sup>16</sup>ibid., p. 16

<sup>17</sup>EPAC, pp. 11-14

<sup>18</sup>Field, O'Hare and Schuster, p. 71.

on film from \$13 million in 1981-82 to \$95 million in 1984-85. The paper projected a further growth to \$135 million in 1985-86.<sup>19</sup>

**9.2.7** Comparison of these figures with those for all forms of assistance to the mainstream arts reveal that, even on a conservative assessment, Commonwealth assistance to film approaches the level of assistance to all other art-forms. If the Draft White Paper estimates are to be believed, assistance to film far exceeds assistance to the other arts. The Committee does not believe that this ordering of cultural priorities is the result of any deliberate or rational choice. Rather, the privileged position of film has developed rapidly and without close public scrutiny because of the initial decision to use tax expenditure as a method of support. The hothouse growth of commercial film under this stimulus may, of course, be equally rapidly reversed by changes in the tax system such as reductions in the top marginal rate.

**9.2.8** The Committee believes that the privileged position of film relative to other art-forms should be reviewed. We do not believe that the initial intention of Division 10BA was a subsidy as large as that now provided, and we doubt in any case, that the place of film in Australian culture is so important relative to other art-forms as to justify such a large disparity in assistance. The Committee therefore recommends:

*Recommendation 19: The Department of Arts, Heritage and Environment, in conjunction with the Australian Taxation Office, should regularly report on the level of tax expenditures on film and should take account of this form of Commonwealth assistance when establishing priorities for arts support.*

### **9.3 Tax Expenditures on the Arts**

**9.3.1** Tax concessions for those arts within the area of responsibility of the Australia Council are not as generous as those which apply to film. The level of tax expenditure in the arts is correspondingly lower, although still significant in comparison with direct government assistance. As with film, there is scope for argument on the level of revenue foregone, but information

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<sup>19</sup>EPAC, p. 11

which the Committee was able to obtain on a number of the larger schemes indicates a significant cost to the revenue.

**9.3.2** The Taxation Incentives for the Arts Scheme, for example attracted donations of \$3.7 million in 1984–85.<sup>20</sup> The Australian Elizabethan Theatre Trust, the main channel for tax deductible donations to the performing arts, passed on donations of more than \$1.3 million in 1984 and almost \$2.9 million in 1985 to approved arts organisations.<sup>21</sup> A paper prepared by the Australia Council at the request of the Cultural Ministers' Council reported that nominations received for the 1985 Mobil Business in the Arts Awards showed a contribution to the arts from 141 business organisations of \$8.5 million in cash, expertise and resources.<sup>22</sup> Even allowing for overlap in these categories, the total of tax deductible donations under these three schemes alone appears to have approached \$14 million in 1984–85. Assuming a marginal tax rate of 50%, as appears to have been assumed in calculating the DWP estimate of revenue foregone in tax concessions to film,<sup>23</sup> the three arts schemes would have resulted in a loss to revenue of about \$7 million in 1984–85. This represents a substantial hidden government subsidy to the arts.

**9.3.3** The total private contribution to the arts attracted in 1984 through the three concessions discussed above, whatever component of it may ultimately have been contributed by the taxpayer, is equivalent to almost 40% of the Australia Council's support for the arts budget in that year. Much of this support is focussed on a handful of artistic activities. The Australian Opera, for example, matched Commonwealth and State direct subsidies of \$6 million in 1984–85 with tax deductible private contributions of \$2.1 million. At an assumed marginal tax rate of 50 percent, this represents an additional Commonwealth contribution to the Australian Opera of \$1 million in that year.<sup>24</sup>

**9.3.4** All of this serves to emphasise the principal conclusion of this Com-

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<sup>20</sup> Exhibit No. 64.

<sup>21</sup> Exhibit No. 33, Evidence, p. 1123, (AETT).

<sup>22</sup> Exhibit No. 65.

<sup>23</sup> Exhibit No. 63.

<sup>24</sup> Australian Opera, *Annual Report 1985*, Australian Opera, Sydney, 1986, p. 11.

mittee's 1982 report; that the Parliament should be provided with comprehensive information on taxation expenditures.<sup>25</sup> In the absence of such information, it is not possible for the Government or Parliament to make rational decisions on an overall assistance program for the arts. Although having a general preference for direct methods of support rather than taxation expenditures, the Committee notes the point made by Coopers and Lybrand, WD Scott that abolition of one form of tax expenditure while others are readily available will merely divert tax deductible investment to other concessional areas. In the absence of comprehensive information on the level and effect of tax expenditures, the Committee is reluctant to recommend action on taxation which might unfairly disadvantage the arts relative to other activities.

## 9.4 A Tax Expenditure Policy for the Arts

**9.4.1** The Committee does not believe that the lack of full information on the level of tax expenditures in the arts, and the economy generally, should preclude all action in this area. Consistent with our recommendations in 1982, we recommend:

*Recommendation 20 The Department of Arts, Heritage and Environment in conjunction with the Australian Taxation Office, should identify, estimate the effect of, and regularly report on all tax expenditures on the arts. The Department should continuously consider the effect of this indirect Commonwealth subsidy on overall Commonwealth arts support policy.*

The Committee sees this as an essential prerequisite for the proper formulation of arts-support policy.

**9.4.2** The Committee expects that proper documentation of tax expenditures will lead to changes in this method of support. We do not, however, rule out the permanent retention of those tax concessions which can be shown to be a more effective means of assistance than direct subsidy. We endorse Dr Coombs' view that:

The Arts have always needed patrons, and it has seemed to me that those on whom 'the arrangements of society' confer control

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<sup>25</sup>Expenditure Committee, p. vii.

of great resources have an obligation to society to perform this function. The natural successors of the noble families and the Church in the Middle Ages are today the great corporations, public and private.<sup>26</sup>

While it may be regretted that tax concessions appear to be necessary to persuade those in control of great resources to undertake their duty, it can be argued that the modern state is also a successor of the noble families and the medieval Church. It is perhaps fair that the burden of patronage be divided between corporations and the state. The Committee's concern remains that the private and public shares of the cost of patronage be accurately assessed and reported to allow an efficient and equitable support policy.

## 9.5 Specific Taxation Issues

### Sub-Section 78(1) of the Income Tax Assessment Act

**9.5.1** The Australian Elizabethan Theatre Trust has acted since its inception in 1954 as a channel for tax deductible donations to performing arts organisations. Sub-section 78(1) of the Income Tax Assessment Act exempts donations to specified public benevolent institutions from income tax liability and the Trust is one of the few arts organisations specified under this section. It uses its status to render donations to other arts organisations tax exempt. Mr Donald Grace, Company Secretary/Financial Controller to the Trust explained the operation of this system to the Committee in the following way:

If an organisation wishes to go to the public for funds it can actually make an application to the Australian Elizabethan Theatre Trust. We have certain guidelines and we require information from that organisation. Our first requirement is that we need to see exactly how it is constituted, whether it has a memorandum and articles of association, whether it is under a companies Act, whether it is registered as a charity under the

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<sup>26</sup>Coombs, *Trial Balance*, p. 226.

Charities Collection Act or an association under the Associations Act, or whether it is a registered business name. Some organisations are registered under a special Act of Parliament.

We would look at those documents to make certain that applicants had the power to use moneys that we may give them for the arts. We also obtain a copy of their balance sheets and accounts because we want to make certain that moneys that they are spending are going into arts orientated programs. We need to sight the schedule of the names and addresses of their boards of management because we want to make certain that it is not a family concern, that they are genuine arts organisations, that they do have a broad management representation. We also inquire as to whether they are in receipt of funding assistance from either the Federal or State governments because as a checking point we can always ring to find out if they are people who have been associated with the arts. We also obtain details of the programs which they have undertaken during the last 12 months and what they propose to undertake during the next 12 months. That then gives us some idea of whether that organisation would be acceptable to be included on what we call our schedule of organisations to which we will channel grants.

All applications are submitted to our board of directors for approval. If an application is approved then that organisation is sent a letter notifying it that it has been approved subject to certain conditions. A condition is that all advertising material must be submitted to us for approval before release. We want to make certain that where a person is appealing to the public for funds that they are using the particular section of the Act correctly, that it is an unconditional donation to the Elizabethan Theatre Trust. We must ensure that there is no misrepresentation by that organisation when appealing to the public for funds. Funds must be donated unconditionally and no benefits can be attached to that donation. That is a very important aspect as well.<sup>27</sup>

### 9.5.2 The Chief Executive of the Trust, Ms Kathleen Norris, argued that:

<sup>27</sup>Evidence, p. 1115-6, (AETT).



[The arrangement] has been investigated on several occasions in the past. As the Trust at the moment has over 500 organisations on its books as possible recipients for tax deductible funds through the Trust, the conclusion has always been that in order to have any system of direct tax deductibility and in order to maintain the monitoring that would be necessary, it would be more difficult for the Taxation Office to do it directly than to do it through the Trust. We serve to protect the interests of the law and we monitor each organisation very closely. We make sure that all the requirements are met before applicants are accepted as possible recipients of funds. We make sure that the donors are not offered anything which is outside the bounds of the law and essentially we act as an arm of the Taxation Office in this program.<sup>28</sup>

**9.5.3** A number of submissions to the Committee suggested that the use of the Trust as 'an arm of the Taxation Office' was undesirable. Thus, the Australia Council submitted that:

... the need for the donor to send a covering letter to the AETT, asking that the gift be passed on to a nominated organisation, introduces a degree of inconvenience which can affect the donor's willingness to make a gift. Sub-section 78(1) (a) of the Income Tax Assessment Act should be amended to allow gifts to organisations approved by either the the Minister for Arts, Heritage and Environment or the Australia Council, in association with the Taxation Office, to be allowable deductions.<sup>29</sup>

The Director of the Australia Council's Financial Advisory Division, Mr Robert Taylor, expanded on this in oral evidence to the Committee;

Our proposal to Government is that the Minister should approve certain organisations so that donations could be made directly to them. After all, getting a donation from somebody costs money. The fact that somebody may give \$1,000 to an arts organisation involves a *cost in going out and getting it*. There is great difficulty at the moment when a person in Perth or Geraldton or

<sup>28</sup>Evidence, p. 1118, (AETT).

<sup>29</sup>Submission No. 103, pp. 1945-6, (Australia Council).

Darwin has to send money to the Australian Elizabethan Theatre Trust to be sent to the local arts organisation in Darwin or Perth or Geraldton.<sup>30</sup>

The Director of the Victorian Ministry for the Arts, Mr Paul Clarkson, expressed similar views:

I think there is still a great deal to be done with respect to making donations to the arts by individuals, for example, an easy, simple thing to do. The present mechanism, which requires people to give money through the Elizabethan Theatre Trust, is outdated and, in my view, unworkable.<sup>31</sup>

**9.5.4** Evidence to the Committee from the Commissioner of Taxation and senior officers of the Australian Taxation Office made it clear that the Tax Office sees 'far more cost-effective areas to be address[ed]' than monitoring of section 78(1) donations and that a low priority is accorded to this work.<sup>32</sup> While donations to the arts are never likely to be important in taxation policy, they are an important component of arts support. The Committee was concerned that the direction of such a significant element of public arts funding should be effectively unaccountable. We accept, however, that devolution of decision making on the detail of arts deductions might be desirable from the point of view of the Taxation Office. The Committee's concern is that the devolution has been to a private organisation without systems to hold that organisation accountable and to integrate arts related tax expenditures into overall arts support policy.

**9.5.5** The Committee accepts the Australia Council's contention that a more desirable approach would provide for approval of applications for tax deductibility by the Minister for Arts, Heritage and Environment. We see this as offering administrative advantages of the kind suggested by Mr Taylor. Such an approach would also open decision making on tax deductibility to the processes of administrative and judicial review and appeal which are available under Commonwealth legislation. Additionally, it would maintain

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<sup>30</sup>Evidence, 735-6, (Australia Council).

<sup>31</sup>Evidence, p. 832, (Victoria).

<sup>32</sup>House of Representatives Standing Committee on Expenditure, Inquiry into the Auditor General's Efficiency Audits of the Australian Taxation Office, Evidence, pp. 51-56.

continuous government review of one major area of tax expenditure on the arts.

**9.5.6** We believe that, in principle, it would be more appropriate for the Minister's Department to undertake the administration of this task than the Australia Council because Ministerial control of the Department is clearly established and approval of tax expenditures is a function we believe ought to be under direct Ministerial control. Present staffing resources, however, appear to place the Australia Council in a better position to undertake the responsibility. So long as the principle of Ministerial control is fully accepted, the Committee believes that Australia Council administration of this function would be acceptable.

**9.5.7** The Committee recommends that:

*Recommendation 21: The Minister for Arts, Heritage and Environment, in consultation with the Treasurer, should develop revised procedures for approval of tax deductability of donations to arts organisations so as to replace the present delegation of authority to the Australian Elizabethan Theatre Trust with a system of Ministerial approval.*

### **Taxation of Individual Artists**

**9.5.8** A number of taxation anomalies affecting individual artists were drawn to the Committee's attention. Some, relating to income averaging and access to the Prescribed Payments Scheme of taxation payment were corrected in the 1986-87 budget. It was also suggested to the Committee that sales tax legislation relied on outmoded definitions of art which unfairly exclude some artists and art-forms from benefits which were intended to be extended to all art. Mr Richard Larter, a painter who also works in video and film, gave evidence to the Committee on this issue:

CHAIRMAN — ... You mentioned film and videotape, too. To what extent nowadays is film and videotape used in art? Have the tax laws caught up with the technology?

Mr Larter — No, they have not.

CHAIRMAN — I imagine that you would get some tax concessions on some materials that artists use. Are there any materials that artists use that you get tax concessions on?

Mr Larter — Yes. If you are a sculptor, all the materials you use for producing a work.

CHAIRMAN — Granite, metal, et cetera?

Mr Larter — Yes. I am a painter mainly by trade, and I get all my paint, brushes, air brushes and such equipment free of sales tax. Luckily canvas did not ever come under sales tax. It nearly did once but Senator Chipp stopped it two or three years ago. It does not arise with canvas. It does with masonite but it is hardly worth the problem because you buy from a builder's yard and he has never heard of this tax remission certificate. It is better to strike a deal with a guy. Because you are buying in quantity he will knock, say, 10 per cent off as a deal.

CHAIRMAN — So it is a case of the law not having caught up with changes in art forms?

Mr Larter — In videotape and film, certainly, it has not. My first letter was written in 1972 about film. I got a reply showing that they thought I was an idiot because they had never heard of it, obviously. I believe that they have never realised that such things exist. It is amazing because in the documents that I have tabled with you today there are two letters from the Australian National Gallery — one asking to borrow a couple of films to show publicly, and the second letter offering to buy the same two films, which were later sold to it. I think that is positive proof as far as your Committee is concerned. The Australian National Gallery buys art, not anything else.<sup>33</sup>

**9.5.9** Mr Larter argued to the Committee that current attempts to define art for taxation purposes, which rely mainly on such features as the media used are inappropriate. A better approach, he suggests, would be as follows:

... I suggest that when the Public Service is dealing with problems of art, instead of trying to determine what a work of art is it should approach it from a different, more sensible angle. It should say that if something is produced by an artist and he or

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<sup>33</sup>Evidence, p. 300, (Larter).

she claims it to be a work of art, that is fair enough because you can verify that a person is an artist. It is very difficult for a public servant to verify that a work of art is a work of art. For example, take the 1919 show in the Armory in New York. Marcel Duchamp purchased from a hardware store a toilet basin which he turned upside down and signed 'Richard Mutt 1917'. It was exhibited under the name 'Fountain'. I could imagine any public servant in 1919 anywhere in the world having the greatest difficulty defining that as a work of art. I sympathise with that public servant, but since 1919 that urinal has become a seminal work of art. Robert Hughes, for example, refers to it with a grand illustration in his book based on the television program for the BBC which was broadcast here on the ABC. That is a seminal work of art.<sup>34</sup>

**9.5.10** The difficulty of using tax expenditures as a means of arts assistance is neatly illustrated in this case. The definition of art embodied in taxation law has clearly not kept pace with the development of art and some art-forms and artistic styles are advantaged over others. Adoption of a more liberal definition, however, exposes government revenue to open-ended and unpredictable costs. The Committee is aware of a similar case involving the definition of art for the purpose of assessing import duties.

**9.5.11** The Committee is generally opposed to the use of tax expenditures as methods of assistance except in cases where the approach is justified by careful assessment of the costs and benefits. The definition of art for taxation purposes is, however, an anomaly which disadvantages individual artists and, in the case of import duties, embarrasses Australia. The Committee believes that this anomaly should be corrected.

**9.5.12** The Committee recommends that:

*Recommendation 22: The Department of Arts, Heritage and Environment together with the Australian Taxation Office and the Australian Customs Service should resolve the current anomalous definitions of art for the purposes of taxation and import duties.*

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<sup>34</sup>Evidence, pp. 297-8, (Larter).

## Chapter 10

# Contemporary Music

*Subsidy is for Art. It is for Culture. It is not to be given to what the people want, it is for what the people don't want but ought to have. If they really want something they will pay for it themselves. The Government's duty is to subsidise education, enlightenment and spiritual uplift, not the vulgar pastimes of ordinary people.<sup>1</sup>*

*Sir Humphrey Appleby*

### 10.1 Art and Entertainment

**10.1.1** The distinction between art and entertainment is notoriously difficult to make. It has become particularly important, however, in the last few decades when art has become eligible for a level and type of public assistance not available to its entertainment cousin. The IAC inquiry raised this issue, resulting as it did from a request by commercial theatre for support on the same basis as that afforded to the non-commercial arts. Neither the IAC Report nor the subsequent debate, however, has established what place, if any, popular entertainment has in the arts assistance system. The Committee considered it desirable to consider this issue using, as an example, popular contemporary music, probably the most widely experienced art-form in Australia today.

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<sup>1</sup>Jonathon Lynn and Antony Jay, *The Complete Yes Minister*, British Broadcasting Corporation, London, 1984, p. 474.

**10.1.2** Two types of argument have been advanced in support of the present assistance pattern which so heavily favours the high arts relative to entertainment. In the early years of arts assistance there was a clear, if not always openly stated, view that the arts were of higher quality than entertainment; a position effectively parodied in the *Yes Minister* television series from which the chapter heading was extracted. While this view still survives, most authoritative defenders of the status quo now prefer to make a distinction based on economic efficiency. Thus, Professor David Throsby, having argued for arts assistance on the basis of the public benefits provided by the arts, continued:

It is sometimes suggested that the above arguments would also provide grounds for assistance to such activities as professional sport, pop concerts, commercial musicals and similar entertainments. It is true that these activities may give rise to external benefits, but these benefits may in fact be already produced in sufficient quantities without the need for further support. It is doubtful whether subsidies to mass spectator sport, for example, would significantly raise the extent of external benefits, given the high level of sporting activity the market already provides.<sup>2</sup>

A taxpayer's dollar devoted to opera would thus increase the level of public benefit by a greater amount than a dollar granted to contemporary music because an ample supply of the latter is produced without subsidy.

**10.1.3** This approach depends on the proposition that subsidies to the less popular arts produce a sufficient level of public benefit. The Committee has stated earlier in this report that it generally accepts this proposition. The bias in support towards the high arts also depends, however, on the proposition that subsidy to the popular arts and entertainments would not lead to significant increases in public benefit because the market provides an adequate supply of these activities. On this, the Committee has grave reservations.

**10.1.4** There is unfortunately a dearth of statistical information on the contemporary music industry in Australia. The nature of contemporary

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<sup>2</sup>David Throsby, 'The Economics of Melodrama: The Performing Arts After the IAC', *Current Affairs Bulletin*, Vol. 54, No. 4, Sept. 1977, p. 8.

music production including a substantial component of small, often part-time enterprises and a high level of movement in and out of the industry militates against collection of this type of information. The organised arts community has had no interest in collecting such data, contenting itself with inclusion of the gross production figures of contemporary music in its arguments for higher levels of support for the high arts. There is however, sufficient information available to support a conclusion that selected government interventions in contemporary music could lead to very significant public benefits.

**10.1.5** These could arise partly because of the ubiquity of this art-form. There is no doubt that contemporary music is by far the most widespread live performing art in Australia and is also one of the most widespread electronically transmitted arts. Because the public benefits of new art depend on their broad accessibility to the community, a small improvement in a widely accessible art-form like contemporary music may give rise to greater public benefits than a large improvement in a less accessible form such as live theatre. A number of low cost measures are available to increase Australian content in contemporary music, for example. These, by increasing the Australian component in the most widely experienced art-form might well contribute more to the development of Australian culture than equivalent expenditure on art with minority impact.

**10.1.6** It also seems to the Committee that the contemporary music industry has unusually low access to government infrastructure support. Government services such as business training and advice, export development assistance and technical and further education, which are readily available to other industries, are largely inaccessible to contemporary music. The Committee is convinced that a relatively small public investment in these areas would provide a greater increase in public benefits than an equivalent investment in any of the minority arts. Comparisons of the aggregate position of contemporary music with that of the subsidised arts hides these areas of opportunity in the popular arts.



## 10.2 The Position of Contemporary Music

**10.2.1** One of the major reasons that the contemporary music industry has had little success in gaining access to government support has been its lack of cohesion which has resulted in little authoritative, representative advocacy on its behalf. By far the largest proportion of its workforce have entered the industry by establishing their own small business, normally without any business training. The turnover of firms and individuals in the industry is very great and the involvement of representative bodies, union or otherwise, is low.<sup>3</sup>

**10.2.2** The established arts have little interest in the condition of contemporary music, except it appears, to include its production statistics in analyses arguing the importance of the arts. Professor Throsby, writing as a representative of an arts lobby group, The Alliance, for example, put it to the Committee that an increase in Australia Council funding would be justified, in part, on the basis that the arts, culture and entertainment category contributes \$6.5 billion to gross domestic product(GDP).<sup>4</sup> This use of aggregate figures fails to reveal that contemporary music, which undoubtedly contributes a greater component of the \$6.5 billion than all the subsidised arts combined, received Australia Council subsidies of only \$55,385 in 1984-85, slightly more than one seven hundredth of the Council's arts support budget for that year.<sup>5</sup>

**10.2.3** The virtual invisibility of contemporary music to the established arts is illustrated in a major Australia Council research report, *The Artist in Australia Today*. This report, by a committee chaired by Professor Throsby, estimated that there were 25,000 to 30,000 artists in Australia.<sup>6</sup> Of these, the largest proportion were found to be musicians and approximately one third of musicians, or 10% of all professional artists in Australia were involved in live performances of rock or popular music.<sup>7</sup> This would represent five to six hundred contemporary music groups, an estimate which appeared to the Committee to be low. Evidence from the Australian Record Industry

<sup>3</sup>Exhibit No. 10.

<sup>4</sup>Exhibit No. 66.

<sup>5</sup>Exhibit No. 17.

<sup>6</sup>Throsby Report, p. ix.

<sup>7</sup>ibid., pp. 9-11.

Association suggested that there are in fact about 18,000 musicians actively working in contemporary music, six times as many as the Throsby report estimated.<sup>8</sup>

**10.2.4** If this estimate is correct and if the Throsby report's estimates of other artistic categories are more reliable than those for contemporary music, it follows that practitioners of live contemporary music would represent between 40 and 50% of professional artists in Australia. Because the Throsby report identified its population of artists through lists provided by organisations and through published sources, and because of the stronger organisational base in the subsidised art-forms, the Committee accepted that its estimates for those art-forms are likely to be reliable. We therefore concluded that contemporary music is very much more important as an employer of artists than was suggested by *The Artist in Australia Today*. It is, in fact, by far the largest sector of artistic employment.

**10.2.5** The tenuous connection between contemporary music and the arts bureaucracy is reflected in Australia Council grant statistics. Although the Director of the Australia Council's Music Board, Dr Richard Letts was at pains to point out to the Committee that musicians of all styles are eligible to apply for assistance under the Board's programs, the level of Council funding allotted to contemporary music remains very low. Dr Letts' response to questioning on this issue makes the point well:

Ms FATIN — Have you ever funded young composers who want to write for some of these rock groups? Could they apply?

Dr Letts — They could apply but to be honest I do not remember there having been an application. It is another world, of course.<sup>9</sup>

**10.2.6** The Committee had some doubts, in any case, as to whether the Australia Council is an appropriate body to administer programs of assistance to contemporary music. The problem of representation arises again. A Council so broadly based as to embrace rock music and opera may not be able to bring sufficient expertise to any of its responsibilities. The contemporary music industry is quite different to the subsidised arts in many

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<sup>8</sup>Evidence, p. 419, (ARIA).

<sup>9</sup>Evidence, p. 674, (Australia Council).

important ways and requires different types of assistance. It is arguable that the arts have often suffered from not being treated sufficiently like an industry while the contemporary music industry has suffered from being treated too much as an art. Mr Rix put it to the Committee that:

Mr Rix — As an art form it is unique. Learning to play the instrument is normally undertaken in the same way as any other musician. There must be, in most instances, formal education to commence with. Past that point the school of hard knocks really is the basis on which most people enter business. A band, a group is a business.

CHAIRMAN — To be able to make the jump from being an amateur to someone who can go out and make a living at it, do you need some help along the way?

Mr Rix — They need education, but I think it is as important that they learn what it means if you form five people into a group. That instantly becomes, in the eyes of the Tax Commissioner, a partnership, and there are such things as workers compensation. If you are going to employ three young blokes and pay in real terms, as Ian Meldrum said, more money to the people they call the road crew than you are going to earn yourself, you had best learn very quickly what workers compensation insurance is and the rules of normal insurance cover, be it only public risk. These kids who have substantial musical ability often do not have those skills and are not taught them until it is quite late.<sup>10</sup>

**10.2.7** The Committee saw similarities and differences between contemporary music and other art-forms. A fundamental similarity is that, in Mr Rix's words:

...the musician, is attracted not so much by the money but the opportunity to express his talent through music and his ego through popularity.<sup>11</sup>

An important difference is that success in this field requires a recording career in parallel with performance. Another is that the basic production

<sup>10</sup>Evidence, p. 414, (ARIA).

<sup>11</sup>Exhibit No. 10, p. 2.

unit is more commonly a group, than an individual. Its business circumstances may change, in the case of success, from a backyard operation to a multi-million dollar turnover in a short period of time.

**10.2.8** The importance of recording and of electronic distribution of this art-form has crucial implications for its development in Australia. Electronic distribution places the artists in direct competition with other artists throughout the world. This in many ways disadvantages local performers. Foreign material has substantial advantages in the Australian market. Its production in much larger markets has gained economies of scale, and, in the case of American recordings, no Australian copyright royalty payments are incurred. Media organisations may thus broadcast American music without paying the royalties to which they are liable when they use Australian material.<sup>12</sup> There are also, however, advantages for Australian performers. Technology opens an immensely lucrative world market to the best and luckiest of them.

### **10.3 Methods of Assistance**

**10.3.1** Several possible methods of assistance to the contemporary music industry were suggested to the Committee. It is questionable whether some of these proposals should properly be called assistance at all. Some of the more important proposals equate more closely to infrastructure support supplied by governments as a matter of course to older, more politically influential and less volatile industries. The Committee is concerned that to term such measures assistance may reduce the strong case which we see for their introduction. Much of the thrust of our recommendations is directed towards adapting general government infrastructure provisions to the special circumstances of the contemporary music industry as an industry rather than suggesting assistance to it as an art-form.

#### **Business Training**

**10.3.2** Provision of training and advice in business practices has been an accepted role of government in this country for many years. Particular attention has been paid to the small business sector in recent years. In

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<sup>12</sup>Evidence, p. 410, (ARIA).

contemporary music, however, where entry to the industry is typically on a part-time basis, where the firms are overwhelmingly composed of young people and where the work is generally undertaken in the evenings, access to established business training is very difficult. The Australia Council Music Board, in the latest draft of its *Medium Range Plan 1985-1989*, has identified this problem and proposes to address it by:

- Seeking to persuade tertiary institutions to offer formal instruction in these areas.
- Assisting if necessary in the development of instructional texts written to match the needs of this audience.<sup>13</sup>

**10.3.3** While applauding the intent of these proposals, and recognizing that they probably extend as far as the Council is equipped to go, the Committee considers that they may not fully meet the need. In our view, the problem is as much one of delivery of the training as it is of producing it. The peculiarities of the industry mean that effective training, in the Committee's view, could only be delivered through self-teaching packages, perhaps in audio-visual format, or through short workshops. Timing of the latter would be difficult in view of the working hours of typical entrants to the industry. Marketing of any training arrangements might also be difficult in that many artists entering the industry draw little information from the mainstream media.

**10.3.4** The Committee believes that a workable business training program could be developed at little expense. We do not see this as primarily the function of the Australia Council but do consider that the artistic significance of the project is sufficient for the Council to be expected to undertake a co-ordinating role. The Committee therefore recommends that:

*Recommendation 23: The Australia Council should convene a working party to develop appropriate business training arrangements for new entrants to the contemporary music industry. The working party should include representation from a broad cross-section of the industry. It should pay particular attention to the problems of delivering training to the industry.*

<sup>13</sup> Australia Council, *Music Board Medium Range Plan 1985-89*, Australia Council, Sydney, 1986, p. C2-75.

## Protection of Artists' Rights

**10.3.5** Although an art-form dependent on electronic distribution, contemporary music has suffered as well as gained through advances in technology. The copyright legislation which guarantees a return on sale of the artists' recorded work was passed before technology existed for home copying of recorded material. As a result the Executive Director of the Australian Record Industry Association, Ms Victoria Rubensohn, told the Committee:

There are problems such as piracy and home taping. The latter is the worst problem of all. We now estimate that for every one album sold in Australia, three are taped at home. The Broadcasting Tribunal put out a report yesterday concerning a survey it did in Melbourne. It reported that of a group of 666 young kids in Melbourne, 73 per cent said that they taped records at home at least at the rate of 13 records a month, and 69 per cent of them said that they taped off air at least 20 records a month. You do not have to be a very clever economist to understand where that is taking an industry like ours. We have an enormous problem.<sup>14</sup>

### 10.3.6

The problem of repeated use of copyright material is not unique to popular music. The Public Lending Right Scheme has compensated Australian authors and publishers for the multiple use of their works in libraries since 1974.<sup>15</sup> Equivalent compensation has not been available to copyright holders in recorded material because copying of such material without their permission is illegal. The widespread availability of technology for home recording has clearly made a mockery of this law and the case for legalisation of home copying with compensation to copyright holders is strong.

**10.3.7** A consultative document on copyright for audio-visual material, presented to the British Parliament by the Secretary of State for Trade and Industry in 1985, found that there was no doubt that home copying resulted

<sup>14</sup>Evidence, p. 425, (ARIA).

<sup>15</sup>Submission No. 5, p. 17, (Public Lending Right Committee).

in the loss of a significant number of record sales in Britain.<sup>16</sup> The report concluded:

... that copyright owners are entitled to payment for the home taping of their material and that a levy on blank audio and video tape is the only practicable way of providing such payment.<sup>17</sup>

**10.3.8** Some consideration has been given by the Commonwealth Government to introduction of a blank tape levy system of copyright royalty collection in Australia but legislation to give effect to this has not yet been drafted. The Committee agrees with the conclusion of the British Parliamentary Paper that compensation for home copying is a right of copyright owners. We also see such compensation as an effective and equitable means of stimulating the local contemporary music industry. A levy on the sale of blank recording tapes has the merit of collecting this compensation from the copiers of recorded material rather than from the community at large. The Committee therefore recommends:

*Recommendation 24: The Government should, as a matter of priority, introduce a levy on the sale of blank audio recording tape to finance royalty payments to holders of copyright in recorded material.*

## Entry to the Recording Industry

**10.3.9** The point at which a contemporary musician enters the recording industry is a critical stage in its career. Recording is an essential prerequisite to success in the industry but the step from live performance in local venues to the recording studio is not easy. Mr Ian (Molly) Meldrum, a leading figure in the Australian contemporary music industry, described the process to the Committee as follows:

If they then have the luck of getting the gig and then gathering some sort of following they still then have to endure the horrendous process of doing a demo tape so that the record companies can become aware of them — the A and R people and record

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<sup>16</sup>Britain, Parliament, *The Recording and Rental of Audio and Video Copyright Material: A Consultative Document*, HMSO, London, 1985, p. 2.

<sup>17</sup>*ibid.*, p. 13.

companies. I might point out that on a weekly basis, without exaggeration I would get up to 10 demo tapes from young, aspiring musicians. They come from every part of the country; they send them in to 'Countdown'; they send them by mail to me at home or they personally come around. I find it to be one of the soul-searching things to do when I have to explain to young groups that the demo tape which they may have done at home on their eight-track recorder is not good enough. Because one has been a record producer and lived in the business, one has the feeling of what can be a potential hit song. The process for a lot of A and R recording companies is that, unless they are of fairly good quality, they really do not get a listen.<sup>18</sup>

**10.3.10** Evidence to the Committee suggested that the difficulties of transition from live performance to recording included the need for professionally produced demonstration tapes, the problems of adapting to the technology associated with the production of these tapes and strong competition for the attention of recording companies.<sup>19</sup> Mr Meldrum suggested that an effective means of assistance to artists at this stage of their careers would be the provision of government funded workshops in which musicians could become accustomed to recording technology and otherwise develop their talents.

Within these workshops we can have miniature recording studios; we can have fairly sophisticated equipment and equipment where musicians can then further their talents. One would have it structured like an academy, where you look at and assess the musicians. That is apart from building the workshops. I have spoken to different people such as top record producers in this country, top management people and even musicians from major groups, who would be very willing under a funding scheme to become tutors and give part of their time to teaching and furthering the talents of these young musicians. Quite frankly, I think it has come to a point where it is so hard for the young musician to get his first breath of life that there is a lot of talent in this country that, much to my horror and much to my sadness — I actually hear it on demo tapes — is just falling by the

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<sup>18</sup>Evidence, p. 370-71, (Meldrum).

<sup>19</sup>Evidence, pp. 369-387, 409-433, (Meldrum, ARIA).



wayside.<sup>20</sup>

**10.3.11** Mr Rix of the Australian Record Industry Association agreed that the transition to recording is difficult but suggested a different approach to assisting talented artists through the change:

The Government, through the Australia Council should see itself able, in a 12-month period, to pick 10 worthwhile groups, Australia-wide. It would include singers and performers. They could be committed to the control of the Council. Perhaps somebody could be appointed, someone who understood a little of this, to pay the cost of making one record — two sides of a single — and as well as that pay for the cost of the video, so that these unrecorded, highly energetic kids have got something concrete to show to [the] major record companies and say: 'This is us, and it is terrific and we would like you to release it'. What they all have trouble with, as young bands, is finding the funds to put together a significant enough demonstration reel to prove that they are worth being recorded. They do not need help to go and work. There are structures and organisations set up to do it that are government controlled. Agents have to have a licence and abide by certain rules. But they do need, particularly in those early days, some way of being pointed in the right direction and the most plausible way that I could think of, when I was asked the question a week or so ago, was to give them that piece of vinyl, that piece of video tape, that is them.<sup>21</sup>

**10.3.12** The Committee believes that some mechanism for assisting talented contemporary musicians through the difficult transition from live performance to recording would be valuable. Although recognising the merits of Mr Meldrum's proposal, the Committee does not consider it desirable to recommend so large a transfer of resources from other arts activities. We note, however, that the concept could probably be readily adapted by Colleges of Technical and Further Education to provide the basis for appropriate training in the contemporary music industry. Mr Rix's proposal appears to the Committee to be one that could be implemented at little net cost to the

<sup>20</sup>Evidence, p. 372, (Meldrum).

<sup>21</sup>Evidence, p. 420, (ARIA).

Commonwealth given the possibilities of obtaining commercial sponsorship for such a scheme, and the prospects of royalty returns in the case of assisted artists achieving success. The project could also be co-ordinated with ABC broadcasting programs.

**10.3.13** The Committee believes that the need in this case is more for entrepreneurship by the Commonwealth than for direct investment; a situation well suited to Australia Council intervention. In view of the importance of contemporary music as an art-form and the potentially large returns from a relatively small organisational involvement, the Committee recommends that:

*Recommendation 25: The Australia Council should establish a scheme to assist talented contemporary musicians in the production of demonstration tapes, video clips and their first record.*

*Recommendation 26: The Council together with the Technical and Further Education sector, should develop relevant training for the contemporary music industry covering:*

- (a) business principles for aspiring contemporary musicians;*
- (b) training in recording and production techniques.*

## **Entry to the International Market**

**10.3.14** Contemporary music is an art-form capable of producing significant export earnings. It is a high technology, growth industry in which Australia as an English speaking, developed nation has particular advantages in the world market. It is a field in which there is an established Australian industry which has already achieved some international success. Further success overseas would not only increase export earnings but could be expected to have some import substitution effect given that current Australian record production is largely of imported repertoire.<sup>22</sup>

<sup>22</sup>Evidence, p. 425, (ARIA).

**10.3.15** In the export, as in other fields, however, the nature and structure of the industry restricts its access to government export development assistance available to other industries. Conventional export development schemes do not cater for the needs of contemporary musicians attempting to enter the export market. It was put to the Committee that the main need in this regard is a sufficient period of time, perhaps six months, in an important popular music centre overseas. The main such centres were said to be Los Angeles, London and New York. Supplementary needs were reported to be contact with suitable agents and record producers in these centres and high quality demonstration tapes and videos.<sup>23</sup>

**10.3.16** Mr Meldrum described in evidence the problems of entry to the international market as follows:

These young groups should be given the chance to go overseas to pursue their talent. By having accommodation for them in Los Angeles, London and perhaps New York, you are then cutting down at least some of their major costs that they would otherwise have to incur. This was not the case in the old days with people like those in the group called 'The Twilights'. In those days, the only chance they could get to go overseas was to win a thing called 'Battle of the Bands' sponsored by Hoadley's and then they would win a trip on the 'Castle Felice' or one of the Sitmar liners and go overseas. They would hang around for three months in London and run out of money and then have to come home again.

If you are going to stay in a city, you have to stay there for quite a while, to nurture your talent. I had the privilege of going over with a group the year after LRB and experienced that sort of situation. Things have improved quite a deal since then, but even AC/DC, and even Olivia, during the early days, were not living in any luxury whatsoever. In fact, they were having to fight for every penny they had and that is still so today. The recording companies will send you over but you still have a very limited time over there and if you have not made it in that time then you must come home and you could be bankrupt.<sup>24</sup>

<sup>23</sup>Evidence, p. 375-77, (Meldrum).

<sup>24</sup>ibid.

**10.3.17** The Committee noted that the Australia Council already maintains several apartments in European and American cities for use by visual artists and writers. An extension of this scheme to contemporary music would appear relatively simple. Again, the prospects for commercial sponsorship appear good. There is also the prospect of recovering some of the costs of this assistance from artists who achieve significant success. It ought to be possible, in addition to this, to gain some support for such a project from Commonwealth export development schemes. The Committee therefore recommends:

*Recommendation 27: The Australia Council should develop a scheme, similar to those it administers for visual artists and writers, under which talented contemporary musicians are assisted to train, study and perform in appropriate overseas centres.*

**10.3.18** In reviewing the art of contemporary music, it became apparent to the Committee that there is little contact between the Australia Council and the contemporary music industry. Dr Letts, told the Committee that, while the Music Board's programs were open to the best artists in any genre, few applications were received from the contemporary music sector and spoke of it being 'another world'.<sup>25</sup> Ms Rubensohn, of the Australian Record Industry Association told the Committee:

The reason why we are sitting here today is because we felt that bodies like the Australia Council have overlooked the whole of contemporary music for so long and, as Mr Rix has said, it is an art form in fact, it is THE mass art form. If the objective of the Australia Council, as I understand it, is to extend the awareness of Australian culture and to extend access to and participation in that culture, the contemporary music field, dollar for dollar, reaches more Australians every day of the week than any other field.

This is the first time we have ever been approached to appear before anybody with any relevance to government funding of the arts. My organisation has never been approached before on that.<sup>26</sup>

<sup>25</sup>Evidence, p. 674, (Australia Council).

<sup>26</sup>Evidence, p. 430-31, (ARIA).

Mr Rix reinforced this view:

Molly Meldrum was so excited yesterday because you guys had actually invited him to talk about what is in fact the fervency of his life. He has been in the business for 20 years and it has never happened to him before. No one has ever asked his opinion about how we can help these kids.<sup>27</sup>

**10.3.19** This lack of contact is understandable, if regrettable. It is not unreasonable that the Council should deal most with the clients it primarily serves. However, if the Council is to implement the Committee's recommendations on contemporary music, a higher level of contact with the popular sector will clearly be required. The new programs recommended will also require more expertise in contemporary music than exists in the Council. From the response of the popular music industry to this inquiry, the Committee believes that cooperation from the industry with any Council initiatives would be readily forthcoming. We expect that the Council would take full advantage of this cooperation and would use working parties with substantial industry involvement in developing the programs.

**10.3.20** The Committee is firmly of the belief that many of the recommendations in this chapter could be virtually self-funding. The potential for commercial sponsorship is clearly considerable and there is also scope for earned income.

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<sup>27</sup>Evidence, p. 431, (ARIA).

# Chapter 11

## Alternative Models

*We resist the temptation of trying to be involved in the art side. We are managers and we have stuck very much to being professional managers.<sup>1</sup>*

*Mr J.B. Leslie, AO, MC, Chairman, International Cultural Corporation of Australia Ltd*

### 11.1 Three Alternatives

**11.1.1** One feature of Commonwealth arts assistance has been the creation of a number of small separate organisations to administer specific programs. The Committee reviewed three of these and drew conclusions that may be useful in considering the administrative structure of arts support. The International Cultural Corporation of Australia (ICCA), Artbank, and the Public Lending Right Scheme (PLR) are administered in different ways but they share several important characteristics. The Committee believes that these programs might be models for useful alternative approaches to grants and tax expenditures in some areas of cultural support policy.

**11.1.2** The ICCA is a non-profit public company, limited by guarantee, which was established by the Commonwealth Government in 1980. It received seeding funds of \$1 million from the Government over the following three years but has since been self-supporting. Since its inception the Corporation has attracted private sponsorship totalling \$4.6 million, a significant

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<sup>1</sup>Evidence, p. 900, (ICCA).

tax expenditure, and has raised \$10.7 million through entrepreneurial activity. Its function is to arrange and manage international exhibitions and events of art and culture.<sup>2</sup> Artbank, which was also established in 1980, is a scheme staffed and administered by the Department of Arts, Heritage and Environment with advice from an appointed expert board. It has a dual function:

...to support the achievement of Australian artists by buying their work, and, to stimulate a wider appreciation of Australian art by making it available on a rental basis for display to the public.<sup>3</sup>

The Public Lending Right Scheme was introduced in 1974. It is staffed and administered by the Department of Arts, Heritage and Environment with the advice of an expert committee. Its function is to pay compensation to authors and publishers for the use of their books in public libraries.<sup>4</sup>

**11.1.3** Perhaps the most unusual common characteristic of these programs was that, almost alone among arts assistance measures, they were not significantly criticised in evidence before the Committee. Although, it should be added, that some evidence was received of minor administrative rigidities in the case of the Public Lending Right scheme.<sup>5</sup> However, evidence in relation to these programs was almost universally favourable. The Committee identified a number of features of ICCA, Artbank and PLR which may account for this unusual immunity from artistic spite.

**11.1.4** All three programs have lean, professional administrative structures. A small number of well-qualified specialists manage them. All three have limited and well defined spheres of operation and stay within them. In the currently fashionable management jargon, they 'stick to the knitting'. All three programs rely to some extent on market forces to determine the direction of assistance they offer and this diffuses decision-making on artistic matters. There is little risk of domination by particular interest groups. Each administers a type of assistance particularly well suited to the type of

<sup>2</sup>Exhibit No. 31, p. 5.

<sup>3</sup>Department of Arts, Heritage and Environment, *Annual Report: 1984-85*, AGPS, Canberra, 1985, p. 37.

<sup>4</sup>*ibid.*, p. 16.

<sup>5</sup>Evidence, p. 779 (Department)

art with which it is involved. Each takes its task to be the administration of artistic programs, not the establishment of artistic tastes.

**11.1.5** The Committee recognizes that ICCA, Artbank and PLR administrators have an easier task than many others in arts assistance. Mr Storry Walton, Executive Director of ICCA made this clear to the Committee:

... one of the greatest difficulties of the Australia Council — when history is written, it may be one of its triumphs — is that it has had to deal at the centre of a loose Federation of warring States, called the Australian States. That difficulty of having to represent the interests of not only every State, but to represent the interests of every interest group within that State, I think is one of the greatest difficulties in arts administration in Australia — far greater than the administrations of similar bodies overseas. The ICCA has an advantage in this respect. Its board is not a board based on representation or governments; it is a board of experts. It stands at arm's length from its clientele; it is not owned by all the galleries and all the museums. Therefore it is not in a situation where it has to respond to every request of every State and every museum. It makes its decisions as an independent, public company based upon sound management advice and entrepreneurial decisions.<sup>6</sup>

The Committee accepts that this non-representative, professional, 'neutral' approach will not be viable in every area of arts support. The advantages of such an approach in appropriate areas, however, are clear.

**11.1.6** The Committee believes that the success of these three programs has lessons for other areas of arts support; even for those requiring a more representative form of administration. Among the lessons are the importance of clear boundaries for programs and of matching methods of assistance to the particular needs of the art-form or type at which the assistance is aimed. The value of a small, professional administration with diffused authority on artistic judgements is illustrated. So is the feasibility of decentralising decision-making to appropriate agencies. The Committee does not

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<sup>6</sup>Evidence, p. 908, (ICCA).



suggest that the Australia Council should be replaced by a collection of separately administered, small agencies on this model. We do believe, however, that this approach can very usefully complement the Council's programs. The Committee does not propose to review in detail in this report all the operations of ICCA, Artbank and PLR. However, a number of issues raised during the Committee's review are worthy of mention.

## 11.2 International Cultural Corporation of Australia

**11.2.1** The ICCA, in its evidence to the Committee, raised two areas of concern. The Corporation made it clear that, as an entrepreneurial organisation, it could not undertake activities likely to be unprofitable. As a result, its exhibitions within Australia are largely limited to the major urban centres. Many potential tours of both Australian art overseas and international art in Australia, which may be desirable in terms of foreign policy, cannot be arranged. On the first issue, Mr Jim Leslie, Chairman of the ICCA told the Committee:

... what we cannot do viably is to take major exhibitions to galleries other than in the main cities. We even have trouble in places like Adelaide and Perth, but more particularly Hobart and Darwin. Bringing a major exhibition from overseas is not so difficult — it is not so easy either — in Sydney, Melbourne and Brisbane where you can get a reasonable audience, but the further away you go, the smaller the audience you get and of course transport costs are higher.<sup>7</sup>

As regards the touring of Australian cultural activities overseas, Mr Walton told the Committee:

... the priorities of the Australian Department of Foreign Affairs for activity in the cultural exchange areas are equally in China, Korea and Indonesia. In China there should be no difficulty in obtaining sponsors — it is a highly popular and very visible culture in Australia — but in Indonesia and Korea if the Department wanted us to do something it would be very difficult for us to find an interested sponsor. It is a good example of the kind of

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<sup>7</sup>Evidence, p. 899, (ICCA).

activity where some intervention of government funds would be useful. They would, incidentally, be exhibitions of high artistic merit — very important ones.<sup>8</sup>

**11.2.2** The ICCA also argued that there is a serious lack of co-ordination in Australia's international cultural activities. In Mr Walton's words:

...on the question of a coherent cultural policy in the area of arts, the one area where I do believe that there very urgently needs to be some coherence and some urgent action is the area of exporting our culture abroad. The bottom line to that, I am afraid, is money. I know that this Committee was very careful in the beginning of its inquiries to mention the existing levels of expenditure and how they should be regarded, but, if we are talking about *efficiently delivering the arts abroad*, then perhaps there should be some attempt to look at the arts budgets, co-operatively with the States and with the Australia Council and the Department of Foreign Affairs to see whether we can, at last, be a country that puts money behind the cultural agreements we sign, as other countries do, thus helping to prevent the embarrassment of a new generation of our diplomats who crave to see important manifestations of Australian works — films, television programs, art exhibitions, music and so forth — being displayed to the world. That is an area which needs the most urgent attention.<sup>9</sup>

**11.2.3** The Committee generally accepted the ICCA's identification of these gaps in arts support as valid. We noted that, on the question of touring within Australia, the Australia Council and the Department of Arts, Heritage and Environment have held discussions with the ICCA on the creation of a National Exhibitions Touring Agency. It is intended that this Agency exist as an identifiable unit within ICCA, making use of the management expertise and experience of the latter in arranging exhibitions of a nature or in localities where profits are not likely but which are desirable for Australian cultural development. The Australia Council advised the Com-

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<sup>8</sup>Evidence, p. 914, (ICCA).

<sup>9</sup>Evidence, p. 910-11, (ICCA).

mittee that it confidently expected this arrangement to be operational early in the 1986-87 year.<sup>10</sup>

**11.2.4** The Committee endorses the proposed establishment of a National Exhibitions Touring Agency associated with the ICCA as a sensible approach to plugging a gap in arts support policy. We welcome the Australia Council's advice that its discussions with the ICCA 'have been characterised by a high degree of co-operation by both parties.'<sup>11</sup> The Committee expects that this arrangement will proceed as planned.

**11.2.5** The Committee approached the Department of Foreign Affairs regarding comments by the ICCA and others on deficiencies in Australia's efforts to project a distinctive cultural identity overseas. In a written response to the Committee, endorsed by the Minister for Foreign Affairs, the Department stated:

The Committee will be aware that a principal objective of an agency such as the Australia Council in promoting cultural activities overseas is to advance opportunities for Australian practitioners. Cultural relations activities of the Department of Foreign Affairs are designed to extending comprehension about Australia, to promoting more familiar contact between governments, institutions and individuals, and to promote a range of other Australian interests such as commercial, trade and economic links. Cultural relations activities are also increasingly important for the economic return they themselves earn in an export sense.

In recent months the Department has been reviewing its cultural relations programs, including related activities with other agencies. The review has pointed to the need for additional effort in a number of operational and policy areas. Goals and objectives for the Department's cultural relations activities have been refined and now are considered to give a clearer basis for

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<sup>10</sup>Exhibit No. 54, p. 135.

<sup>11</sup>ibid.

operational activities. Work is under way preparing more detailed country/region programs, more effective coordination machinery, more extensive evaluation systems and, importantly, a stronger capacity for presenting publicly, and throughout Government, the results of cultural relations activities.<sup>12</sup>

**11.2.6** In discussing the the possibility of creation of a separate administrative unit with responsibility for international cultural relations, the Department wrote:

As part of the review of the Department's cultural relations activities various administrative models and proposals have been studied, including those considered by the Committee. The Department has had to take account of the particular objectives of the Department's cultural relations activities, intra Departmental aspects, the requirement for rapid communication with overseas diplomatic missions, and the nature of other existing Departmental administrative structures.

There are indeed strong arguments in favour of strengthening significantly the resource base of the Department's cultural relations administrative capacity, but the Department considers that for the moment, at least, the best approach is to augment its Information and Cultural Relations Branch, to the extent possible, rather than pursuing other models.<sup>13</sup>

**11.2.7** The Department's assumption that the Australia Council's principal objective overseas should be advancing the interests of Australian artists is not entirely in accord with the Australia Council Act. One of the functions of the Council specified in its Act is, 'to promote the knowledge and appreciation of Australian arts by persons in other countries'. In view of this, and given that higher international standing is one widely accepted rationale for government arts assistance, the Committee believes that the Australia Council's international effort should extend beyond advancing opportunities for Australian practitioners.

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<sup>12</sup>Exhibit No. 58.

<sup>13</sup>ibid.

**11.2.8** The Committee recognizes, however, that there is a strong case for the Department of Foreign Affairs to have primary responsibility for the cultural aspects of foreign policy. The Department's suggested allocation of responsibilities therefore has much to commend it, even if it partly encroaches on an area originally allotted to the Australia Council. If the Department is to carry out this function properly, it will clearly need to cooperate very closely with the Council as well as with ICCA and other relevant agencies. The Committee accepts that the co-ordination of international cultural initiatives should rest with the Department of Foreign Affairs and welcomes the Department's decision to increase its efforts in this field.

**11.2.9** The likelihood of reductions in Commonwealth spending in the near future may work against the Department's efforts in this area. Recognizing this, the ICCA suggested to the Committee that it would be feasible to mobilise corporate support for properly managed programs of Australian cultural activity in areas of foreign policy priority. The Committee notes that this would involve a tax expenditure. Subject to identification of the cost to revenue of this proposal and comparison of that cost with the costs of alternatives and with the expected benefits, we would accept that this might be an appropriate method of assistance.

**11.2.10** The Committee recommends that:

*Recommendation 28: The Department of Foreign Affairs should establish and maintain co-ordinating arrangements for Australian cultural activities overseas. These arrangements should aim to maximise the foreign policy and trade benefits available to Australia from Australian cultural activities and should make full use of the skills and resources of relevant artistic and cultural agencies such as the Australia Council and the International Cultural Corporation of Australia as well as the expertise of the Australian Export Trade Commission.*

### **11.3 Artbank**

**11.3.1** Unlike the Visual Arts Board of the Australia Council which provides assistance in the form of grants, Artbank supports artists through the

purchase and display of their work. This form of assistance has a number of advantages. The support is widely dispersed with several hundred artists benefiting each year. The necessity of finding a rental market for its purchases imposes a productive element of market discipline on Artbank as well as ensuring that its patronage decisions reflect a wide range of interests. Artbank buys mostly through the art dealer system helping to maintain the distribution network which disseminates most visual art in Australia. The artists typically assisted by Artbank are 'the younger and middle generation people, not the high flyers',<sup>14</sup> the group most likely to benefit from assistance. A high proportion of Artbank's stock is on display at any one time, much of it in public locations. The community is thus able to enjoy some of the fruits of its investment.

**11.3.2** There are, however, also some disadvantages. Purchase of work for rental is likely to result in less support for innovative art than would grants; a tendency that many in the arts community oppose. Artbank itself, however, claims to be more supportive of innovation than is generally realised. Mrs Sue Walker, who chairs the Artbank Board, told the Committee:

I think this charge against Artbank for being conservative is probably related to the fact that it is probably the only public collection that buys such work as gum tree art. On the other hand, it is also probably the only public collection that buys the most avant-garde, almost graduate-student work. We have bought more younger artists than any of the other public collections and younger artists who are only in one collection are in Artbank. That is why Artbank is so widely acclaimed by the art community because at last artists can say that they are in a public collection. I do not think that can be seen as conservative. It is taking a risk.<sup>15</sup>

**11.3.3** Artbank administrators argued that the more innovative works in their collection can be seen as helping to educate the public. Mrs Walker gave evidence to this effect:

...it fascinates me that people, fairly conservative appearing people, go into Artbank with probably fairly conservative ideas

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<sup>14</sup>Evidence, p. 440, (Artbank).

<sup>15</sup>ibid.

about what they want and they end up marching out with really quite eccentric work. I think in that way the sophistication of public taste is really being developed. A lot of talk must go on about some of the work that goes down from Artbank store and that is all really good. That is good for the artists, too.<sup>16</sup>

**11.3.4** It is clear that Artbank supports both non-innovatory and innovatory work. The relative lack of priority to innovation may be seen as a major or minor disadvantage of this means of assistance depending on what value is ascribed to innovation. A further disadvantage of the system is that the amount of support received by any one artist is unlikely to be sufficient to maintain that artist for any length of time. In the survey reported in the Australia Council paper, *The Artist in Australia Today*, 57% of visual artists preferred grants as a method of assistance compared to 16% in favour of purchase of work; a preference for grants only exceeded in the field of literature.<sup>17</sup> The most commonly stated reason for seeking financial support was 'buying time to allow individuals to concentrate on arts work'.<sup>18</sup> For this reason, the preference for grants to a small number of individuals in lieu of purchases from a large number is understandable.

**11.3.5** This survey finding was at odds with a large body of evidence presented to the Committee which suggested that artists prefer to sell their work rather than receive grants which may be seen as handouts. A relatively large proportion of visual artists responded to the Australia Council survey to the effect that the choice between grant and purchase 'depends on circumstances' and the Committee agrees with this view. We believe that both grants and schemes like Artbank have their place in the assistance system.

**11.3.6** The Committee sees an important place for purchase schemes in arts assistance. We do not see such schemes as having the potential to completely replace grants as a means of assistance but we believe that purchase will generally be more appropriate than grants as a method of supporting non-innovatory visual arts and crafts. The Committee is therefore inclined

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<sup>16</sup>Evidence, p. 442, (Artbank).

<sup>17</sup>Throsby Report, Appendix I, p. 55.

<sup>18</sup>ibid., p. 56.

to support some expansion in Artbank's operations. Artbank administrators, in evidence to the Committee suggested that the most effective method of expansion would be for Artbank to retain its rental income, thus becoming independent of annual budget appropriations.

**11.3.7** Rent currently received for Artbank work is paid to Consolidated Revenue while purchases and operating costs are financed by an annual appropriation in the Commonwealth Budget. Most of Artbank's clients are Commonwealth departments and authorities although there is claimed to be a large potential market in the private sector.<sup>19</sup> Artbank officials also claim that some items in its collection have appreciated to an extent which would make it profitable to sell these items and purchase a substantially larger quantity of new work for display. Mr Graeme Sturgeon, Artbank Director, gave one such example:

We have another picture, a Drysdale portrait, which we got from the lending collection and which now is worth about \$100,000. We would like to sell it and we could buy a lot more pictures with it but there is no point at the moment because it would just go back to Consolidated Revenue so we hold on to it.<sup>20</sup>

The potential for this type of capital appreciation is considerable. As Mr Sturgeon explained to the Committee:

Inevitably, if you buy enough, you are going to have some of the good things, even quite by chance. I think we will do quite well. The other thing that would happen would be that a lot of the things that we paid \$1,000 or \$2,000 for would turn out to be duds. You would not be able to sell them but you could go on renting them.<sup>21</sup>

**11.3.8** The Committee sees some advantage in the proposal for financial independence for Artbank, which, we note, has been endorsed by the Minister for Arts, Heritage and Environment.<sup>22</sup> The Committee believes

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<sup>19</sup>Evidence, pp. 435-36, (Artbank), Malcolm Brown, 'Trend to Hire and Hang', *Sydney Morning Herald*, 1 March 1986.

<sup>20</sup>Evidence, p. 449, (Artbank).

<sup>21</sup>Evidence, p. 450, (Artbank).

<sup>22</sup>Evidence, p. 458, (Artbank).



that the proposed arrangements should allow for considerably more efficient management of the collection than is possible under the present budgetary arrangements. Policy control, including issues such as the rate of rental and the size and scope of the organisation would, properly, remain in the hands of the Minister.

**11.3.9** The Committee found the arguments for this suggestion persuasive. We therefore recommend that:

*Recommendation 29: Artbank should be established as a self-supporting, financially independent entity.*

## **11.4 Public Lending Right**

**11.4.1** The Public Lending Right Scheme, introduced in 1974 and given a legislative base in 1985, provides compensation to authors and publishers for the loss of sales of their work due to its multiple use in public lending libraries. Witnesses to the Committee were insistent that this scheme is not subsidy but is rather a right to compensation for the use of artistic property. Mr Richard Walsh, President of the Australian Book Publishers Association expressed this view as follows:

We do not see PLR as assistance to publishing in the normal sense. We see PLR connected with a moral right of people that if someone is going to make use of someone's copyright material, and not pay anything for it, such as through a lending library — it is good that there are lending libraries — authors and publishers, if writing and publishing is to go on, have to have some moral claim and some moral reward for that usage. In no other form of endeavour do people expect to be able to borrow or use someone else's effort and pay no money for it. So we perceive PLR as a kind of moral right ...<sup>23</sup>

**11.4.2** The Australian Public Lending Right Scheme is one of about ten such schemes in the world. It is the only one to compensate publishers as well as authors and it currently pays compensation to about 6,000 claimants

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<sup>23</sup>Evidence, p. 1067, (ABPA).

in respect of about 22,000 books. Entitlement to payment of the right is calculated on the basis of an estimate of the number of each claimant's books in the collections of public lending libraries throughout Australia. The estimate is based on an annual survey and payments are made annually. Entitlement is restricted to Australian books.<sup>24</sup>

**11.4.3** Witnesses before the Committee were generally satisfied with the operation of the scheme except for one aspect. Concern was expressed by several witnesses at the absence of any provision for payments under the scheme to be indexed for inflation. Mr Walsh argued that:

The present government is naturally very strong on indexing things and I can think of no reason why PLR should not be indexed. Again, it shows how weak is the hold of the writing community on public imagination. We do recognise the moral right of pensioners and all kinds of different claimants, if the Government gives them something, for that to be indexed on a continuing basis, but apparently people do not understand the penury in which Australian writers live.<sup>25</sup>

**11.4.4** The present levels of payment under the scheme are to some extent arbitrary. The Administrator of the Scheme, Mr Alan Johnson, told the Committee that:

We have difficulty in trying to work out what is a fair level of recompense. For example, the basic rate struck in 1974 was 50c per estimated copy, meaning copies estimated to be held in public libraries. The basic rate of payment now is 70c for authors' public lending right. One could say that over time, in fact, the value of that compensation has reduced but, on the other hand, we do not claim any particular magic in the amount of either 50c or 70c.<sup>26</sup>

The appropriation for the scheme in the 1985-86 Commonwealth Budget was \$1.855 million and, even without indexation, costs could be expected to increase as the national book stock grows.<sup>27</sup>

<sup>24</sup>Evidence, p. 767-80, (Department).

<sup>25</sup>Evidence, p. 1067-68, (ABPA).

<sup>26</sup>Evidence, p. 767, (Department).

<sup>27</sup>Evidence, p. 774, (Department).

**11.4.5** The Committee considers that there is a valid argument for indexation of public lending right payments. The payments are compensation for use of authors' and publishers' work and should carry no lesser entitlement to indexation than many comparable indexed government payments. The Committee believes that the scheme as well as recognizing a right of authors and publishers, is an effective, low cost method of advancing Australian literature and cultural development generally. We acknowledge, however, that indexation of areas of Commonwealth expenditure reduces the Government's budgetary flexibility. For this reason we would support an administrative rather than a legislative base for indexation of this entitlement. Such an arrangement would create a presumption that indexation should occur unless there are compelling arguments to the contrary. The present arrangements, in contrast to this, require that a case be mounted for each annual increase. The Committee therefore recommends that:

*Recommendation 30: Arrangements should be made for payments under the Public Lending Right Scheme to be increased annually in line with the rate of inflation.*

## Chapter 12

# Conclusion

*Cultural policy is an area of Government activity that will test its imagination and boldness for the rest of this century.<sup>1</sup>*

*Tim Rowse*

### 12.1

**12.1.1** In this report the Committee has discussed the management of the large Commonwealth investment in the arts. Like the IAC ten years ago, we have taken as our guiding principle that public assistance should produce a level of public benefit commensurate with its cost. Again like the IAC, the Committee believes that no government agency should be the arbiter of public, artistic taste. The overriding objective of this report is to propose methods of assistance which will produce the best possible level of public benefit without concentrating decision-making on Australian artistic development in the hands of any small group.

**12.1.2** The Committee has deliberately avoided comment on the detailed allocation of arts funding. We have not proposed any particular division of the arts support cake between the flagships and the rowing boats. We have not tried to adjudicate the relative claims to subsidy of the various art-forms. Nor have we discussed the relative benefits of funding individual

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<sup>1</sup>Rowse, *Arguing the Arts*, p. 131.

artists and arts organisations, or any other current allocation controversies. The Committee has aimed not to decide these questions itself but rather to propose mechanisms by which the decisions can best be made in the public interest. These mechanisms, we believe, must bring together representatives of both the arts and the broader community and they must be accountable to the public which pays their bills.

**12.1.3** These bills are surprisingly large. This report has shown that Commonwealth arts support goes far beyond the Australia Council's highly visible but relatively small budget. The need for better co-ordination, more open setting of priorities and greater public accountability of the varied Commonwealth cultural interventions is the most important theme of this report. The Committee acknowledges that the development of unco-ordinated and largely unaccountable public investment in culture over the last 15 years has had some impressive successes to balance its occasional failures. We argue, however, that the development phase is over and that consolidation is overdue.

**12.1.4** This consolidation should test the continuing relevance to Australian cultural development of every area of the subsidised arts. If the public benefits of public arts support are to be maximised, the relevance of the art supported by each program must be weighed against that of all other subsidised art. No area of the arts should be guaranteed perpetual support. The relevance of each area of the arts will change over time and the directions of public support should therefore also change. This constant testing of the absolute and relative performance of each area of the arts may not be pleasant. It is however an obligation on those who are entrusted with the distribution of the taxpayers' money and a burden voluntarily assumed by those who seek a share of these funds.

**12.1.5** The Committee agrees with Mr Rowse that cultural policy is a test of the Government's imagination and boldness. We accept that this area of public administration will always be controversial. We hope that our short

excursion into this complex and fascinating field will provide a useful contribution to the continuing debate.

**John Mountford, MP**  
**Chairman**  
**September 1986**

APPENDIX I

TERMS OF REFERENCE

Terms of reference adopted by Committee in 32nd Parliament

The purpose of the inquiry is to review the efficiency and effectiveness of Commonwealth Government expenditure in this area. The Committee is to give particular attention to:

- . The procedure for the allocation and distribution of funds available for the arts through the Commonwealth Budget.
- . The impact of present levels of expenditure in achieving Commonwealth policy objectives.
- . Any changes in the organisation and delivery of assistance to the arts that would promote greater efficiency in administration and effectiveness in policy outcomes.

The Committee will also give attention to the processes for submitting applications and justifying assistance, the method of assessment and the accountability of grant recipients.

The review will encompass Commonwealth assistance under a number of programs including the Australia Council, the Public Lending Right Scheme and Artbank.

The Committee also wishes to make it clear that it takes the present level of expenditure as given. The purpose of the inquiry is not to achieve increased Commonwealth funding. It is to consider the efficiency and effectiveness of present funding.

Terms of reference adopted by Committee in 34th Parliament

The purpose of the inquiry is to survey, review and report on the Commonwealth Government's expenditure on assistance for the arts. The Committee is to give particular attention to:

- . the procedure for the allocation and distribution of funds available for the arts through the Commonwealth Budget;
- . the impact of the present level and allocation of expenditure and of other means of support such as taxation incentives;
- . item current issues and concerns in the arts industry; and

. the Commonwealth's role in arts funding.

The review will focus on financial issues and funding matters within the arts. It will therefore encompass the programs and activities of the Commonwealth's arts funding Departments and agencies.

The Committee stresses that it takes the present levels of expenditure as given. The purpose of the inquiry is to review and report on the present funding arrangements rather than to achieve increased funding.



## APPENDIX II

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2	Dr M Shevtsova, Sydney, NSW, dated 25 November 1982.	4
3	Reverend J P Haldane-Stevenson, Reid, ACT, dated 14 December 1982.	6
4	Ms M Hilton, Executive Officer, Australian Society of Authors, Milsons Point, NSW, dated 21 December 1982. (Refer also to Submission No. 90)	11
5	The Chairman, The Public Lending Right Committee, North Sydney, NSW, dated 31 December 1982.	14
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7	Mr P Iles, Secretary/general Manager, New Moon Theatre Co., Cairns, Qld, dated 16 January 1983. (Refer also to Submission No. 84)	82
8	Mr P Brokensha, Adelaide, SA, dated 21 January, 1983. (Refer also to Submission No. 124)	84
9	Mrs G Tonge, Secretary, Association of Sculptors of Victoria, Lower Plenty, Vic., dated 24 January 1983.	92
10	Mr R R Etherington OBE JP, Chairman, Northwest Victoria Ballet Association, Mildura, Vic., dated 24 January 1983. (Refer also to Submissions No. 28 & 87)	94
11	Mr J S Hamilton, President, Victorian Fellowship of Australian Writers, Kew, Vic, dated 24 January 1983.	255
12	Ms J Schiff, Executive Director, Print Council of Australia, Melbourne, Vic., dated 26 January, 1986.	258

13	Mrs B Dodgshun, Executive Officer, Regional Galleries Assn of Vic., Melbourne, Vic., dated 28 January 1983.	262
14	Mr D J O'Hearn, Carlton, Vic., dated 28 January 1983.	293
15	Mr D Kennard, Acting President, Museums Association of Australia Inc., Ultimo, NSW, dated 27 January 1983. (Refer also to Submission No. 69)	311
16	Ms I Penniket, Administrator, West Australian Ballet Company Inc., Perth, WA, dated 27 January 1983.	317
17	The Chairman, Artbank Board, Sydney, NSW, dated 28 January 1983. (Refer also to Submission No. 47)	330
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26	Mr J Sumner, Director, Melbourne Theatre Company, Melbourne, Vic., dated 21 August 1984.	403

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27	A Couani, B Turner and M Roberts, Small Magazines and Presses, Burwood NSW, undated [August 1984]. (Refer also to Submission No. 89)	408
28	Mr R R Etherington, OBE JP, Chairman North West Victorian Ballet Assoc., Mildura, Vic., dated 27 August 1984. (Refer also to Submissions No. 10 & 87)	411
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34	Mr E Sirolli, Milson's Point, NSW, dated 19 September 1984.	455
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- 62 Mr I North, President, Art Museums Association of Australia, Kingston, ACT, dated 26 September 1984. 869
- 63 Mrs V Brooke, Chairman, Music Broadcasting Society of NSW Co-op Ltd, St Leonards, NSW, undated [September 1984]. 870
- 64 Mr D Hansen, Warrnambool Art Gallery, Warrnambool, Vic., dated 1 October 1984. 875

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66	Alderman M Seaman, Chairman, South Western (Metropolitan) Regional Arts Development Committee, Milperra, NSW, dated 5 October 1984.	1165
67	Mr P Sekules, Australian Book Publishers Association, Sydney, NSW, undated [October 1984]. (Refer also to Submission No. 126)	1283
68	Mr E H Kelly, Executive Director, Local Govt. Association of WA Inc, Perth, WA, dated 3 October 1984. (Refer also to Submissions No. 91 & 99)	1289
69	Dr D J G Griffin, President, Museums Association of Australia Inc., Haymarket, NSW, dated 26 September 1984. (Refer also to Submission No. 15)	1291
70	The Chief Minister, NT Government, Darwin, NT, dated 4 October 1984.	1297
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72	Mr G Crow, Executive Director, International Cultural Corporation of Aust. Ltd, Sydney, NSW, dated 8 October 1984.	1303
73	Mr E T Lenthall, President, Community Arts Society of Norfolk Island, Norfolk Island, South Pacific, dated 5 October 1984.	1318
74	Mr G Seal, Acting Chairman, Australian Folk Trust Inc., Newtown, NSW, dated 2 October 1984.	1324
75	Mr J L Hayes, Director, National Arts Industry Training Committee Ltd, 1 North Sydney, NSW, dated 28 September 1984.	1326
76	The Premier, State Government of Tasmania, Hobart, Tas., dated 17 October 1984. (Refer also to Submission No. 114)	1332

- 77 Mr W G Stone, General Manager, Public Affairs, Rothmans of Pall Mall (Aust) Ltd, Sydney, NSW, dated 16 October 1984. 1335
- 78 Mr P Sutherland, Canberra Community Arts Front Inc., Canberra, ACT, dated 16 October 1984. 1343  
(Refer also to Submission No. 110)
- 79 Ms C Williams, General Manager, The Queensland Ballet, Brisbane, Qld, dated 19 October 1984. 1384
- 80 Mrs R S Macleod, Secretary, The Peninsula Arts Society, Frankston, Vic., dated 4 November 1984. 1388
- 81 Mr G Andrews, Administrator, Australian National Gallery, Canberra, ACT, dated 12 April 1985. 1389
- 82 Mr R Larter, Yass, NSW, dated 12 April 1985. 1396  
(Refer also to Submission No. 21)
- 83 Ms A Wales, Executive Officer, Australian Writers' Guild Ltd, Edgecliff, NSW, dated 16 April 1985. 1401  
(Refer also to Submission No. 57)
- 84 Mr P Iles, Secretary, New Moon Theatre Company, Rockhampton, Qld, dated 17 April 1985. 1403  
(Refer also to Submission No. 7)
- 85 Ms G Webb, Director, Sale Regional Arts Centre, Sale, Vic., dated 16 April 1985. 1405  
(Refer also to Submission No. 33)
- 86 Ms L Bloomfield, Director, The Bloomfield Galleries, Paddington, NSW, dated 23 April 1985. 1407  
(Refer also to Submission No. 36)
- 87 Mr R R Etherington, OBE JP, Chairman, North West Victorian Ballet Association, Mildura, Vic., dated 23 April 1986. 1408  
(Refer also to Submissions No. 10 & 28)
- 88 Mr B Earles, Rye, VIC., undated [April 1985]. 1409  
(Refer also to Submission No. 22)

89	Ms A Couani, Small Magazines and Presses, Burwood, NSW, dated 1 May 1985. (Refer also to Submission No. 27)	1415
90	Dr B Dibble, The Australian Society of Authors Ltd, Milsons Point, NSW, dated 30 April 1985. (Refer also to Submission No. 4)	1422
91	Mr R L Leggo, Executive Director, The Local Government Association of Western Australia (Inc), Perth, WA, dated 29 April 1985. (Refer also to Submissions No. 68 & 99)	1431
92	Mr B Sweeney, Brisbane, Qld, dated 29 April 1985. (Refer also to Submission No. 1)	1433
93	Mr J Sumner, Director, Melbourne Theatre Company, Melbourne, Vic., dated 3 May 1985. (Refer also to Submission No. 26)	1435
94	CONFIDENTIAL SUBMISSION	1438
95	Mr G Gleeson, Secretary, NSW Premier's Department & Lord Howe Island Board, Sydney, NSW, dated 23 April 1985. (Refer also to Submission No. 52)	1439
96	Mr P B Smith, Chairman, The Benson and Hedges Company, Sydney, NSW, dated 6 May 1985.	1441
97	Ms J Burns, Executive Director, Crafts Council of Australia, Sydney, New South Wales, dated 9 May 1985. (Refer also to Submission No. 59)	1457
98	Mrs L E Butcher, Lara, VIC., dated 14 May 1985.	1459
99	Mr R L Leggo, Executive Director, The Local Government Association of WA (Inc), Perth, WA, dated 13 May 1985. (Refer also to Submissions No. 68 & 91)	1461
100	Ms H Williams, Secretary, Department of Education, Woden, ACT, dated 15 May 1985.	1462
101	Mr P J Galvin, Secretary, Department of Arts, Heritage and Environment, Canberra,	1464



ACT, dated 16 May 1985.

- |     |   |      |
|-----|---|------|
| 102 | Mr J MacDonnell, Executive Director,<br>Confederation of Australian Professional<br>Performing Arts, Sydney, NSW, dated<br>15 May 1985.   | 1835 |
| 103 | Prof. D Yerbury AM, General Manager,<br>Australia Council, North Sydney, NSW,<br>dated 20 May 1985. (Refer also to<br>Submission No. 65.)   | 1877 |
| 104 | Mr R B Lansdown, Secretary, Department<br>of Communications, Belconnen, ACT, dated<br>23 May 1985. (Refer also to Submissions<br>No. 115 & 119)                                     | 1994 |
| 105 | Sir Robert Southey, CMG, Chairman, The<br>Australian Ballet Foundation, Flemington,<br>Vic., dated 21 May 1985. (Refer also to<br>Submission No. 46)                                | 1996 |
| 106 | Mr R Bekker, Artistic Director,<br>Australian Contemporary Dance Company,<br>Carlton, Vic., undated [June 1985].  | 1998 |
| 107 | CONFIDENTIAL SUBMISSION   | 2003 |
| 108 | The Premier, State Government of South<br>Australia, Adelaide, SA, dated 27 May<br>1985.  | 2005 |
| 109 | Mr G Drucker, Corporate Affairs Manager,<br>Philip Morris (Australia) Limited,<br>Melbourne, Vic., dated 14 June 1985.  | 2019 |
| 110 | Mr P Sutherland, Canberra Community Arts<br>Front Inc., Canberra, ACT, dated 18 June<br>1985. (Refer also to Submission No. 78)   | 2026 |
| 111 | Mr R G Calvert, Assistant Secretary,<br>Office of Local Government, Department<br>of Local Government and Administrative<br>Services, Canberra, ACT, dated 12 May 1985.             | 2027 |
| 112 | Miss J M Jicks, Legislation Chairman,<br>Australian Federation of Business and<br>Professional Women, St Helens,<br>Tas., undated [June 1985].<br>(Refer also to Submission No. 54) | 2044 |
| 113 | Ms E Butcher, Administrator, The<br>National Institute of Dramatic Art,<br>Kensington, NSW, dated 2 July 1985.  | 2047 |

	(Refer also to Submission No. 60)	
114	The Premier, State Government of Tasmania, Hobart, Tas., dated 25 July 1985. (Refer also to Submission No. 76)	2055
115	Mr B W Johnman, Acting First Assistant Secretary, Department of Communications, Belconnen, ACT, dated 29 July 1985. (Refer also to Submissions No. 104 & 119)	2070
116	The Hon Gordon Scholes, M.P., Minister for Territories, Canberra, ACT, dated 9 August 1985.	2095
117	The Premier, State Government of Victoria, Melbourne, Vic., dated 6 September 1985.	2310
118	Mr Kim Williams, Chief Executive, Australian Film Commission, Sydney, NSW, dated 11 September 1985.	2326
119	Mr B W Johnman, Acting First Assistant Secretary, Department of Communication, Belconnen, ACT, dated 10 October 1985. (Refer also to Submissions No. 104 & 115)	2354
120	Mr Peter Banki, Executive Officer, Australian Copyright Council, Milsons Point, NSW, dated 22 October 1985.	2378
121	State Opera of South Australia, Adelaide, SA, undated [November 1985]. (Refer also to Submission No. 18)	2445
122	Mr P Atroshenko, Waverley, NSW, undated [January 1986].	2486
123	Mr R Pope, Director, Science-Art Research Centre, Berri, SA, undated [January 1986].	2500
124	Mr P Brokensha, Adelaide, SA, dated 3 February 1986. (Refer also to Submission No. 8)	2506
125	Mr Mervyn Smythe, Economic Consultant, Actors Equity, Potts Point, NSW, dated 25 February 1986.	2508
126	Australian Book Publishers Association, Sydney, NSW, dated 25 February 1986. (Refer also to Submission No. 67)	2527

127	Mr Stephen Day, Toowoomba, Qld, undated [February 1986].	2533
128	Mr J Mostyn, Elizabeth Bay, NSW, dated 26 February 1986. (Refer also to Submission No. 132)	2543
129	Mr J Smith, Co-Executive Director, Playbox Theatre Company, Melbourne, Vic., dated 4 March 1986.	2548
130	Mr T Rowse, North Bondi, NSW, undated [March 1986].	2550
131	J G W Legge, Hon Sec, and F Watters, Chairperson, Australian Commercial Galleries Association, Prahran, Vic., dated 19 March 1986. (Refer also to submission No. 37)	2556
132	Mr J Mostyn, Elizabeth Bay, NSW, dated 24 March 1986. (Refer also to Submission No. 128)	2560
133	Mr G S Ingram, Kensington, VIC., dated April 1986.	2561

APPENDIX III

INDEX OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
1	Exhibit, Darwin, 17.10.84 - Document entitled Browns Mart Community Arts Project.
2	Exhibit, Sydney, 4.11.85 - Document entitled Membership Statistics Report as at 17/10/85, (National Association for the Visual Arts)
3	Exhibit, Sydney, 4.11.85 - Document entitled Overall Administrative Structure, (National Association for the Visual Arts)
4.	Exhibit, Sydney, 4.11.85 - Document entitled <u>Art Network 17</u> , 'Editorial: The Australia Council and Government'.
5.	Exhibit, Canberra, 6.11.85 - Document entitled Canberra Community Arts Front Inc.: Opening Statement.
6	Exhibit, Canberra, 6.11.85 - Document entitled Responses to the Recommendations of the Task Force on Education and the Arts.
7	Exhibit, Canberra, 6.11.85 - Document entitled The National Arts in Australian Schools Project.
8	Exhibit, Canberra, 7.11.85 - Publication entitled <u>What Price Culture?</u> , D.Throsby and G.Withers, Australia Council, Sydney, 1984.
9	Exhibit, Canberra, 7.11.85 - Document entitled Australian record Industry Association: Submission.
10.	Exhibit, Canberra, 7.11.85 - Document entitled The Contemporary Music Industry: A Document of Explanation.
11	Exhibit, Canberra, 7.11.85 - Document containing an analysis of Australian record performances on selected Australian radio stations.
12	Exhibit, Canberra, 7.11.85 - Document entitled Artbank Rental Statistics as at 1 November 1985.
13A	Exhibit, Canberra, 7.11.85 - Document entitled Why Australia Needs the Australian Ballet.

- 13B Exhibit, Canberra, 7.11.85 - Folder of documents providing information on the Australian Ballet.
- 14 Exhibit, Canberra, 7.11.85 - Document entitled The Australian Ballet Foundation: Touring During 1985.
- 15 Exhibit, Canberra, 8.11.85 - Document outlining criticisms of regional bias in the Australia Council and suggesting remedies.
- 16 Exhibit, Canberra, 14.11.85 - Document entitled Australia Council Music Board Medium Range Plan: Structure of Plan.
17. Exhibit, Canberra, 14.11.85 - Document analysing Music Board grant approvals 1982-3 to 1984-5 by musical style and category.
18. Exhibit, Canberra, 14.11.85 - Document entitled Draft Music Board Medium Range Plan 1985-89.
- 19 Exhibit, Canberra, 14.11.85 - Six documents exemplifying the Australia Council's financial advisory work.
- 20 Exhibit, Canberra, 14.11.85 - Samples of two forms used by the Australia Council's Financial Advisory Division.
- 21 Exhibit, Canberra, 14.11.85 - Articles on the role of the Australia Council's Financial Advisory Division in the publication Artforce No. 50.
- 22 Exhibit, Melbourne, 24.2.86 - Document entitled Victorian Ministry for the Arts, Spheres of Interest Agreement.
- 23 Exhibit, Melbourne, 24.2.86 - Publication entitled The Arts Development Fund: Guidelines and Information for Applicants, Victorian Ministry for the Arts, Melbourne, 1985.
- 24 Exhibit, Melbourne, 24.2.86 - Publication entitled Victorian Arts Report: 1984-85, Victorian Ministry for the Arts, Melbourne, 1985.
- 25 Exhibit, Melbourne, 24.2.86 - Four documents supporting evidence by Artistic Director, Australian Contemporary Dance Company.
- 26 Exhibit, Melbourne, 24.2.86 - Document entitled The Australian Contemporary Dance Company.

- 27 Exhibit, Melbourne, 24.2.86 - Document entitled 'Arts Struggle', an undated article from Tempo Libero.
- 28 Exhibit, Melbourne, 24.2.86 - Copy of a press review of a production of the Australian Contemporary Dance Company.
- 29 Exhibit, Melbourne, 24.2.86 - Document prepared by Mr. William Mulholland, a dancer in the Australian Contemporary Dance Company, which supports the evidence of the Company's Artistic Director.
- 30 Exhibit, Melbourne, 24.2.86 - Document entitled C.Beal: Report of Dance Meeting, Education Section.
- 31 Exhibit, Melbourne, 24.2.86 - Document entitled Annual Report: International Cultural Corporation of Australia, 1985.
- 32 Exhibit, Sydney, 25.2.86 - Copy of letter from the Australian Opera to Actors Equity and copy of a press statement by Equity in response.
- 34 Exhibit, Sydney, 26.2.86 - Australian Elizabethan Theatre Trust Annual Reports, 1981-84 together with a sample of a request for the Trust to pass a donation to another arts organisation.
- 35 Exhibit, Sydney, 21.3.86 - Document entitled Hero: A report prepared by T.A.Craig, 1976.
- 36 Exhibit, Sydney, 21.3.86 - Document setting out payments to performers employed by the Australian Opera in 1976.
- 37 Exhibit, Sydney, 21.3.86 - Press statement by the Australian Opera, 26 July, 1976.
- 38 Exhibit, Sydney, 21.3.86 - Copies of the Rules of the Federated Ironworkers' Association of Australia, correspondence between the Association and the Australia Council and several issues of the publication The Port Kembla Ironworker.
- 39 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'Commonwealth Support for the Arts - Theory and Practice', dated June 1983.
- 40 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'Proposal for a Review of

Federal Government Cultural Policies and Support Systems', dated 23.9.82.

- 41 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'Australia's International Cultural Machinery: A Proposal for Change', dated 27.10.83.
- 42 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'Future Challenge - Administering the Arts in the Eighties', dated March 1982.
- 43 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'Australia Council', dated November 1981.
- 44 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'The Arts Council Phenomenon' dated 1981.
- 45 Exhibit, Canberra, 10.4.86 - Paper by Dr Jean Battersby entitled 'The Administration of the Arts in Australia: A Suggested Pattern', dated 20.9.72.
- 46 Exhibit, Canberra, 10.4.86 - Document analysing Australia Council grants received and approved by region and by Board.
- 47 Exhibit, Canberra, 10.4.86 - Copy of the publication Designpoint: No. 15, News from the Design Arts Board of the Australia Council.
- 48 Exhibit, Sydney, 10.6.86 - Press Statement by Australia Council on opposition Wastewatch Committee.
- 49 Exhibit, Sydney, 10.6.86 - Copy of letter from Director, Community Arts Board, Australia Council to National Secretary, Federated Ironworkers' Association.
- 50 Exhibit, Sydney, 10.6.86 - Copies of communiques from first and second meetings of the Cultural Ministers' Council.
- 51 Exhibit, Sydney, 10.6.86 - Copy of News Release by Minister for Arts, Heritage and Environment dated 5 June 1986.
- 52 Exhibit, Canberra, 15.9.86 - Paper by Mr Richard Boyer on Commonwealth Arts Funding dated October 1983.

- 53 Exhibit, Canberra, 15.9.86 - Paper by Dr Jean Battersby entitled Note on the Arts Council Concept.
- 54 Exhibit, Canberra, 15.9.86 - Written answers by the Australia Council to questions from the Committee.
- 55 Exhibit, Canberra, 15.9.86 - Written answers by the Department of Arts, Heritage and Environment to questions from the Committee.
- 56 Exhibit, Canberra, 15.9.86 - Written answers by the Premier of Tasmania to questions from the Committee.
- 57 Exhibit, Canberra, 15.9.86 - Copy of minutes of the meeting of the Cultural Ministers' Council on 29 November 1985.
- 58 Exhibit, Canberra, 15.9.86 - Written answers by the Department of Foreign Affairs to questions from the Committee.
- 59 Exhibit, Canberra, 15.9.86 - Written answers by the State Government of South Australia to questions from the Committee.
- 60 Exhibit, Canberra, 15.9.86 - Document entitled Australian Elizabethan Theatre Trust - A Report to the Theatre Board, dated April 1984.
- 61 Exhibit, Canberra, 15.9.86 - Copy of report to the Australia Council on the Australian Opera by consultants Coopers and Lybrand/K.L.Williams.
- 62 Exhibit, Canberra, 15.9.86 - Paper entitled 'The arts as Industry' by Mr Peter Robinson.
- 63 Exhibit, Canberra, 15.9.86 - Document entitled Taxation Incentives for Films, prepared by Department of Arts, Heritage and Environment, 1985.
- 64 Exhibit, Canberra, 15.9.86 - Document entitled Taxation Incentives for the Arts, prepared by Department of Arts, Heritage and Environment, 1985.
- 65 Exhibit, Canberra, 15.9.86 - Document entitled Corporate Support for the Arts: A Discussion Paper, prepared by the Australia Council 1986.



Exhibit, Canberra, 15.9.86 - Letter from Professor David Throsby, on behalf of the Alliance, to Mr Leo McLeay MP, dated 23 June 1986.

[The remainder of the page contains extremely faint, illegible text, likely bleed-through from the reverse side of the document.]

## APPENDIX IV

Date(s) of  
Appearance

## COMMONWEALTH DEPARTMENTS AND AUTHORITIES

Australia Council

Professor Donald Richmond Horne AO, Chairperson	14.11.85
Professor Dianne Yerbury AM, General Manager	14.11.85
	10.6.86
Mr Robert James Adams, Deputy General Manager	14.11.85
	10.6.85
Mr Bob Taylor, Director, Financial Advisory Division	14.11.85
	10.6.86
Mr John Kitney, Director, Management Services	14.11.85
Dr Richard Albert Letts, Director, Music Board	14.11.85

Commonwealth Schools Commission

Ms Elizabeth Anne Smith, Program Officer, Curriculum Development Centre	6.11.85
Mr Laurie Howell, Assistant Arts Director, Curriculum Development Centre	6.11.85

Department of Arts, Heritage and Environment

Mr Patrick John Galvin, Secretary	27.11.85
	10.6.86
Ms Catherine Santamaria, First Assistant Secretary	27.11.85
Mr Alan Neil Johnson, Administrator, Public Lending Right Scheme	27.11.85
Mr Graeme Sturgeon, Director, Artbank	7.11.85
Mrs Sue Walker, Chairman, Artbank	7.11.85
Mr Robert James McArthur, Assistant Secretary	7.11.85

Department of Education

Mr John Phillip Burnett, Assistant Secretary	6.11.85
Ms Vanessa May McKenzie, Arts Education Officer	6.11.85

Department of Territories

Mr Anthony Robert Hedley, First Assistant Secretary	7.11.85
Mr Edwin George Davenport, Assistant Secretary	7.11.85
Ms Marie Catherine Cook, Acting Executive Officer	7.11.85

## STATE AND TERRITORY GOVERNMENT AUTHORITIES

New South Wales Office of the Minister for the Arts

Mr Frank Evan Williams, Director	25.2.86
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Northern Territory Department of Community Development  
Ms Margaret Pridham, Assistant Director 17.10.84

Victorian Ministry for the Arts  
Mr Wilfred Paul Clarkson, Director 24.2.86  
Mr Michael John Nation, Assistant Director 24.2.86  
Mr Andrew Somerville Kay, Senior Project Officer 24.2.86

ORGANISATIONS

Actors Equity of Australia  
Mr Michael Crosby, Federal Secretary 25.2.86  
Ms Suzanne Lucy Beal, Assistant Federal Secretary 25.2.86  
Ms Marion Margaret Jacka, NSW Secretary 25.2.86  
Mr Thomas Mervyn Smythe, Economic Consultant 25.2.86

Alliance  
Ms Suzanne Elizabeth Davies, Delegate 10.4.86  
Ms Anne-Marie Wiles, Delegate 10.4.86  
Ms Suzanne Lucy Beal, Delegate 10.4.86  
Ms Victoria Marles, Delegate 10.4.86  
Mr David William Williams, Delegate 10.4.86

Australian Ballet Foundation  
Sir Robert John Southey CMG, Chairman 7.11.85  
Mr Frederick William Millar, Deputy Chairman 7.11.85  
Mr Noel Michael Pelly, Administrator 7.11.85  
Mr Barry James Joy, Director of Finance 7.11.85

Australian Book Publishers Association  
Mr Richard Walsh, President 25.2.86  
Ms Jan Noble, Executive Director 25.2.86

Australian Contemporary Dance Company  
Mr Ron Bekker, Artistic Director 24.2.86

Australian Copyright Council  
Mr Peter Christopher Banki, Executive Officer 4.11.85

Australian Elizabethan Theatre Trust  
Ms Kathleen Norris, Chief Executive 26.2.86  
Mr Donald Francis Grace, Company Secretary  
-Financial Controller 26.2.86

Australian Opera  
Mr Charles Joseph Berg, Chairman 25.2.86  
Mr Patrick Lee Veitch, General Manager 25.2.86  
Sir Ronald Elliott Kt, Treasurer 25.2.86

Australian Record Industry Association  
Ms Victoria Rubinsohn, Executive Director 7.11.85  
Mr Peter Rix, Member of the Board 7.11.85

<u>Australian Society of Authors</u>	
Mr Ken Methold, Chairman	8.11.85
<u>Australian Writers Guild</u>	
Ms Angela Wales, Executive Officer	4.11.85
Mr Justin Fleming, Committee Member and Stage Committee Convener	4.11.85
<u>Belvoir Street Theatre/Company B</u>	
Ms Christine Westwood, General Manager	4.11.85
<u>Canberra Community Arts Front Inc.</u>	
Mr Peter Sutherland, Community Arts Worker	6.11.85
Mr Mark Ferguson, Collective Member	6.11.85
Ms Camilla Blunden, Collective Member	6.11.85
<u>Confederation Of Australian Professional Performing Arts</u>	
Mr Justin McDonnell, Executive Director	4.11.85
<u>Crafts Council of Australia</u>	
Miss Jane Burns, Executive Director	4.11.85
<u>Crafts Council of the Northern Territory</u>	
Mrs Glenda King, Executive Director	17.10.84
<u>Darwin Theatre Group</u>	
Mr William Frederick George Gluth, Artistic Director	17.10.84
<u>Federated Ironworkers Association</u>	
Mr Steve Harrison, National Vice-President	21.3.86
<u>International Cultural Corporation of Australia</u>	
Mr James Bolton Leslie AO MC, Chairman	24.2.85
Mr Alexander Storry Walton AM, Executive Director	24.2.85
<u>Melbourne Theatre Company</u>	
Mr John Hackman Sumner, Director	7.11.85
<u>Murray River Performing Group</u>	
Mr John Paxinos, Administrator	6.11.85
Mr Robert Perrier, Artistic Director	6.11.85
<u>Music Broadcasting Society of NSW Co-op.</u>	
Mrs Vicki Brooke, Chairman of the Board	4.11.85
Mr Phillip Dorrian, Volunteer Worker and Past Secretary	4.11.85
<u>National Association for the Visual Arts</u>	
Mr Richard Phillip Graham Heathcote, Vice- Chairperson	4.11.85
Ms Susanne Elizabeth Davies, Executive Member of the National Board	4.11.85

<u>National Institute of Dramatic Art</u>	
Mr John Richard Clark AM, Director	25.2.86
Ms Elizabeth Butcher AM, Administrator	25.2.86
<u>Northern Territory Arts Council</u>	
Mrs Nancy Giese, President	17.10.84
<u>Philip Morris (Australia) Ltd</u>	
Mr Philip Francis, Director, Corporate Affairs	9.4.86
Mr Geoffrey Charles Drucker, Manager, Corporate Affairs	9.4.86
<u>Playbox Theatre Company</u>	
Ms Jill Harrison Smith, Executive Director	10.4.86
<u>Sale Regional Arts Centre</u>	
Mr Charles McCubbin, President	24.2.86
Mr Brian Castles, Vice-President	24.2.86
Mrs Gwen Webb, Director	24.2.86
Mrs Beverley Smith, Committee Member	24.2.86
Mrs Edna Maisie Lillicrapp, Vice-President, Art Group	24.2.86
<u>State Opera of South Australia</u>	
Mr Ian Johnston, General Manager	8.11.85
Mr Ian David Brice, Member of the Board	8.11.85

#### INDIVIDUALS

Mr Paul Atrosenko, Waverley, NSW	26.2.86
Mr Richard Boyer, Red Hillm, ACT	14.11.85
Mr Kenneth Arnold Conway, Fannie Bay, NT	17.10.84
Mr Peter Russell Corrigan, Melbourne, Vic.	24.2.86
	10.4.86
Mr Lou Klepac, Roseville, NSW	21.3.86
Mr Richard Larter, Yass, NSW	6.11.85
Mr Ian Alexander Meldrum, Melbourne, Vic.	7.11.85
Mr John Joseph Mostyn, Elizabeth Bay, NSW	21.3.86
Mr Denis Joseph O'Hearn, Melbourne, Vic.	8.11.85
Mr Robert Keith Ramsay, Colonel Light Gardens SA	24.2.86
Mr Peter Desmond John Robinson, Manly, NSW	26.2.86
Mr Timothy Michael Rowse, North Bondi, NSW	21.3.86
Dr Glenn Alexander Withers, Kambah, ACT	7.11.86

APPENDIX V

INSPECTIONS UNDERTAKEN

<u>Date</u>	<u>Inspection</u>
9 August 1984	Victorian Arts Centre, Australian Ballet Foundation and School.
18 October 1984	Darwin Performing Arts Centre, Kormilda College.
30 November 1985	Sydney Opera House
22 March 1986	Sydney Entertainment Centre
27 June 1986	Queensland Cultural Centre, Community Arts Centre Brisbane, The Potters Gallery

APPENDIX VI

Australia Council - Estimated Regional Office Costs

Office Establishment Costs

	\$'000
Office furniture (incl.meeting room)	5
Facsimile machine	4
Typewriter	2
Other	9
	<hr/>
	20
	<hr/>

Operating Costs

Secretarial Assistance (agency)	23
Rent (1000 sq feet @ \$10)	10
Postage, telephone, telex	5
Office requisites, stationery etc.	3
Other (freight, repairs, incidentals, representation, local travel)	15
	<hr/>
	56
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Council Officer Costs

12 placements of one month per annum  
+ return for meetings = 24 airfares return

	Brisbane \$'000	Canberra \$'000	Melbourne \$'000	Perth \$'000
<u>Council officer costs</u>				
Travel allowance *	35	35	35	35
Airfares	8	4	7	19
Taxis	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
	46	42	45	57
<u>Operating Costs</u>	<u>56</u>	<u>56</u>	<u>56</u>	<u>56</u>
<u>Recurrent Costs</u>	102	98	101	113
<u>Establishment Costs</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>Total</u>	<u>122</u>	<u>118</u>	<u>121</u>	<u>133</u>

Notes

\* This could be reduced by approx. \$10,000 if accommodation was leased.

These figures do not cover the use of the Regional Office as a base for travel outside purely local (i.e. city) travel. These costs have to be taken into account.

No costs have been shown for replacement in Boards of officers on rotation, acting allowances, etc. Such additional costs have to be taken into account.

