

Executive Summary

The National Opera Review was asked, under its Terms of Reference, to make recommendations aimed at promoting the financial viability, artistic vibrancy and accessibility of Australia's four Major Opera Companies, namely Opera Australia (OA), Opera Queensland (OQ), State Opera of South Australia (SOSA), and West Australian Opera (WAO).

In discharging its responsibilities, the Review Panel has sought to be objective, rigorous and fact-based, at the same time as engaging with and understanding the perspectives of multiple stakeholders.

Undertaking the Review has not been easy. Gathering consistent and robust data to provide deep insight has been challenging and time-consuming, but necessary, to test the validity of sometimes entrenched views. Nonetheless, the Panel has stood by its commitment to rigour and objectivity given the importance of the outcome to Governments, audiences, the companies themselves, as well as to artists and the professional staff who dedicate their life to the artform.

The Review faced another major issue. While the four Major Opera Companies operate within *A National Framework for Governments' Support of the Major Performing Arts Sector* (hereafter the Framework), established in 2011 by the Cultural Ministers Council (CMC), so too do Australia's 24 other major performing arts companies from the dance, music and theatre sectors. However, these companies were not included within the Review's Terms of Reference. Many of the Panel's recommendations have the potential to affect these other companies, either directly or indirectly. As a consequence, the Review had to deal with the complexity of crafting its recommendations mindful of the potential impact on the other companies not within its mandate.

Against that backdrop, this Final Report and an updated *Analysis* section of the Discussion Paper, initially released in September 2015, discharge the Review's responsibilities under its Terms of Reference.

The Final Report contains 118 recommendations to Governments that should be regarded as an integrated package. The Panel considers that these recommendations, if implemented in their entirety, will promote a vibrant and dynamic future for opera in Australia.

Broadly speaking, the recommendations fall into seven key categories, as follows.

Overall Government Framework

With only minor modifications, the Review recommends that the Major Opera Companies continue to operate within the 2011 CMC Framework. This recommendation is made because the 24 other major performing arts companies were not covered by this Review's Terms of Reference. Nonetheless, the Review has highlighted weaknesses and pressures inherent in the Framework and considers that it might need to be reviewed in the near to medium term (Recommendation 5.3).

While the Review supports the Framework's premise that each company should have the ability to define its own artistic and strategic direction in a prudent financial way (Recommendation 5.4), it also recommends that those activities funded by Governments should be more specifically defined (Recommendation 5.5) and that the companies should be penalised if agreed funded activities are not delivered (Recommendations 5.6 to 5.9).

The Review also recommends that significant commercial activities, such as Opera Australia's long-run musicals, should not be funded because there are viable independent commercial competitors in the market (Recommendations 5.10 and 5.11). This is a significant conclusion of the Review. This is not to suggest that Opera Australia should not continue to stage musicals on a purely commercial basis.

The other threshold governance questions related to Opera Queensland and Victorian Opera.

Opera Queensland's remaining as a major performing arts company was canvassed in the Discussion Paper because the company has, for some time, been in breach of the criteria to retain such a status. This issue was raised by multiple stakeholders during the course of the Review.

On balance, and after significant discussion with key stakeholders, the Review recommends that Opera Queensland be given three years from the time of the implementation of the Review's recommendations to meet all major performing arts criteria that exist under the current Framework.

It should be supported to do so, provided in the meantime it makes serious efforts to increase private sector support and to reduce its overheads, which are significantly higher on a benchmarked basis than comparable companies. In this context, it is recommended that Opera Queensland should explore the establishment of a shared services model with the Queensland Symphony Orchestra, which has indicated its preparedness to examine such an arrangement.

In return, a Reserves Incentive Matching Scheme should assist Opera Queensland raise funds to repair its balance sheet. The company should also be supported with interim, but progressively declining, financial assistance to make the necessary adjustments in moving to a sustainable operating and financial model (Recommendations 5.12 to 5.15).

Further, the Review recommends that Victorian Opera should be supported to become a major performing arts company, noting that the Review has not undertaken detailed analysis of Victorian Opera's financial and performance data. Nevertheless, the Review formed the view that Victorian Opera meets the criteria to be considered a major performing arts company. It is recognised that this recommendation goes beyond the Review's Terms of Reference (Recommendation 5.16).

How the companies should operate

A key aspect of the Review's Terms of Reference was the extent to which the Major Opera Companies should compete or co-operate within the same geographies; with productions and venues; and in relation to regional touring.

Within the same geographies

Multiple stakeholders raised the issue of where Opera Australia should stage mainstage productions and more specifically, whether it should present mainstage opera in Brisbane, Adelaide and Perth. While, from an access and artistic perspective, extending Opera Australia's geographic mainstage reach outside of Sydney and Melbourne might have appeal, after significant detailed analysis, the Review does not recommend such an approach.

The economics of touring mainstage opera, including a significant differential in ticket price among capital cities, are highly unattractive, and would put at significant risk the viability of all of Australia's Major Opera Companies, including those in whose geography Opera Australia would then perform (Recommendations 6.1 and 6.3).

The Review recognises that these factors also pertain to Opera Australia's staging mainstage opera in Melbourne. While Victorian Opera currently offers opera of a different scale and variety, no other viable option exists to provide a full programme of mainstage opera into Melbourne. The Review, therefore, recommends that Opera Australia continue to stage mainstage productions in Melbourne, although the resulting economic pressure on Opera Australia needs to be closely monitored (Recommendation 6.2).

With productions

Opera Conference received serious and sustained attention from the Review due to recent tensions that have emerged over repertoire selection. Given mainstage opera's high fixed physical production costs, co-operation among the companies to achieve economies of scale are recognised and valued. But revised processes are required to ensure that these benefits can be achieved in a more constructive way.

To that end, the Review has recommended significant changes in the rules governing Opera Conference, including its annual production needing to be approved by only three, rather than all four, companies; its having an independent chair; its only being used for mainstage productions; its using principally Australian creative teams; and its funding being separately administered rather than through the accounts of each company (Recommendations 6.4 to 6.8).

Regardless, greater collaboration is encouraged among the companies where financially viable, including touring more commercially oriented productions (Recommendation 6.9).

With venues

It is recommended that Opera Queensland and SOSA should focus on specific theatres to improve audience engagement and appreciation. They, along with WAO,

should also work with their respective theatres and orchestras to reduce dark nights in the theatre, which are a perennial challenge, particularly for the venues (Recommendations 6.10 to 6.12).

With regional touring

It is recommended that within their own state, Opera Queensland, SOSA and WAO alternate by year with Opera Australia in touring to regional centres. Each should be funded to undertake those activities, with Opera Australia receiving funding for its regional activities as part of its core funding, rather than through Opera Conference and Playing Australia (Recommendation 6.13 to 6.18). Opera Australia should continue its regional touring to Tasmania, Northern Territory and the Australian Capital Territory.

Artistic vibrancy

The number, balance and quality of mainstage productions is integral to the future of opera as an artform and the success of the companies.

It is the very lifeblood of each opera company, providing the basis for artistic engagement with audiences and the employment of artists. But, in the wake of the Global Financial Crisis (GFC), it has also been the financial Achilles heel of each Major Opera Company, making a growing negative financial contribution.

Opera Australia and Opera Queensland, in particular, have responded to this challenge by reducing the number of mainstage productions and/or performances they offer and, in the case of Opera Australia, by offering longer runs of frequently repeated popular mainstage operas.

The unintended consequence has been that audience numbers for mainstage opera have declined and employment opportunities for artists have significantly decreased.

The Review considers that such a situation is not sustainable. To that end, it recommends that core funding should be provided for a defined number of mainstage productions. More specifically, it is recommended that a minimum of three mainstage productions should be offered each year by Opera Queensland, SOSA and WAO; while Opera Australia should increase its number of offerings to 11 in Sydney and seven in Melbourne (Recommendations 7.1 to 7.3). The variety, balance and scale of such productions also need to be enhanced and appropriate funding provided for that outcome (Recommendation 7.4).

Other initiatives are required to increase artistic vibrancy, including supporting the development of new Australian works; presenting works in association with festivals; and increasing the use of digital technology. It is recommended that the companies work with other organisations to drive such initiatives and that an Innovation Fund be created to provide support (Recommendation 7.5 to 7.8).

Such recommendations would also support increased employment opportunities for artists. At the same time, it is proposed that the funding agencies engage proactively with the companies in relation to the significantly increased use of non-Australian versus Australian artists in leading mainstage roles (Recommendations 7.9 to 7.13).

Improved access

Despite the decline in mainstage audiences, overall paid capital city attendances for the Major Opera Companies have increased by 37 percent from 2009 to 2015 to well over half a million attendees. This has occurred largely because of bold strategic initiatives by Opera Australia in staging long-run musicals and introducing Handa Opera on Sydney Harbour (HOSH), which is now regarded as an integral part of the city's, and potentially the nation's, cultural life.

While recognising there is much to celebrate with such increased attendances, the Review seeks to encourage more being done to broaden audiences.

In particular, the Review recommends initiatives to improve the quality of audience experiences at venues (Recommendations 8.1 to 8.3); to enhance engagement with subscribers and older audiences; as well as to attract younger audiences (Recommendations 8.4 to 8.6).

Other initiatives should also be undertaken to broaden the market for single ticket sales and to market opera to diverse demographic groups (Recommendations 8.7 and 8.8), along with creating stronger emotional connections between audiences and artists (Recommendation 8.11 and 8.12).

Finally, one of the strongest recurring themes from public consultations was the need to secure future audiences through education programmes in schools. While technically this was not within the remit of the Review, it is provided as a suggestion to State Governments for their serious consideration (Recommendations 8.9 and 8.10).

Financial viability

Subsequent to the GFC, each of the Major Opera Companies, to varying degrees, has been under financial stress, in part due to increasingly negative contributions from mainstage opera and the associated deteriorating cost-revenue dynamics.

In addition to the recommendations outlined in the prior two sections, a variety of further initiatives are proposed to address this challenge.

More specifically, it is proposed that steps be taken to improve digital marketing; to enhance the use of data so boards can better monitor mainstage cost-revenue dynamics; to reduce physical productions costs; and where possible to gain greater control of artistic costs (Recommendations 9.1 to 9.4).

It is also recommended that the cost-revenue dynamics of other activities, such as regional touring, school and community programmes, receive greater attention. Most importantly, and particularly for Opera Queensland and Opera Australia, it is strongly recommended that further initiatives be taken to control overhead costs. On the other hand, SOSA needs to invest to provide a more sustainable infrastructure base and to strengthen its marketing capability so as to generate additional income (Recommendations 9.5 to 9.8).

Generating additional private sector income is essential to the Major Opera Companies. It is proposed that targets be set, linked to the capacity of the geographic market in which a company operates. The achievement of these targets might take time, except for WAO, which has delivered outstanding results in Western Australia (Recommendations 9.9 to 9.12).

Over and above private sector support, other initiatives should be taken to strengthen the companies' balance sheets, particularly those of Opera Australia and Opera Queensland (Recommendations 9.13 to 9.16). In the case of Opera Queensland, it is acknowledged that this will require the support of the Federal and Queensland Governments, recognising that Opera Queensland should also contribute additional funds. The total amount should be put into quarantined reserves that the company cannot access without the prior approval of both funding agencies, which should not readily be granted.

Governance and management

The Review recognises the challenges facing management and the board of each Major Opera Company. Each management and its board must not only display deep understanding and balanced judgement in relation to the delicate trade-offs between financial responsibility and artistic judgement, but must also assess how best to increase box office and private sector support. That is not an easy task.

Recognising the criticality of such decisions, the Review makes a series of recommendations designed to ensure the highest standards of corporate governance. This includes recommendations in relation to the optimal mix of skills on the board; obtaining information—particularly in relation to a company's cost-revenue dynamics—and acting on such data; proactively dealing with the inevitable tensions that develop between artistic vision and financial responsibility; creating a culture of openness of debate; and ensuring the ongoing effectiveness of board dynamics, particularly through effective board evaluation reviews and tenure limits for individual directors (Recommendations 10.1 to 10.7).

More specifically, the Review recommends that the South Australian Government consider SOSA being governed by Corporations law (Recommendation 10.8).

Strong and effective management is essential to ensure each company's cycle of success. To that end, the Review recommends the availability of higher quality and transparent data and that the inherent tensions between artistic aspiration and strong financial management are effectively managed (Recommendations 10.9 to 10.12).

Government funding

Government funding is essential to support the long-term sustainability of the Major Opera Companies. Without such support, the companies' ongoing viability cannot be assured.

However, such funding needs to be provided in ways that do not create unintended consequences.

Thus, while it is recommended that the Major Opera Companies operate within the parameters of the 2011 CMC Framework, significant refinements are proposed in relation to the application of an underlying funding model.

More specifically, it is recommended that a funding model based on benchmarked financial analysis of specific activities be adopted. This provides an underlying rationale for the manner in which the companies are funded. The way this model would operate is outlined in Recommendations 11.1 and 11.2, with a resultant annual increase in ongoing funding for the Major Opera Companies of \$2.509 million in 2015 dollars. (Further detail on the composition of this funding is provided at Recommendation 11.3). At the same time, it is recommended that, with the exception of HOSH, the Major Opera Companies be discouraged from applying for project funding. Project funding, which has characteristics of being ongoing, has been incorporated within core funding, with this assumption being embedded in the proposed incremental amount of \$2.509 million. (Recommendation 11.4). It is also recommended that penalties be imposed if the companies do not deliver on their defined activities (Recommendation 11.5). Moreover, the 2015 distribution of funding between the Federal and State Governments should be maintained, noting that this arrangement is likely to need to be reviewed over time (Recommendation 11.6).

Additional annual funding of \$1.5 million should be provided to support Opera Conference. It is recommended that the basis for funding Opera Conference be redefined, with the Federal Government providing half of the funding and the balance supplied equally by each of the five State Governments in which the Major Opera Companies stage mainstage performances. If, in any year, the companies do not agree to the substantive use of those funds, the amount should revert to the Government funding agencies (Recommendations 11.7 to 11.10).

An Innovation Fund, annually worth \$1.2 million, should be established that would fund the development of new works, co-operation with festivals and digital initiatives. That amount would be entirely funded by the Federal Government (Recommendation 11.11).

In addition, a structural adjustment package in two parts is required to set Opera Queensland up for future success. A Reserves Incentive Matching Scheme, designed to restore Opera Queensland's balance sheet, would be worth \$1 million over three years, funded equally by the Federal and Queensland Governments. Opera Queensland would need to raise \$0.5 million to match the amounts provided by each Government. A further \$1.3 million in funding would be provided to Opera Queensland over three years to assist with its making the transition to a more sustainable operating model. Thereafter, it would decline to zero. It is proposed that this be funded by the Federal and Queensland Governments in the same proportion as core funding (Recommendation 11.12).

The implementation of these recommendations is a complex exercise which requires enhanced resources over and above those currently available in the Major Performing Arts Panel (MPAP) of the Australia Council. To that end, an additional amount of \$0.250 million should be granted to the Australia Council to acquire staff with the requisite skills to engage with the Major Opera Companies in the way envisaged (Recommendation 11.13).

Overall, and in summary, an additional appropriation is proposed of \$6.392 million in Year 1, decreasing in Year 4 to \$5.459 million¹. The Review recommends that this be new funding rather than coming from any existing arts grant (Recommendations 11.14 and 11.15).

The Review recommends that oversight and funding responsibility remain with the MPAP of the Australia Council, but strongly recommends that modifications occur in the way it currently operates. Decision-making should be jointly undertaken with the State Government funding agencies; the quality of data available to the MPAP should be significantly improved; staff with an appropriate level of seniority and skill should be employed; and the Chair of the MPAP should sit on the Australia Council Board and be appointed by the Federal Minister for the Arts. To this end, it is also recommended that the MPAP undertake an annual survey to gain feedback on whether it is meeting the expectations of the companies and the relevant State Government funding agencies (Recommendations 11.16 to 11.27).

On this basis, and as an integrated package of recommendations, the Review commends this Final Report of the National Opera Review to the Federal Minister for the Arts.

¹ In 2015 dollars, before indexation.