

A New Approach (ANA)

Responses to questions on notice: Senate Inquiry into National Cultural Policy

Answers provided on 18 April to questions taken on notice at a public hearing 14 April 2023
Any questions can be directed to hello@newapproach.org.au

QON1: Senator Davey: Have you also done work on the return on investment or potentially the multiplier impact of regional arts expenditure in particular?

ANA is aware of several (now dated) case studies produced by Regional Arts Australia, listed in footnote.¹ The OECD has also recently published research with four in depth regional case studies in Emilia Romagna, Italy; Flanders, Belgium; Glasgow, United Kingdom (UK) and Klaipėda, Lithuania.² The OECD's broader conclusion in that report was: "These "multiplier effects" have been observed in many national contexts and for many different CCS subsectors".³ Notwithstanding this evidence, Senator Davey may wish to consult experts in the field of economic geography on the multiplier effect as it relates to cultural and creative industries in Australia's regions. This is because of the known region specific character of impacts and challenges and the complex methodologies required for drawing rigorous conclusions about multiplier effects.

In addition, a recent study⁴ in the United Kingdom (UK) provides a useful starting point for understanding the potential causal effects and the methodology for examining the impacts of creative activity on non creative firms and employment. As noted in ANA's summary of that UK study,⁵ causal effects of creative activity in the UK cities included:

'creative industries activity becoming increasingly clustered in a small number of cities, albeit with diffusion within these clusters';
'[positive effects] of creative jobs on surrounding local service employment';
'creative business services employees' local spending and amenity visitor spending'; and

¹ See for example: Pie, Pixel. "Regional Arts Australia | Economic Regeneration | Stats and Stories." Regional Arts Australia. Accessed April 18, 2023. https://regionalarts.com.au/resources/economic_regeneration_stats_and_stories; Pie, Pixel. "Regional Arts Australia | Regional Development | Stats and Stories." Regional Arts Australia. Accessed April 18, 2023. https://regionalarts.com.au/resources/regional_development_stats_and_stories.

² OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. <https://doi.org/10.1787/991bb520-en>. 87 100

³ OECD. *The Culture Fix: Creative People, Places and Industries*. Local Economic and Employment Development (LEED). OECD, 2022. <https://doi.org/10.1787/991bb520-en>.

⁴ Gutierrez Posada, Diana, Tasos Kitsos, Max Nathan, and Massimiliano Nuccio. "Creative Clusters and Creative Multipliers: Evidence from UK Cities." *Economic Geography*, July 28, 2022, 1 24. <https://doi.org/10.1080/00130095.2022.2094237>.

⁵ Vivian, Angela, Kate Fielding, and Tim Acker. "The Big Picture 3: Expenditure on Artistic, Cultural and Creative Activity by Governments in Australia in 2007 08 to 2020 21." Canberra, Australia: A New Approach, March 2023. <https://newapproach.org.au/wp-content/uploads/2023/03/A-New-Approach-ANA-Big-Picture-3-Expenditure-on-Artistic-Cultural-and-Creative-activity-by-governments-in-Australia-in-2007%E2%80%9308-to-2020%E2%80%9321.pdf>.

‘spillovers to other tradable activities consistent with [evidence of] supply innovation and productivity spillovers’.

Recent research by ANA has highlighted the place making benefits of arts and culture investment by governments, particularly in COVID 19 recovery. Our report, *Big Picture 3: Expenditure on Artistic, Cultural and Creative Activity by Governments in Australia in 2007 08 to 2020 21*, notes the UK recent Commission on Culture and Local Government research and evidence of these benefits.⁶ One of the overall findings of the Commission was that “The cultural sector has a significant role to play in growing local economies and supporting an inclusive recovery from COVID 19 pandemic, in particular in relation to supporting high street and culture led recovery of town centres”.⁷

ANA is currently developing a conceptual framework to support evidence based discussions about effective investments for cultural and creative people, places and industries in Australia (e.g. ‘return on investments’). This framework will be based on ANA’s broader research and analysis on the public and private financial inflows to, and the entities investing in, Australian cultural and creative industries. The report is expected for release in July 2023.

We have conducted preliminary research and conceptual work on the above mentioned framework. That preliminary work suggests a benefit in distinguishing between short, medium and long term outputs, outcomes and impacts. We have also noted the role of broader policy, economic and investment settings supporting and stifling these impacts. Finally, this work has highlighted the diversity of arts and culture financial ‘ecosystems’ including investors and ‘end users’⁸ (e.g. households, governments, bank lenders). These different actors have varied motivations driving their expenditure in cultural and creative industries as well as different expectations and values in measuring and communicating about these returns (e.g. asset valuation, growth, consumption of desired good/service, advocacy, grant seeking).

⁶ Local Government Association, ‘Section Two: Why Invest in Local Culture?’ (2022), [https://www.local.gov.uk/topics/culture tourism leisure and sport/cornerstones culture/section two why invest local culture](https://www.local.gov.uk/topics/culture%20tourism%20leisure%20and%20sport/cornerstones%20culture/section%20two%20why%20invest%20local%20culture).

⁷ Local Government Association, ‘Section Two: Why Invest in Local Culture?’ (2022), [https://www.local.gov.uk/topics/culture tourism leisure and sport/cornerstones culture/section two why invest local culture](https://www.local.gov.uk/topics/culture%20tourism%20leisure%20and%20sport/cornerstones%20culture/section%20two%20why%20invest%20local%20culture).

⁸ Gattenhof, Sandra, Donna Hancox, Sasha Mackay, Kathryn Kelly, Te Oti Rakena, and Gabriela Baron. “Valuing the Arts in Australia and Aotearoa New Zealand.” Queensland University of Technology, 2022. <https://doi.org/10.5204/rep.eprints.227800>.

QON2 Senator Hanson-Young: Have you compared creativity, culture, art to the public spending, government spend on sport?

As stated during the hearing, there is limited comparable data available for this topic. We have provided below a summary of the best available data.

2.1 What is the quantum of government spending on arts and culture and on sport?

There was \$1.9B of government expenditure on sport and recreation, and \$5.8B on arts and culture, in 2015–16 (the most recent year for which comparable data is available). This is the expenditure from all three levels of government.

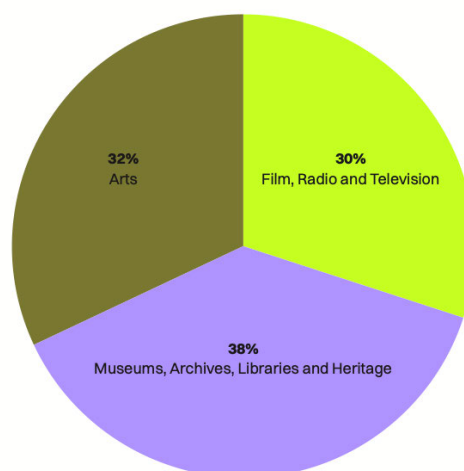
Combined expenditure by three levels of government, 2015–2016⁹

	Totals \$AUB
Sport and recreation	1.9
Arts and culture	5.8

2.2 What does the arts and culture expenditure cover?

The 'Arts and Culture category includes expenditure across the broad cultural activity categories of Arts; Museums, Archives, Libraries, and Heritage; and Film, Radio and Television. The proportion directed to each category in 2020–21 is shown in Figure 1 (reflecting federal and state and territory expenditure only).

Figure 1: Expenditure by category of cultural and creative experience, 2020–21



Notes: Federal and state and territory governments only. Includes targeted COVID-19 support.

⁹ Sports and recreation figures from BCG for Australian Sports Commission (Australian Government) and Australia Institute for Sport *Intergenerational Review of Australian Sport 2017*, 2017.

https://www.sportaus.gov.au/_data/assets/pdf_file/0011/660395/Intergenerational_Review_of_Australian_Sport_2017.pdf

Arts and culture figures based on analysis of ABS *Cultural Funding Survey* Vivian, A., Fielding, K., Acker, T., March 2023. *The Big Picture 3: Expenditure on Artistic, Cultural and Creative activity by governments in Australia in 2007–08 to 2020–21*. Insight report no. 2023–01. Produced by A New Approach (ANA). Canberra, Australia. https://newapproach.org.au/wp-content/uploads/2023/03/ANA_THE_BIG_PICTURE_3_REPORT_MARCH_2023_REVISION_1.pdf

2.3 What is the proportion contributed by each level of government?

The proportions of government expenditure contributed by different levels of government in each industry are significantly different.

Funding contribution as proportion of total government funding, by level of government 2015 2016¹⁰

	Sport and recreation	Art and culture
Federal	11%	40%
State and territory	37%	33%
Local	52%	27%

2.4 Does the proportion of government expenditure directed to infrastructure vary between the two industries?

The expenditure figures in sport and recreation, and arts and culture highlight the different balance of capital/infrastructure and recurrent/programs expenditure in each industry.

Infrastructure investment as proportion of total government funding, by level of government, 2015 16¹¹

	Capital (arts and culture) or Infrastructure (sport)	Recurrent (arts and culture) or Participation, High Performance & Tier 1 (sport)
Arts and culture	12%	88%
Sport	77%	13%

2.5 What does the most recent federal budget tell us about expenditure in these areas?

¹⁰ Sports and recreation figures from *Intergenerational Review of Australian Sport 2017*, 2017.

Arts and culture figures based on analysis of ABS *Cultural Funding Survey* in *The Big Picture 3: Expenditure on Artistic, Cultural and Creative activity by governments in Australia in 2007 08 to 2020 21*.

¹¹ Sports and recreation figures from *Intergenerational Review of Australian Sport 2017*, 2017.

Arts and culture figures based on analysis of ABS *Cultural Funding Survey* in *The Big Picture 3: Expenditure on Artistic, Cultural and Creative activity by governments in Australia in 2007 08 to 2020 21*.

The following extracts from the October Budget provide some current insights to projected federal expenditure for both arts and culture and sport and recreation under the Recreation and Culture function which comprised 0.69% of the total projected expenses for 2022–23.¹²

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Recreation and culture

The recreation and culture function includes expenses to support public broadcasting and cultural institutions; funding for the arts and the film industry; assistance to sport and recreation activities; as well as the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings, including war graves.

Table 6.11: Summary of expenses – recreation and culture

Sub-function	Actual	Estimates			
	2021-22	2022-23	2023-24	2024-25	2025-26
	\$m	\$m	\$m	\$m	\$m
Broadcasting	1,559	1,669	1,669	1,723	1,746
Arts and cultural heritage	1,579	1,919	1,743	1,671	1,669
Sport and recreation	537	624	489	395	369
National estate and parks	595	668	618	631	614
Total recreation and culture	4,270	4,880	4,519	4,420	4,399

- *Expenses under the broadcasting sub function are estimated to decrease by 4.5 per cent in real terms from 2022–23 to 2025–26. However, expenditure increases in nominal terms in line with the 3 year funding agreements in place with the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (SBS). The Government will introduce 5 year funding terms for the ABC and SBS from 1 July 2023.*
- *Expenses under the arts and cultural heritage sub function are estimated to decrease by 20.6 per cent in real terms from 2022–23 to 2025–26. This sub function includes funding for the arts and cultural institutions. The expected decrease is partly driven by the wind down of COVID–19 support for the arts sector, and a one off increase in expenses in 2022–23 for the Australian Screen Production Incentive due to the impact of COVID–19 on eligible activities in 2021–22.*
- *Expenses under the sport and recreation sub function are estimated to decrease by 46.0 per cent in real terms from 2022–23 to 2025–26, largely reflecting the expected completion of grant funding for time limited, community led projects to increase participation in sport and physical activity following COVID–19, and the completion of elements of the national sport plan, Sport 2030.*

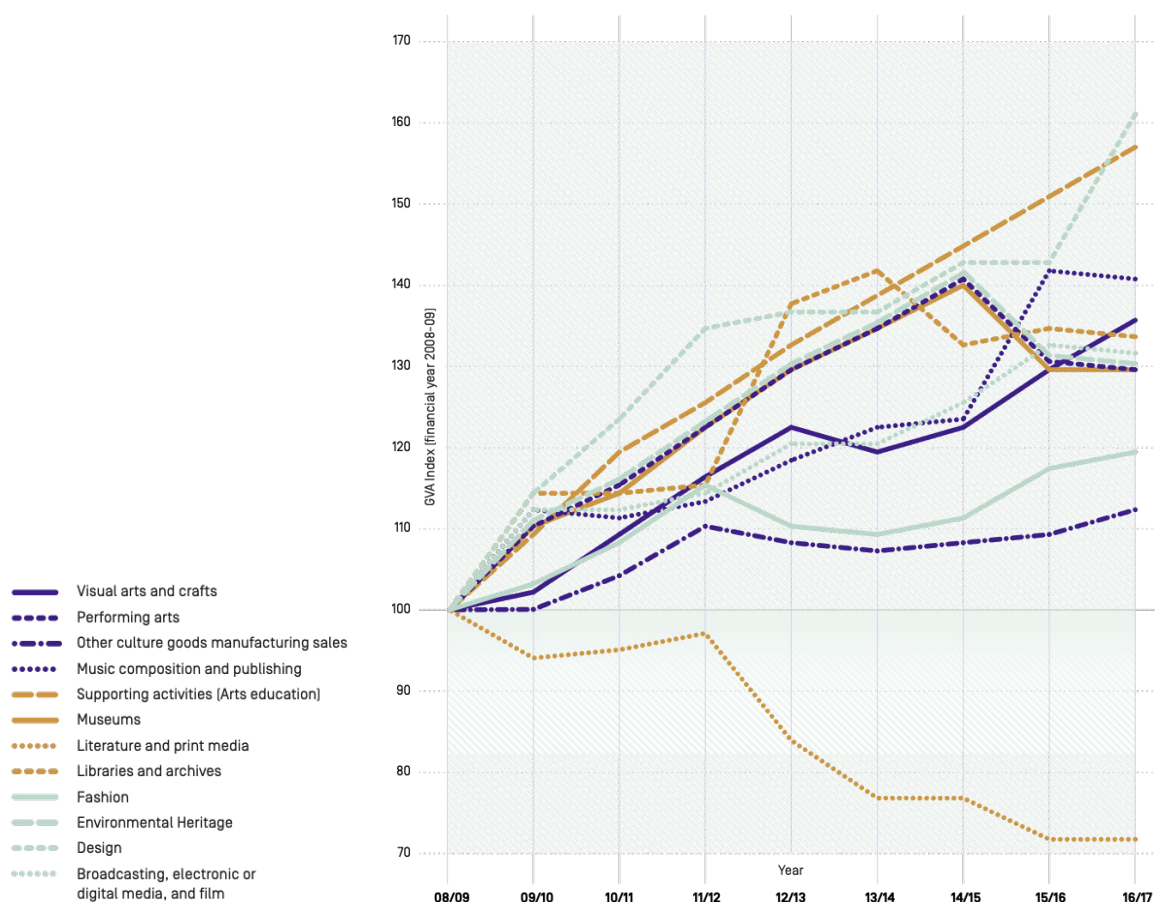
¹² Commonwealth of Australia, Budget October 2022–23 | Budget Paper No.1. Estimates as percentage of total budget based on summary on page 177. Extracts from page 194–195.

¹³ This 2019 review paper produced by the Parliamentary Library provides useful background to the inclusions in these categories: Dr. Tyson Wils, 'Broadcasting, arts, sports and parks' Budget Review 2019–20 Index, 2019 https://www.aph.gov.au/About/Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201920/BroadcastingArtsSportsParks

QON3: Senator Cadell: (Preceded by discussion about regional media companies closing) Can you see anything to help the declining industries that preserve these arts as well as promoting new stuff?

What are the growth areas for Australia's cultural and creative industries? What's declining? ¹⁴ As Figure 2 demonstrates, most cultural and creative activities have trended steadily upwards over time. Following the Global Financial Crisis, cultural and creative activities kept pace with, and sometimes even surpassed, Australia's total GDP growth.

Figure 2: Cultural and creative domain GVA growth over time (2008-09 to 2016-17)



Note: the line at 100 represents the base year index of 2008-09. The area above the line represents growth whereas the area below the line represents a contraction since 2008-09.

The largest and fastest growing of the cultural and creative industry domains is Design. Design activity includes architectural services, commercial art services, fashion design, graphic design, interior design, jewellery design, signwriting, textile design, ticket writing, advertising services, computer system design, and exhibition and display design. Design has also been one of Australia's more successful export sectors.

¹⁴ This response is extracted from our 2020 report: Trembath, J.L., Fielding, K., 2020, 'Australia's cultural and creative economy: A 21st century guide'. Produced by A New Approach think tank with lead delivery partner the Australian Academy of the Humanities, Canberra. p 42 43. <https://newapproach.org.au/wp-content/uploads/2021/08/5-ANA-InsightReportFive-FullReport.pdf>

Figure 2 also shows that the domain with the largest decline was Literature and print media, with the greatest contractions occurring in the area of print journalism (newspaper and magazine publishing and retailing). Since 2011–12, this domain has shown a persistent decrease and this has been attributed to overseas competition and a shift in customer preferences towards the use of online platforms to consume media. Given that Literature and print media formed one of the larger parts of total cultural and creative GVA, its decline has had a large impact on the sector's total GVA growth.

Key points about the cultural and creative economy:

- From 2008–09 to 2016–17, almost all domains have shown upwards growth in GVA, though at different rates.
- Only Literature and print media has shown a decline over time, though Fashion demonstrated a brief decline in 2012–13 before gradually returning to a growth trend.
- Given that these two domains make up almost 30% of the total industry GVA, their respective downward shifts have had a significant impact on this area of economic activity.

This same report identified the following Findings and Opportunities relevant to the question:

- There is a strong relationship between the success of subsidised and non subsidised cultural and creative industries. International evidence suggests public and private subsidy of arts, culture and creativity has a positive impact on the success of commercial creative businesses and other businesses. Compared with other industries, the cultural and creative industries also have higher spillover effects into other industries in terms of total output, value added and employment multipliers.
- All 12 domains of cultural and creative activity contribute to Australia's GDP, even when that contribution is numerically small. The largest contributors were: Design (49.8% of cultural and creative activity, or 2.5% of total GDP); Fashion (16.6% of cultural and creative activity and 0.8% of GDP); and Broadcasting, electronic or digital media, and film (11.3% of cultural and creative activity and 0.6% of GDP)
- 'Literature and print media' is the only cultural and creative domain to have experienced negative Gross Value Added (GVA) growth since the initial ABS analysis of Australian cultural and creative activity in 2008–09. Despite its decline, this domain is still a significant contributor to GDP.
- Digital disruptions are causing significant changes in some cultural and creative industry business models, with consequences for activities that have both private and public value.
- Covid-19 has accelerated Australians' familiarity with and access to digital modes of consumption, presenting an opportunity to diversify and expand income streams for goods and services underpinned by intellectual property generation and/or copyright protection. However, this also presents serious risk as existing value chains are disrupted. Ensuring we have a fit-for-purpose legislative, regulatory and investment environment is essential to a viable and relevant cultural and creative economy.