

Executive summary

This review has been commissioned by the Australian Government to address the issue of the sustainability of Australia's symphony and pit orchestras. Professional orchestras in Australia are facing constant financial pressure, as are many orchestras around the world.

The review makes 20 recommendations to address the terms of reference issued by the Australian Government in May 2004 to build the sustainability of these orchestras over the medium-term.

Orchestras make an important contribution to cultural life throughout Australia, playing a valuable role in the music community in every state and territory. To foster and support orchestral music, governments contribute significant public funds, totalling \$57 million in 2004. For this investment, governments expect orchestras to strive for artistic excellence, to be accountable for how they spend these funds and to demonstrate high standards of governance.

The orchestras have a complex history and each operates in very different circumstances, in terms of size of audience and market, and therefore, commercial opportunities. This means that there was no single and straightforward approach that could be applied to the whole sector.

In today's world, the structure of a symphony orchestra presents an economic challenge. The number of musicians is an orchestra's largest cost component and its capacity to earn income through performance is limited in comparison to the investment in rehearsal and preparations to attain high performance standards. Therefore, orchestras require reasonably large population centres to provide sufficient audience numbers, as well as significant government investment. As costs have escalated, orchestras in the medium or smaller population centres around the world have come under increasing financial pressure. This process is certain to continue, and has, in the past, required the amalgamation of orchestras in Australia.

Focus of review

Within its terms of reference and timetable, this review has concentrated on the financial viability of the orchestras, individually and collectively. As is well known, the review was not an artistic evaluation, nor a 'consultancy' analysis of marketing or other detailed performance measures by individual orchestras. The review proceeded on the basis of identifying specific steps to enhance the prospects of all orchestras over the next decade.

While many actions have been taken by orchestras to change and adapt, this has not been sufficient to assure the sustainability of all orchestras in the sector.

The review acknowledges that there has been a huge contribution by large numbers of people to produce orchestral music under challenging circumstances over many years. This includes board members contributing time and effort for no payment, administrators working on relatively low

salaries (as in most other fields of the arts) and musicians who perform for the love of music rather than simply for financial reward.

Full independence and responsible governance

One of the hallmarks of the review is the recommendation to implement finally and fully the separation of the state symphony orchestras from prior ownership and administrative control arrangements, to become stand alone public companies limited by guarantee clearly responsible for their own futures. This is a new era for orchestras in Australia.

Further steps in the governance and ownership arrangements of the six state symphony orchestras are required also to continue the process of cultural change. The review considers that rapid implementation of actions to make the six state symphony orchestras fully independent is a major priority. In some cases, lack of clarity in terms of responsibility has led to problems not being tackled, or to the deferment of hard decisions which are threatening the future of the orchestras.

It is clear that the era of Australian Broadcasting Corporation (ABC) establishment and responsibility for the six state symphony orchestras in Australia was of great significance and has left the country a wonderful heritage. However, it appears that this background may have had the effect of insulating some orchestras to varying degrees from the pressures and changes in their marketplaces. In addition, it appears there may have not been sufficient realism about the financial performance of orchestras, or the size of orchestra ensemble in relation to audience, or different levels of salaries able to be supported in different locations. In the context of today's marketplace and governance arrangements, the conditions and standards associated with that structure are not sustainable going forward.

To implement this new era of full independence, one-off assistance from governments is necessary. This one-off funding will enable changes to establish an appropriate corporate structure and robust governance arrangements for each orchestra. The funding is tied to structural changes which are paramount for sustainability in the medium term.

Realistic financing

The terms of reference for this review preclude changes to the ongoing base grants for the symphony and pit orchestras.

However, the review does accept that a contributing factor to the financial pressures experienced by orchestras is the rate at which government base grants have been indexed due to the requirement to pay an 'efficiency dividend'. While not the only factor, it is a critical factor threatening the financial future of the orchestras. The review recommends it should be discontinued. If a total change is not possible, a detailed review should establish a modified formula for orchestras, taking into account that the cost of players is the single largest component, not capable of significant efficiency or productivity improvements in terms of numbers. To leave the efficiency

dividend as at present will lead inevitably to further financial difficulties at an early date.

Governance and funding reforms should contribute to significant improvements in the ongoing viability of the sector. These reforms will not be sufficient on their own to ensure sustainability and need to be supported by changes to employment arrangements for musicians and to the size and structure of some orchestras.

Viable employment arrangements

In recent years following a number of reviews, the orchestras and musicians have negotiated some improved flexibility in the working arrangements for musicians. However, these are modest compared with changes in general industry.

Further improvements to flexibility in workplace arrangements are necessary to help achieve medium to longer term viability of the orchestras. The orchestral sector has not made as many changes to workplace arrangements as have occurred in the broader community. The review has identified some key areas for continuing change. Lack of further progress will threaten the future of orchestral music in Australia. While change is difficult and painful, it is vital today in every area of corporate and community activity.

Sustainable structures

In order to ensure that the size and structure of each orchestra is appropriate and reflects its marketplaces and attendances, the review reached the conclusion that the size of the ensemble of three of the six state symphony orchestras needs to be reduced. Government assistance will be required to facilitate this, tied to the implementation of change.

Orchestral services

The changes recommended by the review apply for the most part to the six state symphony orchestras. The terms of reference also required consideration of orchestral services to opera and ballet companies around the country. Only Sydney and Melbourne have specialist opera and ballet orchestras, with orchestral music provided to opera and ballet in the other state capital cities by the resident symphony orchestra.

For Sydney the review has concluded that significant change is needed and has made some preliminary recommendations for how this should proceed. This change is linked to the operations of both Opera Australia and The Australian Ballet and requires a re-examination of how orchestral services in Sydney are funded. It was not possible to carry out such a comprehensive examination under the terms of reference of this review. Further attention is needed urgently to this issue, including any consequential issues for orchestral services in Melbourne.

Territory orchestras

The review was also asked to examine the roles of the two territory orchestras in Canberra and Darwin. These have not in the past received ongoing support

from the Australian Government. The review considers that these orchestras could greatly benefit from a closer relationship with the state symphony orchestras and has recommended some government funding to facilitate this.

Implementation

The package of recommendations proposed by the review will require significant investment from governments and rapid action from the orchestras themselves – their boards of directors, their management and their musicians. Major decisions are needed quickly if the recommendations of this review are to be implemented effectively. All recommendations are inter-dependent and it is suggested that additional one-off funding is conditional upon acceptance and implementation by the orchestras of the related restructuring. None of the components can on its own improve the outlook for the sector. They must be implemented together and as soon as possible.