

**Building Support:
Report of the Review of Private Sector
Support for the Arts in Australia**

October 2011

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Foreword by Harold Mitchell AC

This is the ideal time for a review of private sector support for the arts in Australia. The Australian Government has committed to developing the first National Cultural Policy in nearly 20 years, with the primary goal of placing the arts and culture front and centre in Australian life.

We are also at the precipice of major technological and generational transformation—meaning that the way Australians engage with and support arts and culture is likely to change significantly in the coming decade.

A strong partnership between the arts, culture and private sectors will be integral to ensuring that the arts and culture are strong, relevant, and well placed in order to take advantage of the opportunities presented through the National Cultural Policy and to be able to respond quickly and innovatively to technological and generational change.

Few of us in Australia remain untouched by the arts and culture. Australians engage with our arts and culture in diverse ways—by seeing a blockbuster Australian film, camping out at a music festival, taking a school excursion to a regional museum, visiting a remote art centre, or subscribing to a symphony orchestra season. Arts and culture are integral to our community well-being, they are a vital catalyst for change and they are an important mechanism by which to tell Australian stories to a broader audience. Students who experience an education rich in the arts are more likely to be engaged throughout their schooling, to develop complex problem solving skills and to enjoy a lifelong appreciation for the arts and culture.

Underpinning this is the fact that Australia is an intensely multicultural nation, with one in four Australians born overseas, and, of those born in Australia, a further one in four with at least one parent born overseas. The arts and culture, particularly at a community level, can be an important point of connection and can help to build a shared sense of belonging.

I hold a strong belief that giving to the arts is also for everyone. Like our arts experiences, giving can take many forms—whether by making a one-off donation of money, gifting a culturally significant item, volunteering one's time, or investing in a corporate sponsorship. Giving differs significantly across generations—while older, established donors tend to favour more traditional models, there is every indication to suggest that younger donors are more open to taking risks and giving through innovative means.

Australia has many of its own stories of legendary support to the arts. Our large foundations are based on significant historical generosity which has enabled decades of support to important artistic projects. Some of our most significant galleries have built their collections on the basis of private donations.

But large-scale gifts tell only half the story. Not everyone is in a position to be able to give the type of funding that draws media attention. Much of the existing support for the arts is made up of small-scale giving. When combined as part of a broad base of support these gifts form a groundswell, a strong, community-based foundation.

Arts and cultural organisations, and artists, rely on support from the private sector, in addition to funding from government, to provide long-term stability. In turn, arts and cultural organisations and artists who have a strong base of support are able to plan for the future, and to produce high-quality, challenging and relevant work.

One of the common threads to giving, however it takes place, is the sense of value and contribution one gains through giving to the arts. Giving to the arts makes a difference. We all benefit from the arts and culture, and we all have an obligation to support our arts and cultural sectors.

Australia is well-placed to build a strong, reliable base of philanthropic and corporate support for its artists and arts and cultural organisations. We represent only 0.33% of the global population, coming in 55th on a global ranking of population size, while boasting the 7th highest per capita Gross Domestic Product in the world. On a measure of our personal generosity we also fare well, with Australia ranked just behind the United Kingdom and Canada—both with substantially larger economies than our own.

This Review has not been about reducing funding to the arts from government. In fact, it has been about making the most of what funding is already being provided, and ensuring that we maximise support from the private sector to drive the government dollar further.

The report makes recommendations that are designed to broaden and strengthen the base of giving to the arts in Australia. In particular, while it makes proposals for the Australian Government to refresh existing incentives and introduce new initiatives, it also notes the important responsibility that the arts, philanthropic and business sectors have to build partnerships based on a shared endeavour.

I thank all of those who made submissions or provided input to the Review. I hope you enjoy reading the report's findings and recommendations.

Harold Mitchell AC
Chair, Review of Private Sector Support for the Arts

Executive Summary

The Review of Private Sector Support for the Arts originated as a 2010 election commitment, "...to identify new opportunities for greater connections between artists and arts organisations with the business community and philanthropists". The Review was intended to maximise financial and in-kind support to the arts¹ in order to supplement existing funding to the arts from Government. Importantly, it was not intended to build private sector support with the intention of reducing Government funding.

In April 2011, the Minister for the Arts, the Hon Simon Crean MP, announced the appointment of Mr Harold Mitchell AC as the Chair of the Review, tasked with addressing the following terms of reference:

1. Examine current Australian Government arrangements for encouraging private sector support for the arts in Australia and consider any potential enhancements to existing Australian Government measures.
2. Consider the potential efficacy and feasibility of possible new models for encouraging private sector support within the Australian context and provide an assessment of emerging international models that may be relevant to the Australian setting.
3. As appropriate, develop policy options for the Australian Government's consideration, including in the context of the National Cultural Policy.

The Office for the Arts (OFTA) within the Australian Government Department of the Prime Minister and Cabinet provided Secretariat services to assist Mr Mitchell in his task. A biography of Mr Mitchell is at Appendix A.

The Review's methodology was based on public consultation and research into the current Australian framework, international models and theoretical approaches to philanthropy and corporate sponsorship. A discussion paper, released in June 2011, elicited 60 responses from arts organisations, peak bodies, artists, accountants, government bodies and philanthropists. Mr Mitchell and the Review Secretariat conducted over 60 face-to-face consultations in Australia, the UK, Canada and the United States. A detailed outline of the Review's methodology, including a full list of public submissions and consultations, is at Appendix B.

The Review also commissioned Mr Hugh Mackay, a high-profile Australian psychologist, social researcher and writer, to provide social analysis on the generational approaches to giving and a profile of the next generation of philanthropists. Mr Mackay's analysis is provided at Appendix C.

By deed of the Review's terms of reference, its focus was on Australian Government activity to encourage private sector support for the arts. This should not overshadow the fact that it ultimately falls to the arts and private sectors to pursue and maintain the

¹ Note that, for ease of reference, in this Report the terms 'arts', 'arts organisations' and 'arts sector' encompass 'arts and culture', 'arts and cultural organisations' and 'arts and culture sectors'.

partnerships necessary to provide a broad and stable base of giving to the arts in Australia. It is the Government's role to establish the conditions within which private sector support for the arts can flourish. It then falls to the arts and private sectors to maximise the opportunities available to them.

In light of this, the Review made the following findings:

- Australia has a relatively good track record of philanthropy and corporate support to the arts, and there are many notable examples of long-term generosity. However, there is still potential to broaden and strengthen the base of giving to the arts in Australia.
- There is broad support for the current suite of initiatives to encourage and enable private sector support for the arts in Australia, and many, such as the Cultural Gifts Program, the Register of Cultural Organisations and the framework to support public and private ancillary funds, have been highly successful.
- There is room for some of the existing initiatives to be refreshed, given the changing Government environment within which they operate, and a broader shift within the arts sector.
- Artists and arts organisations often lack the skills and expertise to be able to identify opportunities for private sector support and to develop their supporter base. This is in large part due to the cost and difficulty of attracting and retaining development staff.
- Donors value relationships as a key component of the giving transaction—whether giving is the result of private donations or corporate sponsorship. As an extension of this, donors are inclined towards providing support where there is a direct link to an individual artist.
- Support for the arts is part of a life-long continuum beginning with early exposure, whether through schooling, community or in the family. People who have been exposed to the arts as children are more likely to provide financial or in-kind support as adults.
- Leadership is one of the most important characteristics to encourage private giving to the arts. It is required at all levels, from recognition of the importance of the arts by political leaders, to major philanthropists and business leaders providing public examples of support for the arts, to national and large arts organisations supporting smaller organisations to develop the capacity to attract private sector support. The boards of arts organisations are an integral part of this equation.

Recommendations

On the basis of these findings, the Review makes the following recommendations to broaden and strengthen the base of private sector support for the arts in Australia.

A. Giving—In order to maximise the opportunity for private and corporate donors to give to the arts, it is recommended that:

1. *Cultural Gifts Program:*
 - a. Reduce red tape and timeframes for the Cultural Gifts Program through improvement of all aspects of the process, including the processing of

- applications, reducing the role of the committee and requiring applicants to obtain one valuation only.
- b. Transfer responsibility for the Cultural Gifts Program to the Australian Taxation Office, with the Australian Valuation Office appointed as the primary valuer for the program and the Office for the Arts maintaining an advisory role.
2. *Testamentary giving*: The Australian Government introduce the capacity for private donors to provide a cash gift through their will to an arts organisation, and to receive an immediate taxation benefit to the present value of the gift.
 3. *Matched funding*: The Australian Government commits funding to support a 'matched funding for the arts' initiative.
 4. *Recognition of philanthropists*: The Australian Government implements a formal program of recognition for significant donors to the arts.
- A. *Receiving—In order to enable arts organisations and individuals to easily accept support from the private sector, it is recommended that:***
5. *AbaF/Artsupport*: Amalgamate the Australia Business Arts Foundation (AbaF) and Artsupport Australia (Artsupport) under the auspices of a new body with responsibility for all private sector support for the arts in Australia. This includes reworking existing AbaF and Artsupport programs within the new framework to remove duplication and better coordinate with sector needs. The new organisation would be rebranded to reflect the revised structure.
 6. *Capacity building and skills development*:
 - a. The new private sector support body should promote, extend and formalise its advisory services to provide a program of fundraising, sponsorship and philanthropy governance support to small to medium arts organisations, particularly in regional and remote areas.
 - b. The new private sector support body should expand its training activities to build the capacity of arts organisations to use their boards to attract and retain private sector support.
 - c. The new private sector support body should work with key arts training organisations to develop resources on seeking and retaining private sector support targeted at students and emerging artists.
 7. *Register of Cultural Organisations*:
 - a. Amend the guidelines for the Register of Cultural Organisations to improve the definition of 'cultural' to encompass Aboriginal and Torres Strait Islander cultural practices, such as Aboriginal and Torres Strait Islander languages.
 - b. Transfer responsibility for administration of the Register of Cultural Organisations to the Australian Taxation Office, with administration to be streamlined in line with other deductible gift recipient categories. The Office for the Arts will retain an advisory role.
 8. *Crowd Funding*: The Australian Government develops a crowd funding initiative with a matched funding from government component.
 9. *Micro-financing*: The Australian Government provides funding to support a micro-loans scheme for the arts sector.

10. *Cultivating Donors:*

- a. The Australian Government conducts an awareness-raising program, targeting financial planners, taxation accountants and estate lawyers, providing information on taxation and testamentary giving incentives available to encourage private sector support for the arts.
- b. The Australian Government establishes a public campaign promoting the benefits of giving to the arts using a series of arts 'champions' drawn from the philanthropic, business and arts sectors.

PART 1—THE AUSTRALIAN CONTEXT

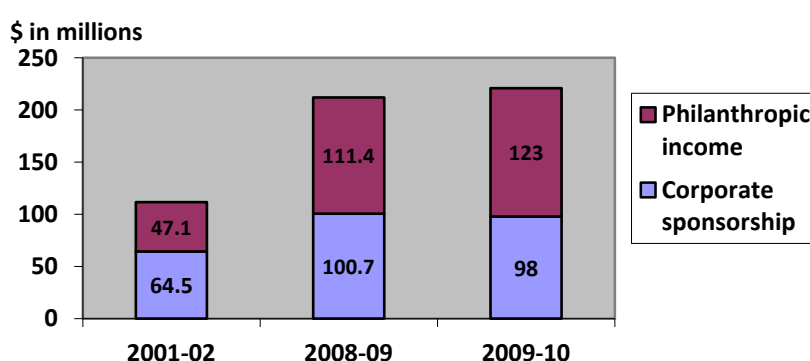
1.1 THE AUSTRALIAN FRAMEWORK

Financial support from the private sector is a significant component of income for many arts organisations and contributes to the sustainability and growth of the arts and culture sectors. The Australian Government provides approximately \$740 million a year for arts activity through the Office for the Arts (OFTA) and related portfolio agencies. This funding includes support for a broad range of activity, including grants to artists and arts organisations across all art forms through the Australia Council, funding for the film sector, Indigenous cultural funding, support to national arts training institutions and funding to the national collecting institutions. In addition, state and territory governments each provide significant levels of funding for arts and cultural activities in their jurisdictions.

In comparison, it is estimated that in 2009–10 private donations and corporate sponsorship contributed \$221 million—comprising \$123 million philanthropic income and \$98 million corporate sponsorship—to the arts and cultural sectors.² This is only a small percentage of overall private giving in Australia—the most recent comparative data of total donations to the Australian not-for-profit sector, which dates back to 2004, indicates that the arts sector then received only 2.3 per cent of all donations.³ However, it is a significant contribution for the arts. In 2009–10, it was estimated that private sector support as a whole (including private giving, corporate sponsorship and fundraising) provided approximately 10.4 per cent of total income for the arts.⁴

Impressively, private support for the arts has almost doubled in the past decade, increasing 98 per cent from \$111.6 million in 2001–02 to \$221 million in 2009–10. While rates of growth have slowed in recent years, overall giving continues to rise, although corporate sponsorship has declined since 2008–09, most likely as a result of the global financial crisis.

Figure 1 – private sector support for the arts in Australia



² *AbaF Survey of Private Sector Support: Measuring private sector support for the arts in 2009–10*, Australia Business Arts Foundation, June 2011, p. 2. <http://www.abaf.org.au/news—research/research/2011—abaf—survey-of-private-sector-support-for-the-arts.html>

³ *Giving Australia: Research on Philanthropy in Australia*, Department of Family and Community Services, and The Prime Minister's Community Business Partnership, October 2005, p. 22. http://www.cafaustralia.org.au/uploads/files/Giving_Australia_Summary_Oct05.pdf

⁴ Australia Business Arts Foundation, *op. cit.*, p. 2.

One of the overwhelming messages to emerge through the Review's consultation process is that Australia has a strong, internationally competitive framework to encourage private sector support for the arts. Arts organisations, peak bodies, artists, philanthropists and government agencies recognise that the current menu of programs and incentives to encourage giving to the arts is competitive on an international scale and that it has been effective in encouraging the growth of private sector support. For example, cultural organisations have been one of the largest beneficiaries of provisions allowing the establishment of private ancillary funds (PAFs), a particular type of trust fund set up for the purpose of philanthropic giving. Since their introduction in 2001, 863 PAFs have been established in Australia (known as prescribed ancillary funds until 2009), with distributions in 2008–09 of around \$153 million—of which the cultural organisations category receives around \$19 million or 12.4 per cent.⁵

The current framework to encourage private giving to the arts in Australia includes taxation incentives and programs of support. Each of the existing programs and initiatives was discussed in detail in the Review's Discussion Paper, which is appended to this report (Appendix D). Briefly, the framework includes both arts-specific and general taxation measures, such as the Register of Cultural Organisations, the Cultural Gifts Program, provisions for public and private ancillary funds as well as mechanisms to encourage workplace giving.

The Australian Government also provides taxation incentives for expenditure on screen productions made in Australia through the Australian Screen Production Incentive. Since the commencement of the incentive in 2007 to 30 June 2011, it has provided over \$425 million to the industry. The incentive was reviewed in 2010 as part of the Australian Government's *Review of the Australian Independent Screen Production Sector*, with a number of enhancements to the rebates being announced in the 2011–12 Budget. As a result, this program was not included in the scope of the Review of Private Sector Support for the Arts.

In addition, the Australian Government funds two programs to encourage arts philanthropy and corporate support. These are, the Australia Business Arts Foundation (AbaF), and Artsupport Australia.

Artsupport, which is auspiced by the Australia Council, began in 2003 as a three-year joint pilot between the Australia Council and AbaF. In 2006, Artsupport began operating solely under the auspices of the Australia Council and has grown to include managers located within several state and territory arts ministries across Australia. Artsupport strengthens the capacity of individual artists and cultural organisations to secure philanthropic income and also provides a range of services for philanthropists, foundations and trusts.

AbaF is a wholly owned Commonwealth company whose objective is to promote private sector support for the arts. AbaF's remit is to connect the arts, business and donors by delivering three key programs—*Partnering*, connecting business with the arts through

⁵ *Taxation Statistics 2008-09*, Australian Taxation Office.
<http://www.ato.gov.au/super/content.aspx?menuid=39514&doc=/content/00268761.htm&page=2&H2>.

advice and networking opportunities; *Volunteering*, connecting business volunteers with the arts; and *Giving*, working with donors and artists to promote giving to the arts. Notably, AbaF also administers the Australia Cultural Fund (ACF), which enables private donors to take advantage of AbaF's deductible gift recipient (DGR) status to make tax deductible donations which are then provided in the form of grants to individual artists and arts organisations.

While there was broad support among stakeholders for the current framework for private sector support for the arts, there is also clearly room for improvement. Many of the existing initiatives were introduced some time ago and require updating to fit within a new, more streamlined government framework. Others have emerged and changed over time, meaning that they now do not meet their original purpose or are duplicative. In other cases, new opportunities have emerged of which we should take advantage. Overall, there is a clear need to 'refresh' the suite of initiatives, to better place the arts sector, and those who wish to support it, to maximise philanthropic and corporate giving.

1.2 BUILDING A SUSTAINABLE FRAMEWORK FOR THE FUTURE

What should giving to the arts in Australia look like in 10, 20, 50 years? There is a strong inclination to look to foreign shores, and particularly the US, with its enviable rates of giving to the arts, as our model for where we should be going. While many stakeholders noted the success of particular initiatives in other countries with a good track record of private and corporate philanthropy, many also noted that Australia is a unique environment with distinct cultural characteristics underpinning our approach to philanthropy—thus requiring a tailored approach.

In fact, Australia is not doing badly on an international scale when it comes to private philanthropy. World Bank figures for 2005 place Australia fourth globally on a comparative ranking of national levels of giving as a percentage of GDP, behind the US, UK and Canada, and ahead of South Africa, Ireland, the Netherlands, Singapore and New Zealand.⁶ Importantly, the figures reveal only a marginal difference between levels of giving in the UK (0.73% of GDP), Canada (0.72% of GDP) and Australia (0.69% of GDP). The 2010 World Giving Index, which measured individuals' tendency to give both money and time (but which does not take into account levels of giving), ranked Australia and New Zealand in equal first place globally.⁷

There are many notable examples of both high-profile and anonymous giving to the arts in Australia—evidenced by numbers of buildings constructed, instruments purchased and collections built across Australia on the back of private funding.

The primary question should actually be whether Australia is meeting its own potential in terms of private giving. There are indicators to suggest that the answer to this question is a resounding 'no'. Recent research on major giving by the Queensland University of

⁶ CAF Briefing Paper: *International Comparisons of Charitable Giving*, Charities Aid Foundation, UK, November 2006, p. 6. <https://www.cafonline.org/publications/archive/international-giving.aspx>

⁷ *The World Giving Index 2010*, Charities Aid Foundation, UK, 2010, p. 8. <https://www.cafonline.org/research/publications/2010-publications/world-giving-index.aspx>

Technology highlighted a perception among donors in Australia that there is an untapped potential for private sector support to meet community need.⁸ This was reiterated in many of the submissions to the Review with particular reference to the arts—and a number of stakeholders spoke about a lack of a culture of giving in Australia.

We are also on the verge of a dramatic generational shift in terms of the practices and approaches to giving to the arts. The Review commissioned analysis on generational change in Australia, particularly in relation to philanthropy, by noted social researcher and commentator Hugh Mackay. The resulting research, *Community & Generosity*, reports that:

[Generation Y] is set to become a more communitarian generation than we have previously been accustomed to. Their sense of identity is typically more group—anchored; they are more relaxed about the idea of personal, individual ownership—of information and even of property—than their elders...This is also a generation that appears to place a higher value on creativity and, correspondingly, a lower value on conformity. Such an ethos may well foster a more generous, potentially more philanthropic, attitude. Being trained to believe they can do anything, and being determined to live in accordance with their values, perhaps the members of Generation Y will revolutionise our approach to tackling problems of social inequality; perhaps they will also stimulate our interest in and respect for the idea that arts can enrich the life of a nation.(Appendix C)

Coupled with the recognition of the need to adapt to the changing approaches of a new generation, are the emerging opportunities presented by technological change. New digital media and the opportunity presented by the National Broadband Network will have far-reaching impacts in the arts sector—for audiences, artists and donors. For example, many artists and arts organisations now routinely upload their work to YouTube to access a wider audience. Higher bandwidth means that obstacles of distance and access can now be overcome—graphic artists are able to send high-resolution files to clients by email, and people with limited mobility are able to access streamed performances in their home. Websites can become hubs for funding projects, as seen through the growth of crowd funding websites such as www.pozible.com and www.startmusic.com.au. Artists and arts organisations need to position themselves to be able to take advantage of this seismic shift, and they need to be open minded about the opportunities it presents—revisiting the way they engage with their support base.

We also need to recognise that a propensity to support the arts among individuals in the private sector does not operate in a vacuum. While financial security and wealth play a primary role in the decision to give, the value placed on the arts by the donor is also a critical consideration. Donors to the arts generally share an understanding that artistic endeavour is part of a healthy and well-functioning society. Research indicates that those who are exposed to the arts from an early age—whether through schooling, family or

⁸ *A Transformational Role: Donor and Charity Perspectives on Major Giving in Australia*, Scaife, W., McDonald, K. and Smylie, S., Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, March 2011, p. iii. <http://eprints.qut.edu.au/40336/>

community—are more likely to have an ongoing relationship with the arts throughout their lives, including attending arts events and providing financial support or volunteering time to support the sector.⁹ Giving to the arts is part of a life-long continuum and any strategy to maximise private sector support must recognise this.

Research conducted for this Review revealed that there has been relatively limited community and business engagement with the arts and that this has resulted in the arts playing a minor role within overall philanthropy. This said, it also seems that community-based arts organisations are best placed to create the direct links needed to interest and engage philanthropists. Research undertaken for the Review also found that Australians who speak a language other than English as their primary language, particularly those who speak an Asian language, are far more likely to attend an arts event, and are also more likely to donate to the arts.

The Review also found that although there is a prevailing view that charities need support far more than the arts do, there is also a conviction that the arts help keep our society culturally rich and exciting. Therefore, one of the biggest obstacles for the arts sector to overcome will be developing the understanding that the arts are a ‘worthy’ cause for private sector support, and that support for the arts has health, education and community well-being impacts.

Some of the most common motivations for giving cited by arts donors are a sense that the arts is a valuable cause, a direct connection with the subject matter, a recognition that the recipient project or organisation will benefit the broader community, a sense of obligation or a personal connection with the recipient project or organisation.

A number of stakeholders spoke about a perception that private sector support for the arts let governments ‘off the hook’ in meeting a commitment that should, in fact, be a responsibility of government as a public good. Others spoke about a belief that being successful in attracting support from the private sector may result in government reducing or altogether cutting funding, on the basis that the organisation no longer needs public sector support.

In fact, private and public sector support offer great synergies. One should not preclude the other and there is potential for both funding spheres to work more strategically together to improve the manner in which the arts are funded as a whole. At the most basic level, feedback on the success of matched funding—where a donation to an organisation or individual is matched either in full or to a percentage by government—highlighted the importance of government funding in attracting private sector support for an organisation. At the highest level, it was suggested that both federal and state government arts funding bodies should sit down with major private donors on a regular basis to discuss strategic funding priorities over the coming year.

⁹ Scaife, W., McDonald, K. and Smylie, S., *op. cit.*, p. 9.

The Canadian Council for the Arts, in partnership with Canadian Business for the Arts (a sector-driven body established for the purpose of building private sector support) has recently established a series of roundtables comprising government funding agencies as well as corporate and private arts funders, with the purpose of sharing expertise, building best practice and growing support for the arts from the corporate and private sectors. Three round tables have already been held to date, with a further five scheduled before the end of 2012. Each roundtable focuses on funding agencies in a particular province, and results in a series of actions designed to build a better base of support for the arts from the private sector in that area. This is an excellent initiative that could well be replicated in the Australian context in the future.

A consistent theme throughout the Review has been the importance of leadership in building private sector support for the arts. At its highest level, this includes leadership by the apex of government—whether through attendance at arts events, recognition of donors to the arts or other means to highlight the value that arts plays in our society. Beyond this, stakeholders repeatedly spoke about the importance of philanthropic champions—business people, philanthropists and high-profile artists—to act as role models for supporting the arts. Within the arts sector, leadership is also integral to ensuring sustainability and growth. Larger, well-resourced organisations have a responsibility to mentor and guide smaller organisations.

Parallel to the message about leadership was a recurring theme about the vital role that boards play in setting the private sector support agenda for arts organisations. Boards are important in many ways. For example, board appointments can assist by attracting donations directly, either from the appointees themselves or from their immediate networks. Many stakeholders spoke about successful partnerships, either with philanthropists or corporate sponsors, commencing with a door opened by the organisation's board. The Review noted the difference in approach between arts board appointments in the US, where the level of donation required of a board member is explicit as a condition of appointment, and Australia, where money is rarely, if ever, discussed prior to an appointment.

Others spoke about the importance of a board in generating confidence among potential donors, who would look at the board's strength and skills as part of their assessment of an organisation's viability before choosing to make a donation. Organisations, particularly those who had been successful in developing their private support base, spoke about the importance of their boards in placing a priority on raising private sector funding, setting the agenda for the organisation as a whole.

What will private sector support for the arts look like in 50 years? It is impossible to know, and to mandate what it should look like would not be the right approach. The role of government is not to prescribe a level of support to the arts or to dictate how individuals and business should give. Government's role is to ensure that the current framework to encourage and enable giving maximises the capacity of the arts sector and potential donors

to provide financial support. It must also allow donors and corporate sponsors the freedom to make their own decisions about what to support.

This report puts forward a suite of recommendations that, if implemented, will establish the right conditions to broaden and strengthen the base of giving to the arts in Australia. It then falls to the arts sector, philanthropists and business, to develop strong and long-term partnerships to take advantage of those conditions.

The implementation of these recommendations will not be without challenges, and some recommendations will require long implementation timeframes. The Review has favoured options to maximise support from the private sector, and these are not necessarily the easiest to implement.

Delivery of the Review's recommendations will also contribute to the development of the National Cultural Policy, which is due to be released in 2012. The policy is intended to bring the arts into the mainstream of Australian life, by creating links with other sectors including education. This is the perfect time to develop a strong base of private sector support for the arts, by building recognition of the importance of the arts to every aspect of Australian life.

PART 2—GIVING: MAXIMISING OPPORTUNITIES TO GIVE

Understanding how to maximise the opportunities people have to give to the arts means considering not only the mechanisms in place to support and encourage donating, but also understanding the motivations and preferences behind how and why support is offered. Individual donors give largely for quite personal reasons, driven by a desire to make a contribution to the community, while businesses tend to have more complex reasoning for support, where there is an expectation that the relationship will provide a benefit in return for financial support.

Consultation showed that both individuals and businesses value a direct causal link between their donation and outcomes. In line with this, there was a strong message that donors would like to be able to give to individual artists. Current incentives do not include donations given directly to artists, because most artists are not eligible for tax deductibility status under the current taxation system. However, there are ways in which donations can be provided to benefit individual artists while still taking advantage of the government's incentives. This can include the creation of scholarships, fellowships or residential programs for artists in collaboration with arts organisations. The Review noted that the Australia Cultural Fund, which is administered by the Australia Business Arts Foundation (AbaF), offers an attractive and successful mechanism for providing tax deductible donations to individual artists. While other models have been proposed for supporting individuals, such as the Foundation for the Artist put forward as part of the 'New Models New Money' initiative developed in 2010, it is the Review's opinion that the current infrastructure is adequate to enable giving to individuals at this time.¹⁰

There are many ways support can be offered, depending on the capacity of the donor to give. For example, some choose to donate significant cultural and art objects in their possession. Others provide financial support or volunteer time and expertise. The framework to support this giving must be easy to negotiate for donors and allow for the full spectrum of donations. For example, it is expected that the next generation of philanthropists will give small amounts and may be more inclined to do so through newer models, such as crowd funding or providing funding on an investment basis such as through micro-loans.

There are also many ways in which donors wish to be engaged by the donation recipient. While some want giving to be anonymous, to others public recognition is important. Most donors are also looking for giving to take place as part of a relationship, whether this be with the recipient, with other donors, (such as through a giving circle), or with a broader audience (such as through branding an event as a result of corporate sponsorship).

¹⁰ *New Models New Money*, www.newmodelsnewmoney.com.au

2.1 STRENGTHENING CURRENT INCENTIVES

2.1.1 Cultural Gifts Program

The acquisition of cultural items is a fundamental activity for Australia's public collecting institutions. Finding the funds to enable an active collection program, particularly the collection of highly significant items, is a constant pressure for many institutions. The Cultural Gifts Program (CGP), which provides donors of items of cultural significance to collecting institutions with a tax deduction to the value of the gift, along with an exemption from capital gains tax in relation to any increase in the value of the gift being gifted, has proven successful in encouraging private collectors to donate significant cultural items to public art galleries, museums, libraries and archives across Australia.

Feedback through consultations demonstrated broad support for the CGP and its aims. The CGP has been particularly effective, facilitating over \$622 million worth of gifts since its inception in 1978, with over 385 collecting institutions participating. Of these institutions, around one third are based in regional and remote Australia. Even privately funded museums are able to benefit from the CGP. For example, the TarraWarra Museum of Art in the Yarra Valley in regional Victoria has received donations valued at over \$63 million through the program.

On an international scale, the CGP is competitive with similar programs, such as those provided in Canada for gifts of cultural property that are of outstanding significance and national importance. The UK is also currently considering introduction of a program comparable to the Australian CGP.

Currently, portfolio responsibility for the CGP rests with the Office for the Arts (OFTA), which provides Secretariat support for the Committee on Taxation Incentives for the Arts (the Committee), as well as providing advice to applicants and administering the program as a whole. The Committee is responsible for approving a list of valuers to be used for the purposes of applying for a deduction under the program, and agreeing to the final GST inclusive market value of the gift for taxation purposes. Applicants are required to obtain two valuations from the Committee's approved list of valuers, and to apply to the Committee for a decision about the final value of the gifted item for tax deduction purposes. The Committee is drawn from experts in the sector, and monitors the quality and accuracy of valuations provided under the CGP.

Stakeholders raised concerns about the complexity of the application process and the length of time taken for an application to be approved. While much of the delay arises from the current process under which the Committee is only able to consider applications at its biannual meetings (meaning that any request for further information from the applicant leads to a six-month delay), the fact that an online application and tracking process is also not available increases the administrative burden for applicants and the program managers. Streamlining and digitising the application process would vastly improve the CGP's operation, reduce timeframes and improve the outcome for applicants.

The Review looked at ways in which the CGP application process could be simplified while still ensuring that the process provides the most accurate valuation available for genuine gifts of cultural significance to eligible institutions. It was the view of the Review that this could primarily be achieved through transferring responsibility for the CGP to the Australian Taxation Office (ATO), to operate alongside other taxation programs, and by streamlining the application process—such as by requiring applicants to the program to obtain only one valuation and reducing the Committee structure.

The CGP is not the only Australian Government program providing a tax incentive for gifts of property. The Australian Valuation Office (AVO), a business line within the ATO, currently administers the Philanthropy Program, which allows donors to obtain a tax deduction for gifts of property to the not-for-profit sector, much the same as the CGP. It is the Review's opinion that the CGP is a taxation program with a cultural component, and as such, there would be much to be gained by aligning administration of the CGP with the Philanthropy Program within the taxation portfolio. By transferring responsibility for the CGP to the ATO, the program could use the ATO's existing infrastructure, providing an opportunity to bring the application process online and to reduce processing times. Furthermore, it was the Review's view that the AVO, which has a strong focus on methodology, would be the most appropriate primary valuer for the CGP. This was a proposal raised through consultations to the Review.

Making the recommended adjustments to the program is not without risks, and details about how the CGP would be managed within the ATO will need to be settled between the ATO, AVO and OFTA as part of the implementation process. It is foreseeable that the arts portfolio would maintain an advisory role for the program, particularly in relation to managing relationships with recipient institutions, providing advice to the AVO about appropriate valuers, and providing policy or cultural content advice.

Many stakeholders also raised the need for better promotion of the CGP, noting that it is currently advertised in a passive manner and could be better served by more active publicity. The Review has addressed the issue of awareness-raising later in the report, including in relation to the CGP.

Consultations also suggested that the scope of the CGP could be extended to include donations of high value musical instruments to non-collecting institutions, for use by their members. However, this is in conflict with the key principle of the CGP to provide public access to cultural goods, as access to the instruments would be restricted. The Review also notes that the practice of loaning high-value instruments is already widespread in the sector, and innovative models are also emerging to meet the need—such as the Australian Chamber Orchestra's Instrument Fund.¹¹ The Review determined that no recommendation was required in relation to this issue.

Recommendation 1a: *Reduce red tape and timeframes for the Cultural Gifts Program through improvement of all aspects of the process, including the processing of applications, reducing the role of the committee and requiring applicants to obtain one valuation only.*

¹¹ The Australian Chamber Orchestra: <http://www.aco.com.au/Default.aspx?url=/instrumentfund>

Recommendation 1b: *Transfer responsibility for the Cultural Gifts Program to the Australian Taxation Office, with the Australian Valuation Office appointed as the primary valuer for the program and the Office for the Arts maintaining an advisory role.*

How could this look?

These improvements could be achieved by updating the CGP guidelines and application forms, digitising and streamlining the processing of applications in line with the Philanthropy Program and by introducing formal processing timeframes. The role and size of the committee could be reduced with its primary purpose to approve a list of specialist valuers for use by the AVO.

2.1.2 Public and Private Ancillary Funds

Private Ancillary Funds (PAFs) have proven to be a popular mechanism for providing support to arts organisations, boosting philanthropy in the sector considerably. It is heartening to see that the number of new PAFs continues to grow with a jump from 81 in 2002 to 863 in 2010, and distributions from them increasing dramatically with over \$300 million distributed between 2002 and 2008–09. Distributions made to cultural organisations from 2007–08 to 2008–09 almost doubled, increasing by around \$9 million.¹² It is therefore not surprising that the framework enabling PAFs received widespread support through the Review.

There is some confusion in the arts sector as to what organisations PAFs can give to and there is a view that these funds should have the flexibility to give to individual artists and a wider number of deductible gift recipients (DGRs).¹³ It is likely that some confusion around eligible organisations will be alleviated through the adoption of a single definition of ‘charity’, which is a government priority expected to take effect from 1 July 2013.¹⁴ Stakeholders also asked for information to be made available about the nature of PAFs and the type of charities to which they are giving, however this type of service is likely to impact on privacy provisions and would not be able to be implemented.

Given that the PAF structure was reviewed by the Australian Government in 2009, and Public Ancillary Funds are currently under review, the Review recommends no further changes at this time.

2.1.3 Workplace giving

Workplace giving arrangements allow individuals to make a donation to a DGR organisation from their pre-tax income. Since its introduction in 2002, workplace giving has proven to be a popular way for Australians to make regular donations to charities through their

¹² Australian Taxation Office, *op. cit.*

¹³ This has been of particular concern for organisations unable to gain Tax Concession Charity status.

¹⁴ *Budget Paper No.2—Budget Measures 2011–12*, Australian Government—circulated by Swan, W., Deputy Prime Minister and Treasurer of the Commonwealth of Australia and Wong, P., Minister for Finance and Deregulation of the Commonwealth of Australia, May 2011, p.37. <http://www.budget.gov.au/2011-12/content/bp2/html/index.htm>

employer's payroll system. This mechanism is an effective means to broaden the giving base, with research indicating that, for around 75 per cent of donors, total charitable giving has increased as a result of participating in workplace giving.¹⁵

Consultations indicate that health and social welfare outcomes are the focus of workplace giving and that there has been limited involvement by arts organisations. There appears to be potential for arts organisations that can demonstrate direct links to education, health, environmental or social welfare outcomes to investigate workplace giving as an opportunity for support. For example, the Song Room, a national not for profit organisation that provides free, tailored, long-term music and arts-based programs for children in disadvantaged and high need communities, has been successful in receiving support through workplace giving and promotes the benefits of workplace giving on its website.¹⁶ Workplace giving programs may also lead to further support from the private sector, such as through corporate volunteering programs and other forms of in-kind and financial support. With this in mind, arts organisations should optimise promotion of their broader social outcomes and explore opportunities for workplace giving. It was the Review's conclusion that the current workplace giving provisions operate as an effective incentive and that it is for arts organisations to pursue this as an income source if it fits within their overall objectives.

2.2 IDENTIFYING NEW OPPORTUNITIES

2.2.1 Testamentary giving

Increasing incentives to encourage testamentary giving is timely, considering our ageing population of baby boomers who are making decisions about their wills now. Testamentary giving represents great potential for growth in private sector support, particularly for the arts. Research indicates that only 7 per cent of wills in Australia contain a charitable bequest¹⁷ and indicators suggest that the percentage for arts organisations is significantly lower than this.

Consultations suggested that testamentary giving could be made more attractive to those considering leaving a donation in their wills. Specifically, arts organisations and high net worth individuals called for the introduction of enhanced taxation incentives. The Myer Family Company contended that "there is little rationale for the denial of tax deductibility for bequests", and consideration should be given to removing anomalies between the tax treatment of gifts made during a person's life and those provided in a will. The National Gallery of Victoria agreed that tax disincentives should be removed and suggested that "...the tax rules as they currently apply to bequests may discourage individuals to include a

¹⁵ *Cutting to the Heart of Workplace Giving*, The Australian Charities Fund, November 2009, p. 8.
<http://www.australiancharitiesfund.org.au/news-a-events/acf-news/845-cutting-to-the-heart-of-workplace-giving>

¹⁶ The Song Room: www.songroom.org.au/help/workplace-giving

¹⁷ *Every Player Wins a Prize?*, McGregor-Lowndes, M. and Hannah, F.M, the Australian Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology, October 2008, p. 67.
http://philanthropywiki.org.au/index.php/Every_Player_Wins_a_Prize%3F

bequest in their will". This view is supported by survey work commissioned for the Review, indicating there is reasonable appeal for incentives that provide current tax deductions or other incentives for gifts promised in a will.

The current Australian framework does not provide an income tax deduction for testamentary gifts. However, donors may be eligible for an exemption from capital gains tax if a bequest is made to an organisation with DGR status. There are also generous incentives in place to encourage gifts of property made within a donor's lifetime (such as through the CGP discussed above 2.1.1). Taking this into consideration, the Review has considered options for enhancing testamentary giving arrangements by encouraging gifts of assets that can provide a monetary return to arts organisations. In particular, the Review examined the potential, and risks to such an arrangement. For example, providing an immediate taxation benefit for a future gift opens the opportunity for potential misuse or threats to the gift between the years from pledge to realisation.

In considering whether there is an applicable model for Australia, the Review examined international mechanisms used to encourage testamentary giving, and how the current framework could be enhanced to achieve an optimal outcome.

The US has developed an extensive suite of means for a donor to either leave money or assets to a not for profit organisation at their death or invest money so that both the donor and the organisation receive benefits. Three of the most commonly used mechanisms are split interest trusts, such as Charitable Remainder Trusts and Charitable Lead Trusts, as well as Pooled Income Funds. These measures have been highly successful in attracting private sector support for the arts. However, research suggests this is partially due to their effect on minimising the impact of inheritance taxes. It is also to be noted that the US has a significantly different culture of philanthropy to that in Australia.

In Canada there are also various ways for a donor to leave money or assets through investment or as a legacy. Some of these are similar to the US, such as Residual Interest and Charitable Remainder Trusts, and others look at other avenues such as life insurance, where a charity can be made the beneficiary of a life insurance policy and the donor receives a tax deduction for the cash surrender value of the policy.

There has been varying success with these types of models in the US and Canada. As mentioned above, split interest trusts (also known as 'living bequests' or 'lifetime legacies') have been used to tackle the issues around legacy giving and lessons have been learnt around establishing robust legislation to avoid abuse. In the US, these trusts allow for an immediate income tax deduction and other benefits whilst being irrevocable and not as easily contested as a gift left in a will. The tax benefits are however quite complicated depending on the arrangements and constant scrutiny is required to ensure abuses are captured and rectified.¹⁸

¹⁸ *Planned Giving Strategies*, McGregor–Lowndes, M., Modernising Charity Law Conference, Queensland University of Technology, April 2009.

In many ways, the Canadian framework for philanthropy is closest to the Australian framework. Consultations revealed there has been minimal misuse of these trusts. In particular, we can learn lessons from the fact that the Canadian model has thrown up a number of challenges in regards to reasonably determining value, requirements in relation to insurance of the trust property, how to guard against degradation of the assets and ensuring proper administration of the trust.

While there is a call for Charitable Remainder Trusts from the UK arts sector, the UK Government has chosen to concentrate their testamentary giving incentives around the reduction of inheritance tax for those estates leaving 10 per cent or more to charity, in an effort to encourage giving by the wealthiest.¹⁹

Once again, these are measures that leverage off a system involving inheritance taxes. As there are no inheritance or estate taxes in Australia there is less incentive for giving in this way. Australia also provides successful incentives for giving during a donor's lifetime, through the CGP and ROCO. There is some evidence to suggest that introducing a mechanism to encourage testamentary giving may reduce gifts that would otherwise have been made during a donor's lifetime using existing mechanisms.

A number of submissions to the Review did call for the re-introduction of estate or inheritance taxes in Australia, as a way of encouraging high net worth individuals to consider legacy gifts. This form of taxation was abolished in Australia over three decades ago and continues to be the subject of much debate. Since the 2009 Henry Tax Review—*Australia's Future Tax System*—recommended further study and community discussion of the options for bequest taxes, the government has decided against the re-introduction of such taxes.

Concentrating efforts in the re-introduction of inheritance and estate taxes, as well as the establishment of the US and Canadian style trusts, would only address encouraging high end donors to support the arts, neglecting the larger pool of potential donors in Australia. It is an immediate tax deduction for a bequest that has the potential to capture a wider cross section of donors.

Part of this picture is also consideration of the barriers faced by arts organisations in pursuing testamentary giving as a funding source. Consultations highlighted a lack of expertise, awareness and resources in this area. However, these barriers are not unique to attracting testamentary giving—they are present in relation to all support from the private sector. The Review has focused on building capacity among arts organisations, artists, the philanthropic and corporate sectors as part of the capacity building section of this report at 3.1.2.

Recommendation 2: *The Australian Government introduce the capacity for private donors to provide a cash gift through their will to an arts organisation, and to receive an immediate taxation benefit to the present value of the gift.*

¹⁹ *Budget 2011*, Her Majesty's Treasury, March 2011, p. 43. <http://www.hm-treasury.gov.uk/2011budget.htm>

How could this look?

The Review recognises that this is a complex and difficult area. This recommendation will require careful consideration in relation to the appropriate implementation model. While the recommendation could be implemented through a small pilot with the individual pledge and total amounts capped, it would also require longer term measures to be put in place to track the progress of pledges, to ensure that donors meet the terms of the pledged gifts.

2.2.2 Matched funding

It became clear through consultations that when the Australian Government is seen to endorse an arts organisation or particular project it can provide the funding recipient with much needed leverage to seek further support and partnerships. An excellent example of this can be seen in this year's National Year of Reading (NYoR) initiative, for which the Australian Government's investment of \$1.3 million has leveraged significant in-kind support from the private sector. In addition to partnerships with libraries, publishers and booksellers across Australia, The Walt Disney Company is producing and broadcasting a NYoR film clip, News Limited is printing promotional materials for one of the NYoR's programs, The Reading Room is providing an online discussion board and book club forum for the NYoR, Scholastic will promote the NYoR through its school book club materials and Dymocks is providing in-store support. Scholastic and Disney are also providing prizes for a 'Nominate your Reading Heroes' program, targeting school-aged children.

Many stakeholders indicated that government investment in a particular project can be regarded by the private sector as a tick of approval, and indicator that a project is viable and will lead to quality work. Others indicated that potential private sector investors may see matching government support as an opportunity to develop a closer relationship with government.

If the commitment of government to fund particular arts organisations is an important sign of faith and confidence in arts fundraising activities, the task then is to put in place incentives that can create some leverage whilst also encouraging new support. Consultations throughout the Review consistently pointed towards a matched funding program as a strong incentive for these purposes. Research conducted for the Review around what motivates people to give as well as other research by AbaF also indicates that there is an enthusiasm for such a program, particularly in the business sector.²⁰ A short-term matched funding program can help create a sense of immediacy in the private sector and in turn result in a pool of new and reinvigorated supporters, which can be developed and grown by the arts organisations to form stronger and wider reaching networks.

An initiative such as this will be most effective if targeted at the activities most in need of support and growth. There are two main areas where such a need is clear: building core

²⁰ In 2009 the *AbaF Arts Sponsorship Outlook Survey* showed that over half of those surveyed investing \$50,000 or less expressed an interest in investing more with an incentive such as match funding.

endowments and attracting new individual and corporate donors.

Many Australian art organisations lack the added financial security that having a core pool of money for operational expenses can provide. This in part may be due to donors preferring to give to specific projects so they can see the fruits of their support, rather than into a pool where they are unable to see exactly what the money is used for. Endowments do not give the immediacy of connection to a project or artist, but are important to the future strength of our arts organisations.

In Australia and overseas, matched funding programs have proven an effective incentive for encouraging increased private sector support from businesses and individuals. In Australia, a number of programs at the state level have reaped positive results. The Premiers' Arts Partnership Funds in WA, SA and Tasmania are particularly successful at engaging small to medium enterprises (SMEs) with the arts, in many cases forming new partnerships. Almost \$1.95 million in new money has been generated for arts organisations through these funds and more than 200 SMEs have established new relationships with artists and arts organisations.²¹

The WA Philanthropy Incentive Program encourages individuals, groups and businesses to establish private ancillary funds, foundations or other charitable trusts in order to increase philanthropy to the arts. Under the program, the WA Government makes a contribution of up to 7.5 per cent of the initial capital value of an eligible fund to an arts organisation of the fund's choice. This program promotes not only the donation of funds to arts organisations through PAFs but also the partnerships that can be developed.

Overseas, the Canada Cultural Investment Fund (CCIF) and artsVest are good examples of successful matched funding programs. The CCIF stimulates donations to arts organisations by providing matched funds to their endowments and artsVest stimulates business sponsorship and corporate engagement in arts and culture at a local level.

Recommendation 3: *The Australian Government commits funding to support a 'matched funding for the arts' initiative.*

How could this look?

This program could comprise the following streams:

- Endowments—provide a stimulus to funding large-scale endowments to support arts organisations over a two-year period. Grants to be provided on a sliding scale, starting at dollar for dollar, with a cap on government contributions. The Australian Government provides at least \$10 million each year.
- New philanthropy (private and corporate)—provide funding over two years to encourage philanthropic donations to arts organisations for core operational costs. One-off grants provided for donations up to \$50,000. The Australian Government provides at least \$5 million each year.

²¹ AbaF submission to the Review, p. 4. <http://www.arts.gov.au/sites/default/files/submissions/private-sector/pdf/AbaF-submission.pdf>

2.3 ENABLING VOLUNTEERING

The arts sector relies heavily on volunteer assistance—from front-of-house and box office, to auditing and accounting services, volunteers to the arts come from all walks of life and skill levels.

An increase in overall volunteering rates in Australia from 4.4 million in 2000 to 5.2 million in 2006 included a strong growth in culture and recreation²² generally, but a decline in volunteers to the arts.²³ It is important for arts organisations to identify what volunteer roles they have available and tap into this growing number of volunteers.

An area of potential growth that can show benefits more wide-reaching than just volunteering are partnerships with corporations, emerging out of corporate volunteering programs or sponsorships. This will require opportunities for linking professionals to the appropriate volunteer roles. More can be done to link individuals willing to provide professional services or to render general assistance. There are currently some aids for matching volunteers with organisations, such as AbaF's *adviceBank* and Pro Bono Australia's VolunteerMatch, however, there is a need for a consolidated effort in this space.

Arts Boards present a significant formalised mechanism for contribution to arts organisations, as most appointments to boards do so without reimbursement, providing a significant contribution of their time and skills. A consistent message through Review consultations was the importance of boards and the opportunity that strategic board appointments present to assist organisations to attract private sector support. Current programs that facilitate the search for appropriate board members for arts organisations (AbaF's *boardBank* program) and provide ongoing board governance support (BoardConnect, initiated by Positive Solutions in Queensland) are needed on a national and more accessible level.

There is room for existing volunteer services available through AbaF and Artsupport to be consolidated, strengthened and increased, with the amalgamation of these organisations (see recommendation 3.1.1). It will be the responsibility of this new private sector support body to consider the issues for arts volunteering and develop strategies that address the sector's needs whilst also aligning with the government's National Volunteer Strategy, which is expected to be released later in 2011.

The National Volunteering Strategy will guide the government's future policy and funding decisions in relation to volunteering and will provide a framework around increasing participation in volunteering, using digital technology more effectively to enable volunteering, improving and streamline governance, and recognising and valuing volunteering.

²² Culture and recreation includes: media and communications, visual arts, architecture, ceramic art, performing arts, historical, literary and humanistic societies, museums, zoos and aquariums, sports, recreation and social clubs, service clubs.

²³ *Contribution of the Not-for-Profit Sector: Productivity Commission Research Report*, Australian Government Productivity Commission, January 2010, p. 53 and pp. 70–71.
http://www.pc.gov.au/data/assets/pdf_file/0003/94548/not-for-profit-report.pdf

2.4 RECOGNITION OF PHILANTHROPISTS

Motivations behind why people give are quite personal and vary greatly. While research suggests that Australians across the board do not seem to be motivated by recognition, there still remains a general understanding that there is some benefit to recognising significant donations.²⁴ Recognition can be a useful tool for showing appreciation as well as being an opportunity for a public forum to demonstrate leadership and create awareness of the arts. Involving the highest levels of government in this process can act to strengthen the resolve of major corporate and individual donors to give to the arts as a worthy cause.

Consultations have reinforced the view that recognition is important, however, there was no consensus on how this could be best achieved. It was also found that many individual organisations already conduct successful recognition programs at the local level. It was clear that awards in some form are a popular way to recognise support, so at the national level the Australia Day honours are already well placed to provide a highly valued way to formally recognising the contributions made by individuals to a range of community sectors, including the arts. Specifically for the arts sector, the annual AbaF awards honour successful private sector/arts partnerships. Building on these successful vehicles for recognition this Review suggests the implementation of personalised acknowledgment for major donations to the arts from the Prime Minister and the Minister for the Arts.

Looking to how the private sector can play an important role in lifting the profile of arts philanthropy, it is the popular media which has significant power to bolster the awareness and recognition activities around philanthropy and the arts more generally. How this can be led by the media can be simple, like the commitment *The Times* newspaper has made in the UK to acknowledge arts sponsors and “play its part in this marriage of culture and cash”.²⁵ Perhaps it is not too farfetched to think one day the arts will be considered as newsworthy as sport and be featured as prominently.

Recommendation 4: *The Australian Government implements a formal program of recognition for significant donors to the arts.*

How could this look?

A program might include some of the following components:

- Letters of recognition to private donors, either from the Prime Minister or the Minister for the Arts, depending on the size of the donation.
- A program of annual events sponsored by the Minister for the Arts for corporate and private donors providing significant contributions to the arts.

²⁴ Research on major giving by the Australian Centre for Philanthropy and Nonprofit Studies at the Queensland University of Technology noted that recognition of a major gift is extremely important both to fundraisers and donors. However, research commissioned by this Review to better understand general motivations for giving, suggests recognition is a minor consideration, particularly for men, but that it's not a defining reason to give.

²⁵ The Times newspaper, UK: <http://www.thetimes.co.uk/tto/opinion/leaders/article3048983.ece>; and Arts and Business UK: <http://www.artsandbusiness.org.uk/News/2011/june/times-names-arts-sponsors.aspx>

PART 3—RECEIVING: ENABLING ORGANISATIONS AND INDIVIDUALS TO ACCEPT SUPPORT

The ability to seek and cultivate ongoing private sector support underpins the successful realisation of many initiatives recommended in this report. The question of whether Australian arts organisations are able to make the most of support from the private sector was an important one for the Review. In the course of consultations it became clear that many are not. Even though there are services available to organisations and individuals to help them find the assistance and advice they need, there remains a need within the arts sector for increased access to knowledge and skills in all aspects of identifying, obtaining and maintaining support from the private sector. The Review found that, while there are excellent services available, there is not widespread awareness about what is available. There is also a perceived duplication and red-tape in programs to assist the sector—and a great opportunity for improved services through better coordination.

The Review also looked at a range of new models emerging to facilitate private sector support for the arts. This includes emerging opportunities, such as crowd funding and micro-finance.

3.1 GOVERNMENT PROGRAMS TO BUILD SUPPORT

3.1.1 AbaF and Artsupport

Stakeholders consistently expressed the view that there is duplication in the roles and activities of the Australia Business Arts Foundation (AbaF) and Artsupport Australia (Artsupport) or, at the least, a lack of clarity within the sector on the different functions of the two programs. Generally, there was broad support for their general focus and purpose, but consultations indicated that a more collaborative approach between the two would be beneficial. It was the Review's conclusion that the two programs should be amalgamated to benefit from the sum of their strengths, to remove duplication and to create a single point of reference for the sector.

While AbaF and Artsupport each had clearly discrete purposes on their establishment, over time there has been a growth in the shared ground between the two programs, and particularly a duplication of services targeting philanthropy and giving. AbaF, which grew out of a restructure of the Australian Foundation for Culture and Humanities in 2000, was originally tasked with promoting private sector support for the arts by building partnerships between arts and business organisations. It does this through the provision of a program of networking opportunities for artists, arts organisations and business, through its *boardBank* and *adviceBank* services which link professionals wanting to give their skills and time with the arts sector, and through training courses targeting individual artists and arts managers. In addition, it also administers the Australia Cultural Fund (ACF), which has proven to be an attractive mechanism to attract support from private and corporate donors for individual artists, or arts organisations without deductible gift recipient (DGR) status.

Artsupport was also established in order to grow cultural philanthropy in Australia, as a joint initiative of the Australia Council and AbaF. Its focus has been on building the capacity of the arts sector to engage with philanthropists. It fulfils this goal through mentoring and advice for artists, arts organisations and donors, through a program of seminars, networking events and lectures designed to build the skills and capacity of the arts and business sectors to develop partnerships, through a brokering service matching potential donors and recipients of private sector support, and through a research program.

With both organisations offering these services, it is possible to see that many users face dealing with two organisations for fairly simple transactions. For example, an individual artist may first approach Artsupport for assistance with developing a fundraising plan. They would then go to AbaF to apply for funding through the ACF, and subsequently return to Artsupport for ongoing mentoring. A donor looking to fund an arts organisation might approach Artsupport's brokering service in the first instance, but may then use the ACF, via AbaF, to make a donation. A potential board member may register with AbaF's *boardBank* program in order to be considered for a board appointment and once appointed may benefit from Artsupport's board presentations to build capacity and awareness about philanthropic support.

For those who use the services, it is conceivable that they do not care whether the assistance they are seeking relates to philanthropy or sponsorship, whether it is part of giving or volunteering, whether it is a mentoring service, a mechanism to give or a training package. From the perspective of the user, isn't it all about private sector support? Should the individual artist, or the poorly-resourced arts organisation with no development staff, have to make an informed choice about which organisation is the appropriate one for their particular need? Face-to-face consultations revealed that many organisations either were not aware of the services available to them through AbaF and Artsupport, or were aware of only one of the programs, had perceived that it was not for them, and had not looked further for a more appropriate service offered by the other.

It is difficult to see why all private sector support for the arts in Australia could not be addressed through a single body, a 'one stop shop' for all things related to private sector support—philanthropy and sponsorship, volunteering, capacity-building, mentoring and brokering. A single organisation would remove duplication of some existing programs, and in its place allow better synergies between the two programs in their current format. A single organisation would also be in a position to better coordinate activities in the states and territories and particularly to increase its reach into regional and remote areas.

Another message that emerged through the consultation process is the importance of the ACF as a mechanism for supporting individual artists and arts organisations that do not have DGR status. AbaF, which administers the ACF, has unique DGR status, enabling it to provide a tax deduction for donations that would otherwise not be tax deductible. Those stakeholders who were aware of the ACF were strongly supportive of the mechanism, with particular emphasis on the important role it plays in supporting individual artists.

There appears to be a mismatch between the ACF's focus on providing financial support to individuals and arts organisations, which sits at odds with AbaF's overarching focus of

building corporate partnerships and bringing together the worlds of business and the arts. A number of submissions suggested that the ACF would sit most appropriately with Artsupport and complement its services for individual artists. However, stakeholders also noted that the ACF's effectiveness is largely due to its DGR status, which is legally connected to AbaF. It is unlikely that the ACF could be transported in its current state to another organisation, such as the Australia Council, and maintain its DGR status—thereby nullifying any potential benefits of a synergy with the Artsupport program.

Bringing AbaF and Artsupport together under a new, unified structure, would enable continuation of the ACF within its current tax incentives in place, while gaining the benefits of better synergy with the Artsupport program.

Recommendation 5: *Amalgamate the Australia Business Arts Foundation (AbaF) and Artsupport Australia (Artsupport) under the auspices of a new body with responsibility for all private sector support for the arts in Australia. This includes reworking existing AbaF and Artsupport programs within the new framework to remove duplication and better coordinate with sector needs. The new organisation would be rebranded to reflect the revised structure.*

How could this look?

The resulting body would have responsibility for facilitating, encouraging and promoting all private sector support for the arts in Australia, including philanthropy and corporate support. It is important that the organisation is provided with some level of reliable and consistent funding from government so that it is not required to compete with the arts sector for private sector support. While the organisation's terms of reference would need to be developed as part of its funding consideration, it is suggested that these include the following:

- mentoring and assisting artists and arts organisations to build their income and support from the private sector
- building the capacity of arts boards to attract and identify sources of private sector support
- building partnerships between the arts, philanthropy and business sectors, and
- administering the ACF.

3.1.2 Capacity building

The Review found a systemic need for assistance to help organisations build their capacity to identify and attract support from the private sector. While some organisations were aware of, and had used, the services already available within the sector, many spoke of the fact that, with staff stretched to breaking point and volunteer boards with little corporate experience and time, they were struggling to manage the requirements of funding from government and were far from thinking about building their private support base, let alone seeking out services to assist with this.

The limited funds available to many arts organisations creates a situation where they cannot afford dedicated staff to drive a strategic approach to fundraising, or they have trouble attracting or retaining staff with specialist skills in this area. For organisations that do succeed in attracting and retaining dedicated fundraising and sponsorship staff, this usually comes on the back of a successful longer-term fundraising program that had sufficient budget, networks and strong strategic goals.

This inability to access the skills and knowledge needed can translate into failed approaches to the private sector. Recent research has shown that many donors perceive that arts organisations lack the sophistication of other sectors in their approaches to potential donors, and in their management of relationships with long-term donors.²⁶

The Review's consultations revealed a pronounced paucity of skills and staffing in the sector for fundraising and sponsorship work. This is particularly true for very small and regional and remote organisations, such as remote art centres, which frequently operate with minimal staff working across the full range of the centre's operations including preparation of canvases and materials, customer liaison, IT support work, development of catalogues and exhibitions, making travel arrangements, managing accounts, and the list goes on...

However, many other stakeholders not facing the tyranny of distance also spoke about the difficulty of attracting and retaining sponsorship and development staff. Arts organisations are often not able to compete with the higher salaries offered to development staff in other sectors, such as the tertiary sector. Even where an organisation has the budget to be competitive in the employment market, some organisations questioned the ethics of paying high salaries to their development staff while paying their 'creative' staff significantly less, and talking tight budgets year after year.

Many organisations that are unable to fund or retain dedicated development staff rely on the goodwill and expertise of volunteer board members to undertake fundraising and sponsorship work. It is crucial to recognise this reliance on board members, as all arts organisations can benefit from a board actively involved in the pursuit of private sector support. Targeted programs are needed to focus strongly on providing help in this area, from the initial stages of building the right board for an organisation through to the ongoing development of the board's skills and contributions.

Overseas experiences have reflected those in Australia, where there has also been a paucity of skilled staff. Collaborations between the arts and private sector have borne innovative programs to tackle these issues. For example, in the US, the Arts and Business Council New York provides development assistance and opportunities, creating targeted partnerships with business and government where needed.

²⁶ Scaife, W., McDonald, K. and Smylie, S., *op. cit*; and *Arts and business: partnerships that work*, Australia Business and Arts Foundation and Australia Council, 2010. http://www.australiacouncil.gov.au/resources/reports_and_publications/subjects/arts_sector/arts_and_business_partnerships_that_work

There is strength in initiatives like this, which are owned by the arts and private sectors in partnership. Government funding provides obvious benefits to the arts sector, however, it is the collaboration between the arts and private sectors that can provide a stronger foundation for the future growth of our nation's creative outputs.

The Review looked closely at existing Australian programs aimed at filling the skills gap for arts organisations and artists. There are a number of programs that identify and target appropriate sources of private sector support, as well as providing advice and mentoring, and there are those that match professional volunteers and suitable board members with organisations. These programs, largely run through AbaF and Artsupport, have shown to be useful and effective, but the arts sector is not fully aware of what is available to them or how to take advantage of them. It seems there are many arts organisations, such as the national training organisations and small arts organisations in remote areas, which have not forged strong and consistent relationships with AbaF or Artsupport—these organisations are in need of support and guidance with their fundraising activities and could benefit from the services these programs offer.

Arts training organisations present vastly different approaches in how they prepare their students for the realities of their careers as artists, and the necessity of raising private sector support. The Australian National Academy of Music in particular works to foster relationships between private sponsors of students and the students themselves, with a view to equipping students with the skills to maintain relationships with private donors during their professional careers. Others, such as the National Institute of Circus Arts, assist students by seeking out commercial opportunities for students to use their skills.

A more systematic approach to training students in the development and management of relationships with private donors would assist to build the skills and sophistication to approach new donors and to maintain long-term relationships amongst the next generation of artists and arts administrators.

Recommendation 6a: *The new private sector support body should promote, extend and formalise its advisory services to provide a program of fundraising, sponsorship and philanthropy governance support to small to medium arts organisations, particularly in regional and remote areas.*

Recommendation 6b: *The new private sector support body should expand its training activities to build the capacity of arts organisations to use their boards to attract and retain private sector support.*

Recommendation 6c: *The new private sector support body should work with key arts training organisations to develop resources on seeking and retaining private sector support targeted at students and emerging artists.*

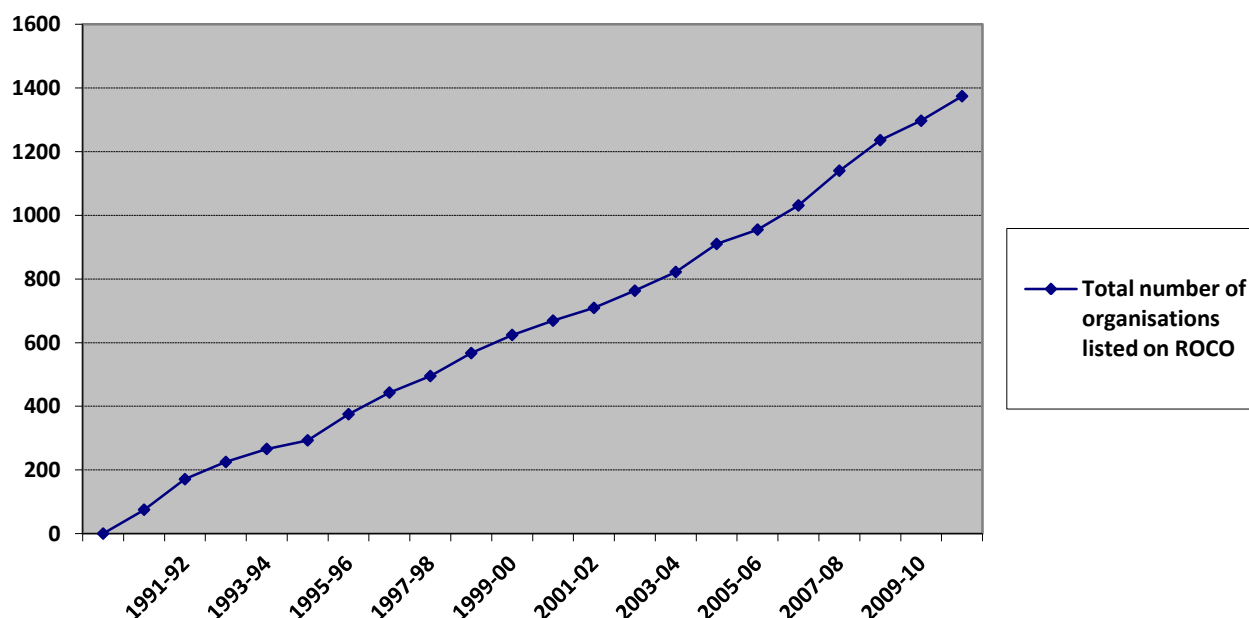
3.2 INCENTIVES TO ENABLE ORGANISATIONS TO RECEIVE PRIVATE SECTOR SUPPORT

3.2.1 Register of Cultural Organisations

The Register of Cultural Organisations (ROCO) provides a customised taxation incentive that attaches to a cultural organisation for the purpose of attracting private sector support. Inclusion on ROCO means that the organisation gains status as a DGR, meaning that it can offer a tax deduction to its donors to the value of their cash gifts.

The Review found broad support for ROCO and the benefits it provides. It has been highly successful in its take-up by arts and cultural organisations and has proven an effective mechanism for attracting private sector support. In 2009–10 more than 1,300 organisations were listed on the register, with these organisations as a whole receiving about \$74.4 million in support.

Figure 2 – growth in the number of organisations listed on ROCO since establishment



One of the strongest and most heartfelt messages to emerge through the Review's stakeholder consultation was in relation to the current exclusion of languages from the definition of what is 'cultural' activity in order for an applicant organisation to qualify for listing on ROCO. All of the Indigenous language centres consulted spoke about the inextricable link between Indigenous language and culture and the falsehood created by administrative processes that seek to separate the two. Many language centres have found that they are unable to obtain DGR status through any other means. As a result, they cannot attract donors and receive almost no support from the private sector. Meanwhile, knowledge about culture is being lost as important work to preserve and record language cannot be funded. This is something that must be addressed through amendments to ROCO as soon as it can be done.

Consultations also raised concerns about the complexity and timeliness of ROCO's application and assessment process. For example, Arts NT noted that: "there is a very long waiting time for organisations to get approval...on the Register of Cultural Organisations (sometimes as long as eight months). The Australian Government could seek to simplify the mechanisms and improve the lead time with this process."

Presently, a prospective cultural organisation requires approval from the Assistant Treasurer and the Arts Minister before it can be endorsed as a DGR via ROCO and collect tax deductible gifts. It was the Review's view that the level of decision making is disproportionate in comparison to all of the general DGR categories in the tax law, which only require approval from the Commissioner of Taxation for endorsement as a DGR.

It was the Review's conclusion that taxation incentives such as ROCO would best sit within the Australian Taxation Office (ATO), which currently has responsibility for administering DGR status more broadly. Transfer of the program would enable substantial streamlining of the application process in line with other DGR registers, thus improving the experience of applicant organisations. This will better enable the ATO to implement foreshadowed updates to all DGR registers, such as triennial reviews²⁷, and the introduction of a statutory definition of charity in 2013.²⁸

Recommendation 7a: Amend the guidelines for the Register of Cultural Organisations to improve the definition of 'cultural' to encompass Aboriginal and Torres Strait Islander cultural practices, such as Aboriginal and Torres Strait Islander languages.

Recommendation 7b: Transfer responsibility for administration of the Register of Cultural Organisations to the Australian Taxation Office, with administration to be streamlined in line with other deductible gift recipient categories. The Office for the Arts will retain an advisory role.

How could this look?

Responsibility for approving organisations for listing on ROCO would sit with the Commissioner of Taxation, who would be able to seek specialist advice from the Office for the Arts on the cultural merits of an organisation's activities. This would be appropriate given the administrative nature of the task, greatly decrease the time taken to process applications, and would address current applicant concerns. Under current laws, the Commissioner is required to make a decision within 60 days, providing certainty to applicants regarding timelines.

²⁷ Review of the Deductible Gift Recipient Registers (media release), Bowen, C., Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, 12 May 2009.
<http://www.dpm.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/044.htm&pageID=003&min=ceb&Year=&DocType=0>

²⁸ Government—circulated by Swan, W., Deputy Prime Minister and Treasurer of the Commonwealth of Australia and Wong, P., Minister for Finance and Deregulation of the Commonwealth of Australia, *op cit.*, p.37.

3.2.2 Crowd funding

Crowd funding has developed alongside the emergence of digital technology in Australia. It involves the collective pooling of funds, usually via a website, for a particular project or initiative. Originally used for the creative industries and design sectors in the US, there are now a raft of successful international crowd funding sites for a gamut of projects ranging from music to film, to the development of biofuel cars. In Australia, crowd funding is recognised as a successful vehicle for arts fundraising, with platforms continuing to emerge in many countries around the world.

The crowd funding model provides an accessible platform for individual artists to seek and garner community support for specific projects and initiatives, outside the more traditional funding methods. This is supported by research and consultations undertaken by the Review which indicate there is a real desire by donors to support individual artists and specific projects, and that donors are also more likely to favour local and community arts.

New digital media and the National Broadband Network will further enhance opportunities for artists, particularly in regional Australia, as crowd funding becomes accessible to a greater audience. This is particularly relevant to Generation Y—those now aged between their late-teens and early-thirties with their “enthusiastic embrace of the IT revolution”, according to Hugh Mackay (Appendix C).

The Review was convinced of the potential for crowd funding to capture new donors who are otherwise not inclined to give to the arts in more traditional ways. Coupled with a matched funding component as an initial stimulus, it is likely that this is a model which could successfully fund, through private sector support, a range of innovative and exciting projects.

Recommendation 8: *The Australian Government develops a crowd funding initiative with a matched funding from government component.*

How could this look?

This program could involve the government providing a matched funding incentive over two years, where crowd funding initiatives raise 80 per cent of the funds needed for a project and the government contributes the remaining 20 per cent. The program aim is to encourage the small scale, artist-led projects, and therefore government contributions per project should be capped to reflect this.

3.2.3 Micro-financing

The concept of micro-financing, also known as micro-credit or micro-loans, emerged in the 1970s as a way to assist low-income individuals in developing countries out of poverty. Micro-finance initiatives provide people with small loans, offered on an unsecured basis with low or nil interest on repayments. Micro-financing is becoming more prevalent in Australia as a means to support a range of initiatives, including those in the arts sector.

Organisations such as Rio Tinto have recently recognised the capacity of new funding models, such as micro loans, to kick-start initiatives in Indigenous communities.²⁹

In 2011–12 the Australian Government is piloting a micro-finance project, supporting small creative enterprises within the Australian music industry. The pilot will provide participants with new business development knowledge and skills, expert creative industry mentoring support and access to seed investment to grow their business. Government funding of up to \$10,000 will be provided towards the business development plan on the basis of interest-free matched loans being provided by the private sector. This is an excellent example of how innovative models, using government funding, can encourage the growth of a private giving base for artists and arts organisations. Based on the success of the pilot, micro-financing could be applied more broadly across the arts sector.

Recommendation 9: *The Australian Government provides funding to support a micro-loans scheme for the arts sector.*

3.2.4 Temporary use of property

A number of submissions talked about creating incentives to encourage building owners to donate vacant space for short-term arts projects. The past few years have seen the emergence of initiatives that facilitate private sector support through the provision of empty spaces to artists, cultural projects and community groups on a temporary basis at low or no cost. This concept comes on the heels of the success of initiatives such as *Renew Newcastle*³⁰ in supporting communities around Australia to marry vacant business spaces with arts and cultural initiatives—an example of what the arts sector can achieve once a need is identified and the private sector is engaged.

It is currently possible for Private Ancillary Funds (PAFs) that own buildings to provide affordable accommodation for arts organisations with DGR status. However, the Review did not find that this is an area where PAFs are particularly active, preferring instead to distribute cash grants. *Renew Newcastle* and similar models provide an integration of arts and culture into everyday life and fit within the broader intended economic outcomes of the National Cultural Policy. Government, property owners, donors, PAFs and the arts sector are encouraged to look at the opportunities available and to maximise benefits for the wider community.

²⁹ *A Worthwhile Exchange: A Guide to Indigenous Philanthropy*, The Christensen Fund, Rio Tinto and Greenstone Group, 2010, p. 57. <http://indigenousphilanthropy.com.au/>

³⁰ www.renewnewcastle.org

3.3 ASSISTING ORGANISATIONS TO CULTIVATE PRIVATE SECTOR SUPPORT

Building strong and ongoing relationships with supporters and potential supporters remains a key component of a successful fundraising program. By building on existing relationships or forging new ones, an arts organisation can develop a diversity of funding streams. The Review heard many examples of how organisations have, over time, developed a volunteer or corporate sponsor into a committed supporter and in some cases partner. One of the Review's key findings in relation to those who give to the arts is that most are open to developing relationships with the recipient of their funding—and in fact for many it is the opportunity to connect with the arts beyond merely attending an event that is a major consideration in choosing to give.

One of the big challenges for artists and arts organisations is identifying the appropriate sources of private sector support and then putting the effort and resources in to build a relationship. It seems many arts organisations are already very active in this area but there is a need for some centralised assistance with skills development and general awareness of opportunities and services. Artists themselves also have the potential to generate and maintain relationships directly with donors to support their artistic practice. Fostering relationships with donors is one of the focuses of Artsupport's mentoring program—this could be grown further in collaboration with other programs such as the ACF and arts education.

Getting the word out about government incentives, the arts contributions to the community and the services available to both donors and recipients can also help engage the broader community and help expose potential donors to the arts. The Review's consultations have particularly highlighted a lack of awareness about current tax incentives offered to donors. The Queensland University of Technology's Centre for Non-Profit and Philanthropic Studies spoke about financial planners and accountants being for many a first port of call for potential donors—the portal through which a message about philanthropic giving could be siphoned. Specialised philanthropy advisors are becoming more prevalent, for example JB Were Philanthropic Services in Australia and Coutts and Co Philanthropy team in the UK provide expert advice in this field. However, there is an opportunity to better engage financial planners and taxation accountants across the spectrum and in doing so, to inform potential donors about the opportunities available to them.

Stakeholders consistently spoke about the importance of leadership and public examples of private sector support to the arts. Through publicly leading by example existing donors can become an effective way of cultivating new and possibly unidentified donors. In Australia, like other countries such as the UK, Canada and the US, there is general agreement that messages about the benefits of giving to the arts are stronger coming from those already giving. Those already giving to the arts sector have a great deal of influence in putting a spot light on the need and benefits of giving.

A number of consultations raised the possibility of a series of philanthropic 'champions' for the arts, leading by example and providing a public message about the benefits of giving. It

was proposed that these individuals could be drawn from a range of sectors, including leaders in philanthropy, business and the arts.

Recommendation 10a: *The Australian Government conducts an awareness-raising program, targeting financial planners, taxation accountants and estate lawyers, providing information on taxation and testamentary giving incentives available to encourage private sector support for the arts.*

Recommendation 10b: *The Australian Government establishes a public campaign promoting the benefits of giving to the arts using a series of arts 'champions' drawn from the philanthropic, business and arts sectors.*

APPENDICES

Appendix A

Biography of Harold Mitchell AC

Mr Harold Mitchell AC is the Executive Chairman of Mitchell Communication Group Limited, which he started in 1976. The company is now the largest media agency in Australia, the largest planner and buyer of media including internet advertising through emitch, and owner of Stadia Media, Australia's largest sports ground advertising contractor.

Mr Mitchell's current and former roles include—Chairman CARE Australia, Director CARE International, Chairman of the Melbourne Symphony Orchestra, Chairman of ThoroughVision, Director Advisory Board Republic Investment Management (Singapore), Vice Chairman of Tennis Australia, Chairman of Art Exhibitions Australia, Chairman Television Sydney, Director Deakin Foundation, Chairman of Melbourne Rebels Rugby Union, Director St James Ethics Foundation, Director Grattan Institute, Former President of the Museums Board of Victoria, Former Chairman National Gallery Australia, Former Board Member of Opera Australia Council and Former President of the Melbourne International Festival of Arts.

In 2000 he launched the Harold Mitchell Foundation. This is a philanthropic foundation to distribute funds between Health and the Arts. In December 2002 Deakin University conferred on him an honorary degree of Doctor of Laws. In 2003 he delivered the Andrew Olle Memorial Lecture on Media.

In 2004 he was awarded the Officer of the Order of Australia for his services as a benefactor and fundraiser in support of artistic and cultural endeavour.

In 2005, he was awarded the Richard Pratt Business Leader Award given by the Australia Business Arts Foundation in recognition of excellence in arts leadership.

In 2010, he was awarded the Companion of the Order of Australia for eminent service to the community through leadership and philanthropic endeavours in the fields of art, health and education and as a supporter of humanitarian aid in Timor–Leste and Indigenous communities.

Appendix B

Methodology

The methodology for the Review of Private Sector Support for the Arts was based on public consultation and research into the current Australian framework, international models and theoretical approaches to philanthropy and corporate sponsorship.

In April 2011, the Minister for the Arts, the Hon Simon Crean MP, announced the appointment of Mr Harold Mitchell AC as the Chair of the Review, tasked with addressing the following terms of reference:

1. Examine current Australian Government arrangements for encouraging private sector support for the arts in Australia and consider any potential enhancements to existing Australian Government measures.
2. Consider the potential efficacy and feasibility of possible new models for encouraging private sector support within the Australian context and provide an assessment of emerging international models that may be relevant to the Australian setting.
3. As appropriate, develop policy options for the Australian Government's consideration, including in the context of the National Cultural Policy.

The Office for the Arts (OFTA) within the Australian Government Department of the Prime Minister and Cabinet provided Secretariat services to assist Mr Mitchell in his task.

On 6 June 2011, a discussion paper was publicly released by the Arts Minister and Mr Mitchell, inviting interested parties to make a submission by 8 July 2011. A total of 60 submissions were received from arts organisations, peak bodies, artists, accountants, government agencies and philanthropic foundations. The 41 public submissions are listed below and can be accessed on the OFTA website at www.arts.gov.au under Public Consultations. A further 19 submissions were provided on the basis that they remain confidential and not made publicly available.

Mr Mitchell and the Review Secretariat conducted over 60 face-to-face consultations with stakeholders within the arts, philanthropy, government, not-for-profit and corporate sectors in Australia, Canada, the UK and the US. A complete list of consultations is also provided below.

By deed of the Review's terms of reference, its focus was on analysing the impact and efficacy of the current suite of Australian Government measures to encourage private sector support for the arts. This included analysis of current funding levels, sources of funding, investment and outputs, and tracking against key performance indicators. The Review researched and examined potential new models, particularly those in Canada, the UK and the US and considered their application within the Australian context.

The Review also commissioned two pieces of research to supplement the Review's findings.

- Hall and Partners Open Mind (HPOM) undertook market research on the propensity of Australian businesses and individuals to give to the arts. HPOM conducted a total of 2912 interviews with a cross section of individuals and businesses. Of these, 265 were conducted with a mix of small, medium and large businesses, with the person with primary or shared responsibility for decisions about donation and sponsorship. The remaining 2,647 interviews were conducted with individuals in the general community aged 18 years and over.
- Mr Hugh Mackay, a high-profile Australian psychologist, social researcher and writer, provided a social analysis on the generational approaches to giving and a profile of the next generation of philanthropists.

The Review formed its recommendation on the views put forward through consultation along with an assessment of current performance of Government programs and opportunities for improvement.

Public submissions

Anthony Wild
Arts and Health Foundation
Arts NT
Arts Tasmania
Australia Council
Australia Business Arts Foundation
Australian Ballet
Australian Publishers Association
Brian Tucker Accounting
Cabel Partners
Chamber of Arts and Culture WA
Copyright Agency Ltd
Council for the Humanities, Arts and Social Sciences
Council of Australasian Museum Directors
Community and Public Sector Union
Jute Theatre Company
Live Performance Australia
Melbourne Fringe
Melbourne Theatre Company
Michael Meszaros

Museum Victoria
Museums and Galleries NSW
Museums Australia
Music Council of Australia
Myer Family Company
Myer Foundation and Sidney Myer Fund
National and State Libraries Australasia
National Association for the Visual Arts
National Gallery of Victoria
Opera Australia
Parramatta City Council
Philanthropy Squared
Positive Solutions
Powerhouse Museum
Queensland Arts Council
Raga Dolls Salon Orchestra
Renew Newcastle
Roderick Smith
Sydney Dance Company
Valerie Kabov
Victor Kay

Australia consultations

Anangu Arts
Australian Ballet School
Australia Business Arts Foundation
Australian Charities Fund
Australia Council
Australian National Academy of Music
Australian Taxation Office
Australian Valuation Office
Australian Youth Orchestra
Eastern States Aboriginal Languages Group
Federation of Aboriginal and Torres Strait Islander Language Centres
Harold Mitchell Foundation
Indigenous Art Code of Conduct
JB Were
National Institute of Circus Arts
Queensland University of Technology, Australian Centre for Philanthropy and Non-profit Studies
The Treasury
Vibe
WA Indigenous Arts Centre Hub

Mr Rick Allert AO
Mr Terry Campbell AO, Chair Australia Business Arts Foundation
Mr Tim Fairfax AM, Chair National Portrait Gallery
Mr David Gonski AC, Chair Sydney Theatre Company
Ms Louise Herron, Chair Major Performing Arts Board, Australia Council
Mrs Janet Holmes à Court AC, Chair Western Australian Symphony Orchestra
Mr Mark Liebler AC, Senior Partner, Arnold Bloch Liebler
Mr Simon Mordant, Chair Museum of Contemporary Art and Deputy Commissioner, Australian Venice Biennale exhibition
Mr Rupert Myer AM, Chair National Gallery of Australia
Mr Allan Myers AO, QC
Mr James Strong AO, Chair Australia Council
Dr Ziggy Switkowski, Chair Opera Australia and Chancellor, RMIT University

United Kingdom consultations

Arts and Business
Arts Council England
Australian High Commissioner
British Museum
Coutts and Co
Dame Stephanie Shirley, Philanthropy Ambassador and co-founder of Ambassadors for Philanthropy
Department for Culture, Media and Sport
English National Ballet
Mission, Models, Money
The Art Fund

Canada consultations

Canada Council for the Arts
Canadian Heritage
Canada Revenue Agency
Canada's National Ballet School
Dr Jim Fleck, Chair Business for the Arts
Metcalf Foundation
Mr Jim Pitblado, Philanthropist
National Arts Centre Foundation
National Ballet of Canada
Ontario Arts Council
Privy Council Office
Toronto Arts Council

United States consultations

Alvin Ailey Dance Foundation
Arts and Business Council of New York
Brooklyn Academy of Music (BAM)
Carnegie Hall
Doris Duke Charitable Foundation in New York
Guggenheim Foundation
Metropolitan Museum of Art
Mr John Studzinski, Blackstone Advisory Partners LP
New York Philharmonic Orchestra
Foundation Center
Sir James Wolfensohn, Founder, Chairman & Chief Executive Officer of Wolfensohn & Company, LLC

Appendix C

Community & Generosity

Socio-economic, cultural and generational change in Australia: implications for our attitudes to giving

Hugh Mackay

The mood and outlook of contemporary Australians is difficult to read. It is hard to recall a time when we have been more confused about the 'big picture' than we are at present. In the minds of many of us, this has been an unwelcome development, coming, as it does, on the heels of such a long and difficult period of change, upheaval and adjustment. Just when we thought things might be calming down and becoming clearer, we have been plunged into yet another period of uncertainty—economic, social, cultural and political.

We should perhaps be used to it by now! We have, after all, weathered a quarter-century of relentless reform and restructure and, in the process, been shaped and re-shaped by a series of revolutionary changes to our way of life that have challenged many of our fondest assumptions about ourselves. Traditional faith in Australia as an open, tolerant, 'fair go', egalitarian society have been eroded by factors as disparate as new patterns of income distribution, the massive increase in the world's refugee population, the globalised economy and the rise of international terrorism.

Yet our aspirations remain strong and positive. We *want* to think of ourselves as a compassionate, harmonious and generous society; we *want* to believe in a better future for our children and grandchildren; we *want* to encourage the idea that in everything from medical research to sport and the arts, we are a nation capable of 'punching above our weight' in the international arena.

At present, though, we are plagued by doubt and anxiety about the impact of climate change and how we should be responding; about the perceived instability (and increasing partisanship) of our domestic political situation; about the fragility of some of the world's biggest economies. We are on a drip-feed of worse-than-usual bad news—natural disasters, revolutions and civil unrest (the Arab Spring, the UK riots), an ever-present series of threats (real or imagined): the breaching of national borders by asylum-seeking refugees, the looming prospect of a global recession, warnings of assorted pandemics, worrying wobbles in the share market that destabilise us and threaten the security of our superannuation.

Against such a dark and uncertain background, consumer confidence has plunged. In spite of buoyant news from the mining industry, we no longer think of ourselves as a nation whose prosperity is guaranteed. For the first time since the 1960s, we are beginning to wonder whether we are quite as lucky as we always thought we were. Perhaps the dramatic increase in our savings is signalling another great tidal movement in the mood of the nation.

To put all that in perspective, we need to look at an earlier, and comparable, tidal shift.

Australia in its 'Dreamy Period': A time of disengagement

Towards the end of the 1990s, Australians began to disengage from national agenda, to turn their backs on the 'big picture', to seek refuge from the challenges and pressures of 20 years of relentless social, cultural, economic and technological change by narrowing our focus and turning it inward. This was our Dreamy Period—a time of self-absorption and reckless self-indulgence in which we remained for the best part of a decade.

What drove us into the Dreamy Period?

The changes that had so fatigued us, distressed us, fuelled our anxieties and generated a 'cocoon' mentality were the result of four revolutions that reshaped—and are still reshaping—the character of Australian society:

- **The gender revolution** (with implications for our patterns of marriage and divorce, our birthrate, the place of women in the workplace, politics and society—at-large);
- **The economic revolution** (with implications for our sense of job security, our distribution of wealth and our sense of ourselves as a 'middle-class' society);
- **The information technology revolution** (changing the way we live and work; blurring the distinction between communication and data transfer; challenging traditional notions of identity and privacy, and introducing us to the stresses of lives 'revved up' by new information technologies and the intensity of new forms of 'connectedness');
- **The revolution in our sense of national identity** wrought by our embrace of multiculturalism and the realisation that we have, in fact, set a shining example to the world of how to create a harmonious society out of ethnically and culturally diverse immigrants. (Even today, more than half us either weren't born here or have at least one parent who wasn't.) Our cultural diversity has become one of our defining characteristics, yet we – like all humans – remain vulnerable to xenophobia and the fear of cultural fragmentation that might erode our 'core values' (though, in fact, most of the values we claim as our own are those of any Western liberal democracy, and many non-Western societies as well).

Because its effects run so deep in the culture, perhaps the most significant of those revolutions has been the gender revolution.

Take, for example, its impact on our patterns of marriage and divorce. Until about 30 years ago, marriage was popular and stable: 90 percent of Australians were married by the age of 30, and only about eight or nine percent of marriages ever ended in divorce. Today, fewer than 50 percent of us are married by the age of 30 and, with about one-third of contemporary marriages expected to end in divorce (initiated, in most cases, by the woman), many families, friendship circles, and communities are being destabilised by the dramatically increased rate of marriage breakdown and family dislocation.

There are now roughly 1,000,000 dependent children living with only one of their natural parents, with half of them regularly migrating from the home of the custodial parent to the

home of the non-custodial parent. Almost 25 percent of families with dependent children are one-parent families and many of those solo parents are too busy, too stressed and too tired to participate in (and therefore to benefit from) the life of their local communities.

One of the many positive effects of the gender revolution has been the rising educational level of women, but one of the knock-on effects of that has been the falling birth-rate ('falling' in spite of the present brief upturn which I suspect will turn out to have been a temporary blip on a downward graph). We are currently producing, relative to total population, the smallest generation of children Australia has ever produced. This will have many long-term effects on the character of our society—and on the members of that generation themselves. In the short term, the low birth-rate has created the phenomenon of 'helicopter parenting'—over-zealous and over-protective parents who may well be sowing the seeds for the most rebellious generation of adolescents we have yet seen. (China's 'little emperor' syndrome, resulting from its one-child policy, may have echoes here in a cohort of little princes and princesses.)

Paradoxically, as the birth-rate (at 1.85 babies per woman) remains well below replacement level (2.1) and far below the level of the post-war baby boom (3.5), we seem destined to become a less child-friendly society than we once were. The child-free restaurant, the child-free apartment block, the child-free resort, and perhaps, before long, even the child-free zone on an international aircraft... these will find increasing appeal in our medium-term future, as we become fixated on dealing with the 'bulge' of people at the older end of the age spectrum.

Here's another example of the ways in which the gender revolution, combined with other factors, is re-shaping Australia: our households have been shrinking to the point where the Australian Bureau of Statistics is now predicting that within 15 years, about one-third of all our households will contain just one person. Already, more than 50 percent of households contain only one or two people.

What has happened to our fondness for the herd (typically 5–8 people) as a context for our domestic lives? Has our herd instinct faded? Of course not: many factors—the greater independence of young women, the high divorce rate, the low birth-rate, increased longevity—have contributed to the shrinking of the Australian household, but it is not a sign that we are becoming a nation of hermits and isolates (and, by the way, we have the shrinking-household phenomenon in common with virtually all Western societies). One reason for the dramatic rise in solo households is that more of us are spending some part, or parts, of our lives living alone than was true for previous generations: a single snapshot of household composition includes many people who are only transiently lone householders.

This is a complex picture, and we shouldn't automatically assume that aloneness equals loneliness and isolation, although it does for many older, bereaved people and for those traumatised or 'sidelined' by divorce. But many people who choose to live alone experience positive feelings of independence and liberation—though, in the short term, the shrinking household may heighten the risk of social exclusion and disengagement.

In the longer term, though, the shrinking household might turn out to be good news for local neighbourhoods as the herd instinct drives us to look for more non-domestic herds to connect with. We are already seeing the explosion in book clubs, bushwalking clubs, investment clubs, discussion groups, painting and poetry groups, community choirs. For many younger people, work-group herds merge with social herds. The proliferation of coffee shops, cafes and food courts (that wonderful euphemism for the 'public trough') and the increasing tendency of cafes and restaurants to provide a common table for solo diners all coincide with the decline in household size: 'grazing with the herd' is one of the easiest ways of connecting with a herd.

The combination of the gender and economic revolutions has transformed not only our households, but the workplace, as well—not only feminising it, but swelling the ranks of casual and part-time workers. Female participation rates have soared: for example, more than 75 percent of women in their fifties are now in the workforce, compared with 52 percent just 25 years ago.

Our workplace has been transformed in other ways: even when unemployment is low, as it is at present, we are experiencing sustained high rates of under-employment, a widespread sense of job insecurity and a growing awareness of the widening gap between wealth and poverty.

As we approached the turn of the century, many of us were feeling in need of a break from the relentlessness of change and uncertainty. We were stressed (or, in many cases, distressed) by the well-documented phenomenon of 'reform fatigue' and we were reporting widespread feelings of powerlessness. That powerlessness sprang not only from a widespread sense that 'things are out of control' but also from several quite specific sources: in 1998, voters had felt confident they had installed a Senate that would kill off the GST, but they turned out to be wrong; those who marched in favour of Aboriginal reconciliation and had genuine hope that some symbolic and practical progress would be made, saw the issue go off the boil for a few more years; many Republicans felt conned by the 1999 referendum. (Later, as we moved into the new century, the one million Australians who marched in protest against our participation in the invasion of Iraq also felt their voices were no longer being heard.)

Yet, in spite of a rather dark and daunting national and international agenda that was threatening to overwhelm us (or, perhaps, merely to frighten us and raise our general level of anxiety), we were simultaneously being lulled by sweet talk of a resources boom and another golden age of economic prosperity. Not surprisingly, we decided to take the money. As we entered the first decade of the new century, it was as if we had begun to switch off; to shut down; to disengage from political and social issues. We entered a period rather like a societal retreat—our 'Dreamy Period'.

The essential characteristic of the Dreamy Period was that it marked a shift in our gaze from the 'big picture' to the miniatures of our private, domestic lives. This shift was all about control: feeling that the national and international agenda was beyond our control, we narrowed our focus, turned it inward and concentrated on things we felt we could control.

Top of the list? Home renovations. As we moved away from news and current affairs TV programs in droves, we flocked to so-called 'lifestyle' programs about home renovations and backyards. And we did it, as well as watching it on TV: there was a national epidemic of home renovations, partly as a distraction from the big picture, and partly as a way of asserting our control over our immediate environment. (Is it any wonder *Spotless*, a book of household cleaning hints, became a runaway bestseller?)

We embraced 'retail therapy' with a vengeance. Retail spending rose and we took on record levels of personal and household debt to fuel our self-indulgence and, we hoped, to insulate us from our anxieties.

We felt we could control which school we would send the children to, so we began to obsess about that and to choose the private-school option in larger numbers. We could control where we would go for our holidays or for the weekend, or where we could locate the perfect latte, so these also became major preoccupations.

We felt we could control our bodies: the Dreamy Period coincided with a surge of interest in health and fitness, personal 'wellbeing', cosmetic surgery and tattoos.

The Dreamy Period's characteristic disengagement from politics meant that incumbent governments—federal, state and territory—had a dream run. Incumbency was given unprecedented power by a disengaged electorate that felt this was one boat, at least, that didn't need to be rocked.

During this period of self-absorption, we became more prejudiced, less tolerant, less compassionate and less inclined to be generous beyond our immediate circle. Many charities struggled for support during those early years of the new century: the top ten charities reported an actual decline in fundraising income.

We became tougher in our attitudes to law and order, and more enthusiastic about the concept of mandatory sentencing.

We yearned for black-and-white simplicity and certainty: the Dreamy Period coincided with another surge of support for fundamentalism—in religion, economics, science, politics, and even in medicine: we wanted simple, single-factor explanations for everything: 'tell me the cause of the problem and give me the strategy to fix it!'

But there was good news as well. The Dreamy Period—like a personal retreat—led to a resurgence of interest in personal 'values' and in the question of whether we are living in ways that are true to the values we claim to espouse. (There was some paradox here: as we racked up record levels of debt and went on a consumer spending spree to distract ourselves from issues we found too daunting, we were also starting to question whether rampant materialism was distracting us from some deeper, more significant questions about the quality of our lives.)

Consistent with our desire to insulate ourselves from the big picture, this was also a time of renewed yearning to connect with local neighbourhoods and communities (see 'The desire to belong', below).

If that analysis is correct, the obvious question is: have we emerged from the Dreamy Period and, if so, when and how did that happen?

The signs of our emergence have not been nearly as clear as the signs of our entry into this period: there was not a tidal movement as definitive as the one that engulfed us in the late-1990s. But, about ten years after the Dreamy Period began, it appeared as if we were, indeed, emerging. There were many, apparently unconnected, hints of it

The 'lifestyle' craze on television waned (though it now shows signs of a looming revival, which raises some fresh questions). The 2007 NSW state election was the first in a long time where an incumbent government actually lost seats. The environment started to come back on the agenda, and became a major moral (as well as ecological and economic) issue at the 2007 federal election. 'Clean' energy started to interest us again. The prolonged drought and the severity of the bushfire season began to alarm us. In response to the Cronulla riots and some race-based violence at the Australian Open tennis tournament, multiculturalism was back on the agenda. Uneasiness about the treatment of David Hicks in Guantanamo Bay, deepening concern about the legitimacy and long-term consequences of the Iraq war, the rise of GetUp and other online activism, a change of Opposition leader, the controversy over the Work Choices legislation... it is almost impossible to separate cause and effect in all this, but by the time of the 2007 federal election, it looked as if the process of political re-engagement, at least, was well under way.

Perhaps ten years of rampant materialism were bound to lead to a desire to look beyond the material and to face some deeper questions. Perhaps there are inexorable, long-cycle, 'tidal' mood-shifts in society and culture that we don't fully grasp. Perhaps we simply needed this retreat as relief from the turbulence of a revolutionary period of change. Whatever the cause, there were clear signs that, by 2006-7, we were emerging from the Dreamy Period.

From then on, every government's incumbency lost its political potency—all federal, state and territory governments have, in the post-Dreamy era, either been toppled or felt more vulnerable.

The dream run for advertisers, marketers and retailers came to an end, too, as consumers became more cautious, more sceptical and more wary of debt.

One clear sign of the mood of re-engagement was the spate of debates, 'summits' and hastily-convened 'think tanks' designed to bring political, social, cultural and economic issues back into sharper focus. The level of involvement in local community activity also increased, and activists of all kinds were finding their voices.

Five years on, we're more engaged, certainly, than we were in the Dreamy Period, but this is still a period of uncertainty and confusion for many Australians, resulting in some loss of confidence and deepening cynicism about the integrity of institutions ranging from political parties to the media, trade unions, big business and even the church.

The desire to belong

Deep within almost all of us is the desire for a sense of belonging, the desire to feel 'part of the place'; the need to know that there is a group—a community—where we are acknowledged, appreciated and accepted, perhaps even unconditionally. We are both herd animals and tribal creatures, and the desire to belong needs to be satisfied at both those levels (e.g., the work-group and the organisation; the local branch and the party; the nuclear family and the extended family).

The anxiety that results from feeling 'I don't belong here' is particularly potent, because it strikes at our sense of personal identity and emotional security. When the desire to belong is frustrated, we feel isolated and even alienated. That, in turn, is likely to generate feelings of hostility, defensiveness and self-centredness. (No-one is more narcissistic than the outsider.)

This is not merely an observation about how social creatures behave: it is also a clue to how moral codes evolve, how people become engaged with 'the neighbourhood', and how concepts like mutual obligation and even altruism are brought to life.

In essence, we are more likely to behave well towards people with whom we feel some sense of connection. We are more likely to grasp concepts like the 'golden rule' when we have experienced the complex processes of co-operation and negotiation that are inherent to the idea of community. We are more likely to behave well towards strangers in our midst if we feel secure about who we are and where we are. Place is a crucial component of the sense of belonging.

Vandalism and social violence are the ugly faces of alienation and isolation. We don't slash the seats on a train that feels like 'ours'; we don't assault an old person we acknowledge as part of 'our' community; we don't withhold help from someone who needs it if we feel confident in our own identity and context (both social and physical).

What this means is that when society is in a state of flux, when families are experiencing fragmentation and dislocation on a large scale, when economic divisions are heightening a sense of 'them and us' and people are complaining that 'the community doesn't work the way it used to', you can be sure there will be an associated decline in virtuous behaviour. The sense of mutual obligation will be eroded. 'Common courtesy' will be less common. People will be less considerate, less sensitive and less generous.

In other words, the concepts of 'community' and 'morality' are inextricably intertwined. Morality is not some inherent, genetic implant: it is a social construct we learn from the experience of living in communities, large and small.

When you look at the radical changes sweeping Australian society and culture, it would be surprising if people were not feeling less certain of their 'core values', and if there were not some signs of fraying of the moral fibre.

This has direct implications for our generosity of spirit. Notice how instantly we respond to tragedies and disasters in our midst—floods, fires, the death of a child in our street – that

shock us back into recognition that we are all, indeed, part of the same community. In the absence of such shocks, we may drift on in a state of un-connectedness, continuing to complain that 'we don't even know our neighbours' (one of the clichés of contemporary urban life).

It follows that if we are interested in re-building the sense of community, the challenge is not to find ways of speaking more eloquently about the issue, nor preaching more passionately about ethics. The real challenge is to find ways of putting people back together again, so the moral work of socialisation can proceed.

For instance, we need to pay more attention to urban design, and to create more spaces where 'village life' can happen more easily. (Is the regional shopping centre really the best we can do?) We need to encourage the provision of more places where people can eat together, walk together, sit and talk together, or play together. (As we have seen, 'grazing with the herd' is one of the easiest ways of connecting with the herd.)

We need to place less emphasis on private space and more on public space, bearing in mind that people in two-income households have less time to maintain a traditional house-and-garden, and many poorer Australians would be happy with smaller houses at lower prices. We need to place more emphasis on public—or at least shared—transport, too, and less on the isolating cocoon of the private car.

We need to encourage participation in community activities (everything from clean-up campaigns and bush care groups to drama classes and poetry clubs) which will reassure people that 'the village' exists and they belong to it.

One of the most powerful ways of fostering the spirit of engagement with the community is by encouraging greater personal participation in the arts. Creative pursuits are good for us as individuals, and community arts activities are good for us as communities.

Good work is being done in hospitals and other institutions, helping those with mental illness to discover the therapeutic effects of participation in the arts—whether through drama groups, art classes or choirs. But you don't have to be suffering from mental illness: a bit of everyday stress is enough to highlight the need to stimulate those creative juices as a way of restoring our sense of perspective, our sense of balance, our sense of naïve wonderment and our sense of worth.

The more you look at the ills of contemporary society—alienation, fragmentation, isolation, depression—the more compelling the need for community participation in the arts seems. What better way of fostering a sense of community, promoting mental health and wellbeing, and reducing the pressures of a competitive, materialistic society than by encouraging co-operative, collaborative creativity?

Learning to paint or write (in a class that creates its own sense of belonging), putting on plays and musicals, organising festivals, making movies, taking up photography, puppetry or tapestry, singing in choirs, dancing, playing in bands... these are all effective pathways to mental health for people whose daily lives are mostly spent in non-creative pursuits.

We talk endlessly about the need for ‘balance’, by which we usually mean the balance between work, family and leisure. But there’s another quite magical possibility: balancing the stresses, disappointments and tedium of life with the therapeutic release of tension through some form of regular creative outlet.

Are we a generous society?

Part of contemporary Australian folklore is that we are becoming less generous, even though we pride ourselves on our open-hearted responses to appeals to help the victims of disasters. The origins of this belief may lie deep in our intuitive understanding of the link between morality and community. If we believe (as we do) that Australia is becoming a more fragmented, more divided, less cohesive place, then might we naturally assume that we would also become less fair, less compassionate and less ‘giving’?

But are such assumptions supported by the facts?

When it comes to the generosity of high-net-worth (HNW) individuals, they are. Australia’s HNW segment is the fastest-growing in the world but, as Daniel Petre, chairman of the Petre Foundation, has shown, the generosity of that segment is pathetic by world standards. Forty percent of HNWs earning in the range \$100,000–500,000 per annum give nothing at all to charity. On average, that group gives 0.5 percent of its taxable income to charity, yet the average figure for HNWs in comparable countries varies between 3 and 12 percent.

Ultra-rich Australians, earning \$1,000,000+ per annum, give 1.98 percent of their taxable income, compared with a world average of ten percent.

Gloomy as they are, these figures are merely one possible way of measuring our generosity. But some other measures are not too encouraging either. Since 2000, as previously mentioned, many charities have been struggling, volunteering has been dwindling and the more subtle, anecdotal signs of declining generosity (social courtesies, for instance) are generally thought to be in decline (though this is hard to quantify).

There are some obvious explanations for a lack of generosity in Australians—especially among newly wealthy Australians. The explosion in high earnings over the past 25 years means the nouveau riche have appeared in large numbers, often behaving as newly-wealthy people typically do—wallowing in a sense of entitlement, being self-indulgent, being reluctant to help those less fortunate than they (‘every society has its winners and losers’), and being inclined to equate wealth with worth. They are also inclined to expect public recognition for their philanthropy—their names on plaques, for instance—so that their generosity does not remain hidden. (There are, of course, many wonderful exceptions to this pattern.)

More generally, it can be argued that our level of generosity is closely related to our sense of morality (that is, our willingness to take the rights, needs and wellbeing of others into account). As we have seen, our moral sensitivity and sense of moral responsibility are likely to be eroded by any erosion in our sense of belonging—of being connected to a

community. (Whether an online community can stimulate the same sense of moral responsibility as the face-to-face, flesh-and-blood variety remains to be seen, but the early signs are discouraging.)

And yet, like all humans we are, at heart, disposed to behave well; to be compassionate; to do good; to help the less fortunate; to be useful. (It is ironic that wealth itself can be the factor that inhibits some of these charitable impulses.) Altruism does occur; people do perform random acts of kindness; not everyone who acts well expects recognition or rewards for doing so.

Indeed, one of the basic desires that drive us is the desire to be useful; to make a worthwhile contribution. We instinctively admire those who behave selflessly: altruism is one of the most attractive characteristics of humans.

Evolutionary psychologists are now wondering whether altruism might just be another form of mate attraction, since altruism signals many positive qualities such as being kind, resourceful and generous. In other words, they are suggesting, altruism is sexy! Altruism may indeed be genetically implanted—kindness is certainly valued by most of us as a desirable quality in a partner. But regardless of its genetic and/or socio-cultural origins, the capacity for altruism—whether expressed as kindness, generosity or compassion—exists in all of us and can be tapped by events, situations or demands that appeal to this most noble aspect of our natures.

The question underlying all such speculation, of course, is this one: why should we be generous? Why should we give our time or money to charities (or, indeed, to the arts)? Why should we be kind to strangers? Why should we listen to people just because they want us to? Why should we sacrifice something of ourselves for the benefit of someone else?

These are not simple questions, though most of us would recognise them as questions that go to the heart of the concept of a 'civil society'. If we believe in the idea of a civil society—especially if we aspire to create one—then we shall have to acknowledge that it doesn't come about by regulation, or by accident. A civil society evolves out of countless deliberate acts of kindness, generosity and compassion by well-meaning people who are often well out of the public gaze.

When we say, 'Australia is a meaner, tougher place' (as so many people now do), we are not praising ourselves. When we say, 'This is a less generous society', we are not proud of it. When we say we're becoming more ruthless, more competitive, more individualistic, more materialistic, we are not describing tendencies we admire.

Perhaps we even recognise that such developments represent a contradiction and a stifling of part of our human nature. Generosity is part of our nature. The desire to be useful is part of our nature—if you doubt it, consider how you would feel if people's assessment of you was that you're 'pretty useless'. We are capable of deep compassion and even courage in our behaviour towards each other. But there's a constant struggle in all of us between our nobler and darker impulses: every one of the desires that drive us is capable of casting a

shadow. Even the desire to belong can encourage an unhealthy obedience or conformity, and can fuel ugly prejudices towards those we judge to be outside our own tribe.

The extent to which we are prepared to foster and encourage the noble impulses in ourselves and others will determine not only the kind of people we will become, but also the kind of society we will create.

What can we expect from the rising generations of philanthropists?

Most newly-wealthy Australians are Baby Boomers (members of the generation born in the 15 years after the end of World War II). Although generalisations about people who happen to be born into particular age cohorts are fraught with hazard, it is fair to assume that, because they were growing up in the Fifties and Sixties, Boomers' attitudes and values were shaped by the formative influences of those two remarkable decades. In particular, they were subject to the extraordinary paradox of two powerful but utterly contradictory influences. On the one hand, they were the children of the Cold War, growing up with the ever-present threat of thermonuclear war, and inclined to believe that a war between the new superpowers (the USA and the USSR) would be catastrophic—the term 'nuclear holocaust' was in their vocabulary from an early age. On the other hand, they were the children of a post-war economic miracle that seemed to promise them an upward ride on an escalator of endless prosperity.

This created a challenge for the Boomers: how to reconcile these two contradictory messages—'you're set for a rosy future', and 'there might be no future at all'. We know how they did it: they embraced instant gratification as their generational ethos: 'We're here for a good time, not a long time.' No wonder they became famous for their impatience, their voraciousness, their reluctance to plan and to save.

But they weren't just impatient to achieve personal goals—marriage, parenthood, education, travel, wealth. They were also impatient to change the world and they became social pioneers and revolutionaries, willingly following the lead of their older brothers and sisters. The pre-boomer feminist pioneers, for example, found a veritable army of recruits in the boomer generation of women seeking economic and social liberation.

In the event, of course, it has turned out that the boomers are here for a long time, and many of them have not had such a good time: they are the generation that set new records for divorce; they have borne the brunt of recessions that have seen them suffer retrenchments and economic hardship greater than any generation since the Great Depression; they are the generation that has had to rise to the challenges of economic restructuring and adapt to the revolutionary changes wrought by the IT revolution.

Boomers have typically (though not, of course, universally) been rather individualistic in their ethos. The term 'Me Generation' was actually coined as a description of the young Boomers, though they are currently recycling it for the members of Generation Y, including their own children.

So perhaps it is not surprising that the Boomers have set such low standards for philanthropy in Australia. The natural tendencies of the nouveau riche, already described above, may be exacerbated by the generational ethos of the Boomers: 'Watch out—we're coming through, and we're looking after Number One!' This is a caricature, of course, that doesn't accord with the remarkable generosity of some Boomer philanthropists (including those who give both generously and anonymously). But it does suggest we might have to wait for a later generation to see a more spontaneous, more communitarian and less self-aggrandised approach to philanthropy in the Australian culture.

Are there any signs of such a generation emerging?

The members of the post-boom generation (those born between the early Sixties and the late Seventies) remain as mysterious and unpredictable as ever—which is precisely why they were dubbed 'Generation X', where 'X' was the mystery factor that would presumably account for how different they were from the Boomers just ahead of them in the life-cycle. X-ers—to offer another dangerous generalisation—have seemed generally more relaxed, less impatient and less driven than the Boomers; they have not been social pioneers in the Boomer mould; they have not been shaped by Cold War attitudes, so they have not feared 'the end is nigh'. In a sense they have been a 'slipstream' generation, content to enjoy the fruits of the hard cultural and economic work done by the Boomer revolutionaries. X-ers were the generation to embrace the concept of 'lifestyle' with a vengeance, as if to say, 'We're here for a good time and a long time.'

Hard to say how philanthropic the wealthy X-ers will be, but they are rather less competitive and aggressively individualistic than the Boomers, so perhaps their social consciences will quicken as they age and grow rich. And they will be growing rich in a society rather more accustomed to having a large band of wealthy people at the top of the economic heap.

Which brings us to the infamous Generation Y (ridiculously so-named for no reason other than that they followed Generation X)—'infamous' only in the sense that it's hard to recall a generation that has received such bad press and been so consistently maligned by employers, teachers and, indeed, their own parents. Yet, if we want to understand Gen Y—those now aged between their late-teens and early-thirties—we need only look at the kind of society they've been born into and the example they've been given by the rest of us. When we do that, we might be driven to the conclusion that, given the way we've raised them, today's young adults are turning out just as you'd expect.

When we try to understand the ethos of this generation, we might also find some grounds for the hope that this might well turn out to be the generation that transforms the culture of philanthropy in Australia.

Contrary to popular prejudice, many of them have had a rather troubled start. They are the offspring of the most divorced generation in our history. More of them have grown up in single-parent families than any previous generation of Australians. More of them have had to deal with the trauma of their parents' separation—and complex parenting arrangements, often involving a part-time father—than any previous generation of kids.

This is a generation that's also been confronted with increasingly complex moral issues—relationships, sex, drugs, the 'war on terror', asylum-seekers, climate change, the expanding frontiers of biotechnology—long before they were old enough to have developed a reliable moral compass of their own.

If the members of this generation seem more tribal than their predecessors, part of the explanation lies in their attempt to create surrogate extended families to compensate for the instability or dysfunctionality of their birth families. And their enthusiastic embrace of all the paraphernalia of the IT revolution is at least partly largely attributable to their desire to stay in constant touch with the other members of their chosen tribes.

If you grow up in a society where the rate of change—social, economic, technological—is faster than ever before and keeps on accelerating, how should you respond? Wouldn't it be a good idea to keep your options open—whether you're talking about a course of study, a job, a sexual partner, marriage, parenthood, a mortgage, a fashion label, a set of religious beliefs or a musical genre? That's precisely what this generation has done: in fact 'keep your options open' has become their generational catch-cry. 'Don't get too committed too soon' strikes many of them as a perfectly reasonable response to the way the world is shaping up.

When the GFC threatened us with recession, many older people were rubbing their hands together in gleeful anticipation of what this might do to the young: 'this will straighten them out; they need a good shock.' How ironic that anyone should have expected Gen Y to stumble and suffer in the face of economic or any other kind of uncertainty when they, more than any other generation before them, have been bred to cope with uncertainty, to expect change, to be adaptable, and to accept that nothing will last for long.

Yes, their impatience to achieve, to progress, can be frustrating for employers used to the expectations—and acquiescence—of previous cohorts of entrants to the job market, but the entrepreneurial spirit of Gen Y is alive and well. If they don't like the way you run your business, they might go out and start their own.

Of course, many members of this generation have struggled with the challenges we've thrown at them. Not all of them thrive on uncertainty. They have had a higher incidence of depression than any previous generation of young Australians, and, tragically, they sustained record levels of youth suicide. But those who survived have learnt to be tough. Highly educated, media savvy, flexible, adaptable and group-anchored... on balance, this looks like a generation better equipped than most to cope with whatever the future holds for them.

Given their highly tribalised attitudes and values—their powerful sense of belonging to their herds and tribes—this is set to become a more communitarian generation than we have previously been accustomed to. Their sense of identity is typically more group-anchored; they are more relaxed about the idea of personal, individual ownership—of information and even of property—than their elders are (which is why they appear less concerned than older Australians with privacy issues).

Will any of this tend to make them more philanthropic?

While it's too early to be confident, this generation also appears rather more co-operative and less competitive than previous generations. As some members of this generation grow rich, that suggests they will be less likely to hoard their wealth, less likely to regard it as a measure of worth or status, and less concerned with personal recognition for their generosity than their predecessors were.

This is also a generation that appears to place a higher value on creativity and, correspondingly, a lower value on conformity. Such an ethos may well foster a more generous, potentially more philanthropic, attitude. Being trained to believe they can do anything, and being determined to live in accordance with their values, perhaps the members of Generation Y will revolutionise our approach to tackling problems of social inequality; perhaps they will also stimulate our interest in and respect for the idea that the arts can enrich the life of a nation.

Though what follows is another generalisation that needs to be qualified by acknowledging the many exceptions, it strikes me that the rising generation of young Australians are, in many ways, like the members of ancient, primitive tribes—closely connected (often via the 'campfire' culture of Facebook), cheerfully nomadic, a strong emphasis on oral communication, more informal in their approach to everything from dress and speech to making arrangements, more 'tuned in' to their emotions.

All of that may be potentially good news for those who want to foster the spirit of community and its running-mate, the spirit of generosity.

This essay has drawn on the following publications:

Hugh Mackay, *What makes us tick? The ten desires that drive us*. Hachette, 2010

Hugh Mackay, *Advance Australia...Where?* Hachette, 2008

'Good Times and Philanthropy: Giving by Australia's Affluent', Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, 2008

Hugh Mackay, *Generations*. Macmillan, 1997

Appendix D

Discussion paper

Review of Private Sector Support for the Arts in Australia

Overview

This discussion paper aims to help you participate in the Review of Private Sector Support for the Arts in Australia. It describes what the review is about, details the terms of reference for the review and provides an overview of the current Australian Government measures aimed at facilitating and encouraging the involvement of the private sector in the arts.

The paper has two parts:

Part 1: An overview of current Australian Government measures

Part 2: Useful questions for consideration

Lodging submissions

Interested organisations and individuals are invited to lodge a submission on issues relating to this review.

It is proposed that all submissions received will be made available at the department's website. Please indicate clearly in your submission if you wish your submission, or part of your submission, to be treated as confidential.

Submissions can either be sent by email to artsreview@pmc.gov.au (preferred) or mailed to the Private Sector Support Review Team, Office for the Arts, Department of the Prime Minister and Cabinet, GPO Box 787, Canberra ACT 2601.

The closing date for submissions is close of business

Friday 8 July 2011

Why are we having this review?

The Government committed in the 2010 federal election "...to identify new opportunities for greater connections between artists and arts organisations with the business community and philanthropists".

The Australian Government recognises the importance of private sector support to promote both the sustainability and growth of the arts and cultural sector. It is committed to exploring ways to increase corporate and philanthropic support for artistic practice.

How will the review be conducted?

On 19 April 2011, the Minister for the Arts, the Hon Simon Crean MP, announced that Mr Harold Mitchell AC will chair the review. Mr Mitchell is a leading business figure in Australia with a longstanding commitment to philanthropy and the arts. He will be assisted by a small team working in the Office for the Arts, Department of the Prime Minister and Cabinet.

The review will identify any barriers or impediments that may exist in Australia with respect to private sector support for the arts. The findings of this review will assist in the development of policy options with respect to enhancing the private sector's contribution to the arts. The review will also be an important element in the development and implementation of a national cultural policy.

The review team in the Office for the Arts can be contacted on 02 6210 2874 or by email to: artsreview@pmc.gov.au.

Terms of reference

The terms of reference for this review are:

1. *Examine current Australian Government arrangements for encouraging private sector support for the arts in Australia and consider any potential enhancements to existing Australian Government measures.*

The review will consider the efficacy of the current suite of Australian Government measures in meeting the Government's policy objective of promoting private sector support for the arts. Those measures include:

Organisational funding

- a. The Australia Business Arts Foundation
- b. The Australia Council (Artsupport Australia)

Cultural tax incentives

- a. The Register of Cultural Organisations
- b. The Cultural Gifts Program
- c. Australia Business Arts Foundation's Australia Cultural Fund and the Australia Council's Donations Fund

Broader tax incentives to encourage philanthropy

- a. Public and Private Ancillary Funds
2. *Consider the potential efficacy and feasibility of possible new models for encouraging private sector support within the Australian context and provide an assessment of emerging international models that may be relevant to the Australian setting.*
 3. *As appropriate, develop policy options for the Australian Government's consideration, including in the context of the National Cultural Policy.*

Current trends in private sector support for the arts

Private sector support is a significant component of income for many arts organisations and contributes to the sustainability and growth of the arts and culture sectors.

Key surveys of private giving and sponsorship undertaken by the Australia Business Arts Foundation and the Australian Major Performing Arts Group note that overall private sector support for the arts has increased since 2000 in Australia, although this varies between art form and the different types of organisations.

Recent surveying and analysis by the Australia Business Arts Foundation found that over the past decade:

- private support for the arts has almost doubled, increasing 90 per cent from \$111.6 million in 2001–02 to \$212.1 million in 2008–09;
- sponsorship has increased 56 per cent from \$64.5 million in 2001–02 to \$100.7 million in 2008–09; and
- giving has more than doubled, increasing 136 per cent from \$47.1 million in 2001–02 to \$111.4 million in 2008–09.

However, it should be noted that total revenue from corporate sponsorship, private donations and fundraising for major performing arts sector decreased in 2009 by 0.3 per cent.

According to the World Giving Index 2010, Australia and New Zealand are considered to be the most ‘giving’ countries in the world in terms of gifting money, time (volunteering) and helping a stranger.

However, available research also suggests that:

- overall giving levels as a percentage of GDP are slightly lower in Australia than the UK and Canada and significantly lower than in the USA³¹; and
- on average Australia’s high net worth and ultra high net worth giving is at a lower level than their counterparts in the USA, UK and Canada despite comparable wealth levels³².

Building a sustainable framework for the future

The private sector has, and will continue to have, a key role with respect to supporting the arts in Australia. It is a vital component of the overall funding mix. This review presents an opportunity to establish a framework that will facilitate private sector support for the arts in Australia and support us well into the future. In the course of developing the framework we need to understand what has changed and learn how the private sector wishes to

³¹ Charities Aid Foundation, *op. cit.*, p. 6.

³² *Good Times and Philanthropy: Giving by Australia’s Affluent*, Madden, K. and Scaife, W. Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, March 2008.
<http://eprints.qut.edu.au/27262/>

engage in philanthropy for the arts. We need to learn what is working well, what the impediments to supporting the arts are and what can be improved.

It is important that this review take into account, and responds to, key changes to Australian society. Australia is a prosperous society, with a strong, growing economy. Since 1990, Australia's real economy has grown by an average of around 3.3 per cent a year. Australia's GDP in 2006–07 (in value terms) was just over \$1 trillion, making it the world's 13th largest economy overall and the 10th largest industrialised economy.

In addition, our demographic has changed. Australians are highly educated with 58 per cent of Australians between the ages of 25 and 64 having vocational or tertiary education, and the tertiary graduation rate of 49 per cent is the highest among OECD countries. Australia is also a culturally diverse society. Of our 22 million people, around 44 per cent were either born overseas themselves or have a parent who was.

Such changes provide significant opportunities for establishing a framework that will increase private sector support for the Arts in Australia and will meet the needs of Australia into the future.

PART 1—CURRENT AUSTRALIAN GOVERNMENT MEASURES

The Australian Government supports a suite of measures to promote private sector support in Australia including:

- deductible gift recipient arrangements;
- private and public ancillary funds; and
- workplace giving programs.

These measures are complemented by arts-specific measures including:

- the Australia Business Arts Foundation (including the Australia Cultural Fund);
- Artsupport Australia; and
- arts-specific taxation incentives.

General Private Sector Support Measures

Deductible Gift Recipient Arrangements

A deductible gift recipient (DGR) is an organisation which can receive income tax deductible gifts and deductible contributions. Endorsement as a DGR allows donors to claim tax deductions for certain types of gifts or donations they make to an organisation. These gifts and donations must satisfy the definition of 'gift' provided by the law.³³

³³ To constitute a 'gift', property must be transferred without any material benefit to the donor: *Federal Commissioner of Taxation v McPhail* (1968) 117 CLR 111; *Leary v Federal Commissioner of Taxation* 80 ATC 4438; *Cyprus Mines Corp v Federal Commissioner of Taxation* 78 ATC 4468.

Generally, in order to be a DGR, an organisation must fall within one of the general DGR categories set out in the gift provisions of the *Income Tax Assessment Act 1997*. The organisation must then apply to the Australian Taxation Office to be endorsed under a particular general DGR category. There are currently more than 40 general categories including public art galleries, museums, arts and cultural organisations and libraries.

The Government generally expects organisations to fully exhaust possible options for DGR support within the general categories before seeking specific listing, including restructuring to meet the eligibility requirements of a category where appropriate.

In the most exceptional of circumstances, and where an organisation clearly does not fit under any of the general categories, the Government may consider amending the tax law to specifically list an organisation as a DGR. The Government receives a large volume of requests for DGR specific listing, and each is considered on its individual merits.

For the 2008–09 income year, individuals claimed \$2.1 billion in deductible gifts.

Private and Public Ancillary Funds

Private Ancillary Funds are trust funds set up with a corporate trustee, designed to encourage private philanthropy across all sectors by providing businesses, families and individuals with greater flexibility to start their own trust fund for philanthropic purposes. A new DGR category for these funds became effective from 1 October 2009. Existing Prescribed Private Funds became Private Ancillary Funds on this date.

To fall within the DGR category, funds must be established and operated on a not-for-profit basis. Another key characteristic is that funds are also established and operated under a will or instrument of trust. Funds are entitled to receive income tax deductible gifts from the date its DGR endorsement starts. A Private Ancillary Fund is required to distribute at least 5 per cent of its opening value each financial year to appropriate DGRs.³⁴

Prescribed Private Funds and Private Ancillary Funds have served to boost philanthropy in Australia considerably. Recent figures on Private Ancillary Funds indicate that the rate of growth in their numbers, the level of donations and the funds distributed is increasing dramatically. According to Australian Taxation Office figures, by financial year 2002, 81 Private Ancillary Funds had been approved. However, by financial year 2008, 769 Private Ancillary Funds had been approved. Cultural organisations are one of the largest beneficiaries of these funds.

A Public Ancillary Fund is an ancillary fund to which the public can make tax deductible donations, for the purpose of disbursing funds to a range of non-ancillary or ‘doing’ DGRs. These funds are generally used as vehicles for community fund raising.

The Government announced in the 2010–11 Budget that it will support and improve Public Ancillary Funds by introducing a new regulatory framework, similar to that introduced on 1

³⁴ The tax law rules state that item 2 DGRs (ancillary funds) can only give to item 1 DGRs, that is to doing, or non-ancillary DGRs. The law of equity provides that charitable funds (such as ancillary funds) must only give to other charities, which means that normally, ancillary funds can only give to *charitable* DGRs.

October 2009 for private ancillary funds, with effect from 1 July 2011. A consultation process on public ancillary fund changes commenced last year (with the release of a Discussion Paper in November 2010). Stakeholders will be invited to comment on the exposure draft and draft Guidelines before the new framework commences.

Workplace Giving Program

Workplace giving programs allow employees to make regular donations to eligible charities through a payroll system. Such donations are deducted from pre tax dollars. This means that employees receive an immediate tax benefit rather than having to claim a tax refund at the end of the financial year.

Employers and their staff can choose to donate to any organisation they like as long as the organisation is eligible to receive tax deductible gifts, that is, the organisation must be a DGR.

The Australian Charities Fund November 2009 report 'Cutting to the heart of workplace giving' states that workplace giving now generates approximately \$20 million per year in Australia.

Arts-specific Measures

The Australia Business Arts Foundation

The Australia Business Arts Foundation is a wholly owned Commonwealth company whose objective is to promote private sector support for the arts. The Australian Government provides the Australia Business Arts Foundation with funding of \$1.6 million per annum for its core operational activities. Government funding beyond 2011–12 has not been confirmed. In addition to Australian Government funding, the Australia Business Arts Foundation receives additional support from donations, partnerships and sponsorship from the private and public sector.

The Australia Business Arts Foundation connects the arts, business and donors. The Australia Business Arts Foundation delivers three key programs—*Partnering*, *Volunteering* and *Giving*—to encourage partnerships between arts and business organisations, promote corporate volunteering, build capacity in the arts sector and foster giving to the arts.

- *Partnering* provides the business and arts sectors with information and advice to assist with the building of relationships. It creates opportunities for the sectors to connect and to explore partnership possibilities.
- *Volunteering* creates opportunities for people from business and the arts to work together to strengthen management and governance in the arts. This is predominantly achieved through the administration of the adviceBank service which connects business volunteers with arts organisations to work on specific projects and boardBank which connects experienced business people with arts organisations seeking to fill board vacancies.

- *Giving* is principally focused on encouraging tax–deductible donations to artists and emerging arts organisations through the Australia Cultural Fund which the Australia Business Arts Foundation administers in accordance with tax legislation.

The Australia Cultural Fund is the key mechanism through which tax deductible donations can be made to support cultural organisations which do not have DGR status and to individual artists who cannot get DGR status. The Fund has received in excess of \$7 million in donations since 2003. These donations have been granted in full to artists and arts organisations. Below is a table showing the number and value of donations received over the last four financial years.

| Financial Year | Number of Donations | Value of Donations |
|----------------|---------------------|--------------------|
| 2009–10 | 781 | \$1.2 million |
| 2008–09 | 816 | \$1.05 million |
| 2007–08 | 686 | \$1.5 million |
| 2006–07 | 860 | \$1.1 million |

Artsupport Australia

Artsupport Australia was established in 2003 for the sole purpose of growing cultural philanthropy in Australia. It began as a three–year joint pilot between the Australia Council and the Australia Business Arts Foundation. In 2006, Artsupport Australia began operating solely under the auspices of the Australia Council. Government investment in the program has been around \$5.2 million.

Artsupport Australia defines philanthropy or giving as: individual gifts or donations (including major gifts, bequests, workplace giving, direct mail appeals and crowd funding), philanthropic grants by private and corporate foundations and corporate philanthropy.

To maximise the philanthropic exchange, Artsupport Australia focuses on two key groups:

1. individual artists and arts/cultural organisations; and
2. individual philanthropists, private and corporate foundations.

About 70 per cent of Artsupport Australia’s clients are small–to–medium organisations with an annual turnover of \$500,000 or less and limited staff and resources for development.

Since its inception, Artsupport Australia has facilitated around \$50 million of new philanthropic income to approximately 200 Australian artists and 600 Australian arts organisations.

Australia Council’s Donation Fund

The Australia Council’s Donation Fund was established in 2000 under the Register of Cultural Organisations and allows the Australia Council to raise funds for its own purposes.

Donations to the fund have been used to support Australia's representation at the Venice Biennale and the landmark Australian Indigenous Art Commission at the Musee du Quai Branly in Paris. The Australia Council encourages donations through the Fund for other Australia Council projects such as:

- fellowships for Aboriginal and Torres Strait Islander artists, community cultural development, dance, literature, media arts, music, theatre and visual arts;
- awards such as the Young Leaders Award and the Writers' Emeritus awards; and
- residencies for artists.

Tax Incentives

Register of Cultural Organisations

The Register of Cultural Organisations was established in 1991 to assist cultural organisations to attract private sector support by offering donors the incentive of a tax deduction.

The Minister for the Arts and the Assistant Treasurer jointly determine whether to add an organisation to the Register of Cultural Organisations, and if added, the Australian Taxation Office endorses the organisation as a DGR, allowing it to collect tax deductible gifts. To be eligible, an organisation must meet several requirements including that its principal purpose must be the promotion of literature, music, a performing art, a visual art, a craft, design, film, video, television, radio, community arts, Aboriginal arts or movable cultural heritage. The range of cultural activities considered eligible does not currently extend to areas of culture such as language, history, traditions and norms.

There are currently more than 1300 organisations listed on the Register of Cultural Organisations. In 2009–10, organisations on the Register received contributions from individuals, business and charitable trusts/foundations estimated at \$74.4 million.

Cultural Gifts Program

The Cultural Gifts Program, formerly the Taxation Incentives for the Arts Scheme, was established in 1978. The program encourages donations of culturally significant items from private collections to public art galleries, museums, libraries and archives by offering donors the following tax incentives for their gifts:

- an income tax deduction for the market value of gifts;
- exemption from capital gains tax; and
- the option to apportion their deduction over a period of five income years, however the deduction of a gift cannot add to or create a tax loss.

Donors are also entitled to claim the cost of obtaining valuations, specifically for this program, as a tax related expense.

The Cultural Gifts Program continues to attract a wide range of gifts of cultural material to public collections and has played an important role in facilitating the preservation of, and public access to Australia's cultural heritage.

Since its inception in 1978, more than \$600 million worth of gifts have been made, with over 385 collecting institutions participating in the program (as at 1 May 2011).

Sponsorship

Sponsorships have become an important part of the funding mix for arts organisations. Many businesses see a possible commercial advantage in the marketing of their brand, product or services through being associated with the arts sector.

The Australia Business Arts Foundation's Partnering Guide notes that traditionally, a sponsorship has been regarded as financial support for an event, person or organisation in return for branding (signage, merchandising etc), networking, media coverage and hospitality options. In recent years the concept of what is included by the term sponsorship has changed and expanded. The Guide suggests that sponsorship is better understood in the context of a broader business-arts partnership rather than a narrow marketing view of the concept.

The 2010 Australia Business Arts Foundation's Survey of Private Sector Support for the Arts, which tracks small and medium sized arts organisations as well as major galleries, festivals and performing arts, found that sponsorship revenue exceeded \$100 million for the first time. Moreover, it found that sponsorship has increased by 56 per cent in the last eight years.

The outlook for sponsorship appears positive. The Repucom Sponsorship Australasia Outlook Report 2010 indicated that there was strong confidence in the Australian Sponsorship sector, with 42 per cent of companies expect to increase their sponsorship budgets in 2011 compared to 23 per cent last year. For those sponsors seeking to drive corporate image and credibility through partnerships with the arts, the most important objectives are entertaining clients/prospects, impacting brand image, improving brand credibility, showcasing social/community responsibility and motivating employees.

Volunteering

There is a growing recognition within the corporate sector of the benefit of giving employees the opportunity to work in the community on a volunteer basis. This might take the form of employees working with an arts organisation for a short period in a hands on capacity, or perhaps taking on an ongoing and active Board role, or perhaps providing pro bono professional services to the arts body/organisation. From the business perspective, facilitating this volunteering represents the firm making a tangible commitment to the Australian community. It also can have enormous motivational benefits for the staff involved in these activities.

The Australian Government has committed to delivering a National Volunteering Strategy in 2011, to mark the 10th anniversary of the United Nations' Year of Volunteers celebrated in 2001. A National Volunteering Strategy will articulate the Government's vision and commitment to volunteering in Australia and highlight the key issues and emerging trends in volunteering over coming years.

State and Territory government initiatives

It is recognised that there are a number of state and territory government initiatives in Australia aimed at fostering corporate support for the arts. The primary focus of this review is to address what steps can be taken at the national government level to promote corporate philanthropy.

PART 2—KEY DISCUSSION QUESTIONS

The following questions highlight some of the areas to be explored by the review. They are provided to assist in the preparation of submissions and are for guidance only.

General

1. Have you found there to be any barriers or impediments to accessing or providing private sector support for the arts in Australia? If so, what are the barriers and impediments and how could these be resolved?
2. What are the main considerations for choosing to support the arts ahead of other possible areas that are seeking support?

Existing measures

3. Is there sufficient information about existing government mechanisms and programs on the various ways in which individuals, families and businesses can support the arts?
 - a. financial giving
 - b. cultural good donations
 - c. sponsorship
 - d. volunteering
4. Is there sufficient distinction between the roles of various federal agencies that provide assistance and advice with respect to private sector support for the arts? What is working well and what can be improved?
5. How are current measures contributing to a more sustainable arts sector? Has the mix in funding received by arts organisations changed?
6. Are Australian arts organisations equipped to seek and to receive support from the private sector? Is Government assisting in this process?

7. There are several general and arts–related measures to support philanthropy in Australia. What is working well? Are the measures still relevant?
8. Are there any areas that can be strengthened or improvements that could be made to current Australian Government measures aimed at facilitating private sector support for the arts? Please outline any suggested changes.
 - a. financial giving
 - b. cultural good donations
 - c. sponsorship
 - d. volunteering

Future Directions

9. What is unique about philanthropy for the arts sector? Does Australia require arts–specific measures?
10. Are there any new approaches or models that could be considered in the Australian setting to encourage increased private sector support for the arts in Australia? Have these measures been implemented successfully in another country or jurisdiction?
 - a. financial giving
 - b. cultural good donations
 - c. sponsorship
 - d. volunteering
11. How should businesses, families and individuals in the community who provide philanthropic support to the arts be recognised?
12. Should government play a role in assisting arts organisations to raise capital and investment funds from the private sector? If so, what role could government play?

Appendix E

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Appendix F

Acronyms

AbaF – Australia Business Arts Foundation
ACF – Australia Cultural Fund
ATO – Australian Taxation Office
AVO – Australian Valuation Office
CCIF – Canada Cultural Investment Fund
CGP – Cultural Gifts Program
DGR – deductible gift recipient
GDP – gross domestic product
GST – goods and services tax
IT – information technology
NT – Northern Territory
NYoR – National Year of Reading
OFTA – Office for the Arts
PAF – private ancillary fund
ROCO – Register of Cultural Organisations
SA – South Australia
SME – small to medium enterprise
QUT – Queensland University of Technology
UK – United Kingdom
US – United States
WA – Western Australia