



Submission to the Standing Committee on Communications, the Arts and Sport.

PARLIAMENTARY INQUIRY INTO ARTS AND CULTURAL PHILANTHROPY

**Submission from South Eastern Regional Touring Company Ltd.
Trading as Melbourne Opera**

Melbourne Opera has to rely on philanthropy as it does not receive government funding. This strains its resources and limits its productivity and funding outcomes. While box office sales are vital, they are not sustaining. Melbourne Opera has no baseline or ongoing funding to maintain its operations beyond the bare minimum. We urge the Inquiry to consider the funding challenges confronting smaller (and all) arts organisations and we propose ways to improve philanthropic opportunities with government changes and support.

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EXECUTIVE SUMMARY

1. Philanthropy is the main way that independent opera companies are able to survive and maintain their activities, yet these companies are key contributors to arts and culture in Australia.
2. There are relatively few philanthropists and independent donors to small opera organisations. They share their support among a number of different organisations. Thus, the philanthropic base is tenuous and is prone to fluctuate. The flow of support varies with the economic conditions including investment opportunities and the willingness to form partnerships.
3. While digital fundraising is an adjunct, it cannot replace face-to-face relationships and the trust developed and nurtured over time. Yet digital fundraising is the only available way to underwrite complex productions especially in the absence of government subsidy.
4. Stable public support confers legitimacy and is critical for continuity of operations. Short-term government funding cycles targeted to specific groups, generates uncertainty and forces small organisations to spend inordinate effort to seek ongoing support at the expense of culture and creativity .
5. Further policy adjustments could incentivise philanthropic giving to an even greater extent than that offered by the recent reforms to giving policy. Government support should favour multi-year commitments and support for capacity building rather than encouraging larger one-off contributions.
6. Government could introduce and expand matched funding opportunities to enhance incentives for giving and so solidify and extend donor commitment. Regulatory processes need to be easily understood and accessible. Education in philanthropic practices and cultivating private donor awareness would strengthen the opera sector and the broader arts ecosystems as well as diversifying philanthropic participation.

It is important to recognise that the smaller independent opera companies deliver nationally significant arts and cultural outcomes although philanthropy and policy settings tend to favour larger, established companies.

The value of the small opera organisations lies in their contribution to the arts ecosystem, and their training of emerging talent, their offering intimate audience experiences, and their ability to fill gaps in the repertoire that larger companies have often overlooked for their own survival and funding needs.

INTRODUCTION

Melbourne Opera is keen to present its points of view to this important Inquiry into Arts and Cultural Philanthropy. Melbourne Opera is grateful for the opportunity to make a submission on a topic that is so vital to small arts companies, but at the same time the effort to obtain philanthropic and private donations is sucking the lifeblood from companies' abilities to effectively and productively bring productions to fruition. Our submission is made in the spirit of seeking constructive reform, recognising that Melbourne Opera Company delivers significant cultural value with very lean operations.

As an administratively small opera company presenting large scale operas, Melbourne Opera, like all opera companies, relies heavily on philanthropy and donor generosity and to date has not achieved government support.

We reiterate that cultivating this philanthropic support, while vital and the only life sustaining mechanism, saps the Melbourne Opera's energies and ability to provide for its cultural mission. It creates a challenging environment with limited funding for staffing levels needed to achieve its full

potential. Box office sales are vital but not sustaining. There is no baseline or ongoing funding to maintain basic operations beyond the bare minimum or to support planning and growth, yet this administratively small opera company presents highly successful, large-scale operas to both audience's and critic's delight.

We urge the Inquiry to investigate and report on the difficulties faced by smaller organisations to obtain funds and we pose suggestions as to how smaller arts companies may achieve greater philanthropic funding with government changes and support.

CASE IN POINT – MELBOURNE OPERA

Melbourne Opera has produced operas in Melbourne, regionally and even internationally for over twenty years. Melbourne Opera Company is well recognised and branded by artistic excellence and is award-winning in all areas of operatic production. This excellence has been achieved with lean budgets and without government support. It has been fully dependent on philanthropy and individual donation. To have survived in the very competitive and expensive classical arts market, Melbourne Opera has offered a product that the arts community and audiences sought after and that was not being provided by subsidised arts organisations such as Australian Opera and Victorian Opera. Melbourne Opera maintains and differentiates its audiences' interest and value to the ecosystem by:

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- staging new productions of traditional operas created by Australian artists with an ambitious and often neglected repertoire
- maintaining affordable ticket pricing that makes the performances accessible cultural experiences for the community, especially for youth (our audiences are notably younger than for other companies)
- casting mainly Australian artists, including emerging artists, thus giving work to local performers
- aiming for the highest quality productions given the resources available. All of our productions in the last decade have received high critical acclaim
- supporting young emerging and developing artists and giving them performance opportunities through the Richard Divall Program
- introducing young people to the operatic art form by partnering with schools and tertiary institutions to give access to dress rehearsals and performances at very low cost.

In the introduction to the Australia's Culture Policy (2023), the Prime Minister states,

*"One of my abiding motivations as Prime Minister is to bring Australians together. To bridge our divides; to strive for shared purpose and understanding. The arts are crucial to this mission."*¹

The third pillar of the Policy states,

*"We need to remember that the arts industry doesn't exist without its artists, and it is imperative that we acknowledge and protect them and their craft."*²

To bring these two aspirations together there must be adequate funding to support arts organisations and their operations in order to support the artists they nurture, employ and promote. Philanthropy can only support these necessities in part, when baseline funding is not available. One might ask, "Why do supporters contribute to Melbourne Opera at all?" Clearly, the Melbourne Opera Company's productions and offerings are filling a niche where the larger, government supported organisations are not.

In the Australian Government Review of the Value of Opera there is a statement,

“The Federal Government, along with the State Governments of New South Wales, Victoria, Queensland, South Australia and Western Australia—through their direct and indirect support—recognise in multiple ways the importance of the Major Opera Companies to Australia’s arts ecology.”

We contend that smaller organisations contribute significantly to this ecology but are ignored by government funding mechanisms despite their ongoing and substantial contributions³.

Ongoing base funding for arts institutions is a sore need. It should be obtainable without an unreasonable series of applications and with reasonable certainty of obtaining the funds without which declared aspirations of arts institutions cannot be met. Artists generally spend considerable effort striving for work that is consistent enough to support a reasonable living but most do not achieve this. Arts companies and institutions do not have sufficient base funding to address these issues. Philanthropists by-and-large do not want to support baseline funds. This is where Government needs to step up to assist and to deliver these essential funding requirements.

In Victoria there are 11 opera companies offering productions of varying frequency, and sophistication and covering different parts of the operatic and musical repertoire. It is notable that no opera company in the world can exist on ticket sales alone.⁴ Each company has its own branding and purpose but none has sufficient funding to avoid devoting a large portion of time and effort appealing to donors and philanthropists just for survival. The productivity within the arts and culture is severely restrained because of this.

It is clear that in Australia funding for the arts and their contributions to community culture is sorely lacking. The recognition of the value of the arts is only partially paid by government. One could go into detail concerning the value of the arts and the importance of culture to community but this is documented widely as is the economic value of a strong arts and culture industry to society.¹

In this reference (Pages 9-11) Christos Tsiolkas and Clare Wright point out that,

“It is not the role of governments to create culture. Let’s leave that to the artists, makers and storytellers — the creative practitioners. The government’s role is to invest in our creative infrastructure. To preserve the structures and facilities that make cultural memory possible: our libraries and museums, our galleries and archives, our national broadcasters. It is also to fund the organisations, institutions, technologies, and training systems — small, medium and large; metropolitan, suburban, regional and remote— that generate new cultural representations and forms. It is committing to an education system that recognises arts and humanities, media and entertainment, as crucial and productive vocations.”

Clearly, funding by philanthropists is adjunct and cannot be the primary source of basic support.

Within the Terms of Reference for this Inquiry, it is implicit that the Government’s focus is to shift the government’s responsibility for the support of the arts to would-be donors and philanthropy. This has been noted elsewhere⁴. The present submission strongly regards that the baseline funding of arts organisations, at least to survival level, should be the responsibility of government. While philanthropy and individual donations to arts organisations in Australia is appreciated and vital, they should be the overlay rather than expected to be for survival support.

RESPONSE TO THE TERMS OF REFERENCE

1. Current levels of philanthropic and private support to the cultural sector

As stated, Melbourne Opera depends fully on philanthropy and individual donations for its existence and realising its productions. The operational needs are not met. The single staff

member successfully seeks funding from private donors and there are a very few sustaining donors. Also support from a couple of foundations is achieved for the emerging artists program (the Richard Divall Program). The relationship-driven support from philanthropists and individual donors has been cultivated over years. This is a typical situation for small arts companies.

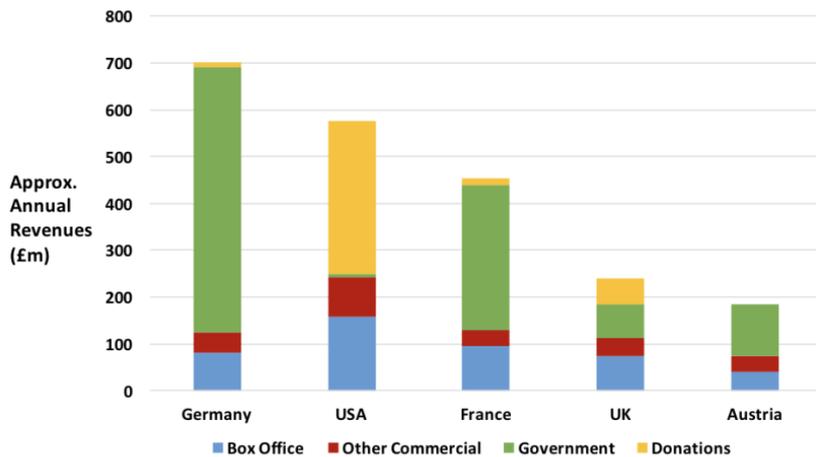
a. relative levels of giving to each area of practice and activity within the cultural sector

The Government has moved towards assisting charitable foundations to make donating to charities easier^{6,7}. It has relaxed requirements and made it simpler to obtain DGR status. However, much of this philanthropy is directed towards children’s charities, health especially towards cancer support, and cardiovascular events such as stroke. These are worthy causes but support for the arts comes off second best. Often donations are project specific, again limiting the company’s ability to apply funds to operations. Different criteria for obtaining funds differ across funding sources. The stringent requirements across many funding sources, makes applying so onerous, that small organisations with meagre basic support are significantly ‘locked out’. Philanthropic donations are highly sought after and where charities are well endowed, the funding machinery is in place and well utilised. This makes competition for the philanthropic dollar even more difficult for these small companies to compete hence, to achieve favourable outcomes. Small companies are particularly vulnerable to economic downturns and donor fatigue.

However, it cannot be emphasised sufficiently that core government support is the lynchpin to achieving further donated funds for small arts organisations.

b. relevant international comparators

There is no deep or broad culture of arts in Australia as exists in the UK, parts of Europe and the US. In Britain the philanthropic funding is waning. The US has a very different culture concerning giving⁴.



Revenue/capita:	€10.27	\$2.39	€8.43	£3.66	€25.43
Rev./capita (£):	£ 8.59	£1.80	£7.05	£3.66	£21.26

Sources: Deutscher Bühnenverein Theaterstatistik alloc. prop. to visitors, Opera America, UK A/Cs; \$ and € conv. at mid-2016 Rates

From Reference #4. Box office contributes only a portion of funding for opera companies. There are different funding models across the world.

The governments in UK and USA promote arts and culture in ways that are not echoed by the Australian parliaments. The opera funding landscape in Australia is very different again⁸. Australian arts and culture are not revered as a lifeblood to a cohesive society. The Prime Minister has voiced this necessity, but we need to see action behind the voice. As a useful action, the Government's supporting and promoting the arts to double the present level and at the same time encouraging philanthropy to approximately double their contributions, would be a sustaining forward step.

2. Emerging structures and mechanisms for philanthropy and private support, digital fundraising platforms, impact investment and public-private co-investment

Digital fundraising platforms are a complement to and not a replacement for relationship-based methods for courting philanthropy and individual donations.

- a. Clearly electronic supports in terms of websites, social media, email connections and even employing AI, are already established for most small companies, including Melbourne Opera. These tools have been useful for communication, engaging audiences, reaching new audiences and for campaign visibility. They are comparatively expensive for small arts organisations in terms of obtaining up-to-date hardware, software subscriptions, administration and maintenance. Their administration is expensive and can be out of reach.

Opera requires long lead times for planning and investing especially for full-scale productions. They rely on early commitment or long-term and steady commitments. The industry requires a level of funding support that cannot be secured reliably through transactional short-term giving alone.

Melbourne Opera sees potential for policy to strengthen the effectiveness of digital mechanisms, impact investment and public-private co-investment by: -

- strengthening capability in seeking philanthropy by uplifting skills by supporting training, and promoting shared resource funding by government
 - sharing infrastructure mechanisms to enable small organisations to collaborate in achieving support
 - instituting matched funding programs that activate on-line giving and reward donor participation.
- b. Crowd funding for small organisation is usually impractical in terms of the effort needed to meet targets and to broadcast that need. It tends to only to be successful for very low budget organisations with lower fundraising targets or for direct project funding.
 - c. Without excess baseline funding or without large and consistent philanthropic support, impact investment or public private investment cannot be sought, though it may be an aspiration.

3. Effectiveness of federal, state and local government policies and programs aimed at encouraging philanthropic giving and private support and the effectiveness of programs aimed at building the sector's capacity to attract support

Governments should play a critical role in influencing and driving donor confidence in the arts and in culture.

It is well-known that public or government support acts as a signal of legitimacy for the arts. This, in turn, helps donors see that donating is worthwhile and important.

Small organisations face difficulties in accessing government programs and compete against more-often-funded, larger organisation. The following barriers disadvantage small, lean-operating organisations that still deliver quality work and cater to enthusiastic audiences and they include: -

- Resource intensive application and reporting requirements
- Short funding cycles that hamper long-term planning and the long-time leads needed for large, solid productions in the case of opera
- Program structures that favour scale - inadvertently or otherwise. Large organisations have greater administrative capacity and may have dedicated fund-raising or development staff and programs. Such luxuries are not available to small organisations with only low-level support.

4. Incentives and disincentives for philanthropic giving and private support, arising from tax, regulatory, administrative settings and other government measures

Instability in public funding supresses private giving by increasing perceived risk.

Tax deductions are very important mechanism for attracting philanthropy and donations. The Government has recently addressed this with making achieving DGR status easier and the guidelines clearer⁵.

Awareness and understanding of the mechanisms that are available among potential donors can be inconsistent. Complexity in regulatory structures may act as a barrier to entry for new donors. Melbourne Opera's experience, in following the sector over many years, suggests that current tax settings tend to favour large, one-off gifts or sustained multi-year support for companies that have dedicated staff to secure funding. Neither of these favour small organisations like Melbourne Opera. The knowledge of how creative organisations work with long lead times and in varying circumstances of a volatile ecosystem has to be widely publicised and its understanding made available to prospective donors by government and funding organisation alike. Small organisations produce in a high-risk environment and government as well as philanthropists need to support risk as much as they support outcomes. It is particularly so in the independent sector, where the true art form changes and developments occur that keep the arts relevant to a changing world. Funders need to be less risk-averse than the state and federal 'institutions' are in order to realise favourable arts outcomes.

In particular, philanthropic organisations and individual donors may lack willingness to support basic operations and capacity building. This disadvantages the building of core operations and their stabilisation, the ability to reach out to develop audiences, marketing ability, and so forth. These are not secured and are not developed through project-based gifts.

Mitigating incentives could be to: -

- Favour and reward multi-year pledges
- Encourage first-time donors with matching incentives

- Recognise the necessity of capacity-building donations
- Reduce complexity in applying and reporting for arts organisations and for donors.

5. Potential government initiatives and measures that could increase philanthropic participation, including measures and initiatives shown to be effective in other jurisdictions

Melbourne Opera supports and strongly suggests that initiatives to activate and amplify private gifts and generosity are employed and amplified following this Inquiry through much stronger government support of the arts.

We recommend targeted measures to grow participation, improve sustainability and distribute philanthropic support more equitably for the continued prosperity of small arts organisations.

- i. **Matched and targeted funding programs towards small- and medium-sized arts organisations.** It is a most effective way to incentivise new donations and sustained giving. It may increase gift sizes. A well-designed scheme could: -
 - Encourage new donors into the ecosystem
 - Reward increasing giving both by philanthropy and individual donation
 - Recognise the efficiency and impact of donations to small arts organisations.

- ii. **Enhanced Incentives for multi-year commitments.**

Multi-year funding reduces the need for constant searching and applying for funding which cuts the efficiency and productivity of small operations and their volunteers. Enhanced deductibility for supporting infrastructure and greater recognition for multi-year donation would assist.

- iii. **Awareness and education about philanthropy**

Co-ordinated public education initiatives could: -

- Improve donor literacy regarding giving structures and tax settings
- Showcase the benefits of arts philanthropy
- Encourage broader donor participation in funding the arts including encouraging emerging philanthropists.

- iv. **Simplification and accessibility measures**

Reducing administrative and regulatory complexity would favour smaller organisation and make philanthropy more accessible. This is true for applicants and donors alike. It would reduce transaction costs for recipient organisation. Organisations fill the same materials over and over again. A common registration portal for needy small organisations would reduce application costs and efforts enormously.

- v. **Policy Recognition of Independent Cultural Procedures**

Melbourne Opera encourages explicit and active recognition of cultural contribution and excellence by government and new philanthropy. Audiences could participate in this promoting this recognition. Public value of opera should be expressed across the ecosystem. Again, collecting such information and promoting it is not practical for small organisations. Strengthening support for independent producers supports diversity, innovation and reach. If funds were increased through philanthropy or by supporting individual donors, competition between individual organisation could be decreased and the ecosystem strengthened collaboratively for all players.

- vi. **Policy recognition of independent cultural producers**

Melbourn Opera encourages explicit recognition of excellence which facilitates public value being delivered across the arts ecosystem. Strengthening recognition of independent producers supports diversity, innovation, education and reach.

RECOMMENDATIONS. OF MELBOURNE OPERA

In its bid to deliver artistic excellence for public benefit especially in Victoria and beyond, Melbourne Opera recommends greater support of the arts ecosystem by upgrading and supporting philanthropy by the Australian Government. Our experience is that philanthropy plays a powerful role in sustaining high quality arts and culture in Australia. It can be transformative for a small company's ability to produce and continue delivering their missions. However, the apparent shift of focus from government support to philanthropic support implicit in the terms of reference of this Inquiry, is not a feasible move for the viability of smaller companies. It certainly does not fully support our Prime Minister's mission of bringing Australians together with 'shared purpose and understanding', the arts being a crucial motivational element in this process.

The Parliamentary Inquiry is a timely opportunity to strengthen Australia's arts and culture philanthropy and Melbourne Opera recommends that the Government: -

- Institutes a fund for the arts where any philanthropic donations could be matched by Government. We acknowledge that Creative Australia has moved in this direction and applaud its institution. However, the factors involved in application and follow up needs to be simplified and broadened.
- Encourages broader participation of philanthropists to support art and culture in Australia.
- Develops further mechanisms for sustained, multi-year support. The Government should assist donors to understand the importance of seeding ideas, projects and company human resources over longer cycles, rather than donors worrying that they are supporting something which may not continue or come to fruition, especially in the short term.
- Recognises that small organisations require support for their core organisational activities. There is not enough money allocated to the arts budget. Further, the funding which is allocated is often restricted in where it will be granted owing to policy criteria inappropriate to smaller organisations.
- Uses public policy to catalyse private generosity
- Strengthens Creative Australia along these suggested lines and increases the funds to accomplish the recommendations.
- Drives funding by acknowledging audience demand; that is more funding could be driven by the needs and expectations of the community. There could be a mechanism where the government matched their donations.
- Recognises there could be more checks and balances introduced for existing organisations which are part of the National Performing Arts Partnership Framework which promotes a more dynamic arts environment. New organisations could be better supported to develop pathways to become part of this Network. This pathway program could be supported by philanthropy or donor collaboration with government

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