

APPENDIX



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Overview

The five key findings outlined below broadly reflect the conclusions reached in each of Chapters 2 to 6 in the *Analysis* section of the Discussion Paper. They are as follows:

- Australia's Major Opera Companies make a significant contribution to Australia;
- Governments recognise the significance of the Major Opera Companies;
- Evolving sector dynamics present challenges to opera companies in Australia and overseas;
- The Major Opera Companies have responded in strategic and operational ways that are understandable; and
- The Major Opera Companies' responses, while understandable, have created unintended pressure on their financial, artistic and access performance.

Each of these findings are summarised below.

1.1 Australia's Major Opera Companies make a significant contribution to Australia

Australia has a long and proud history of commitment to opera. The iconic Sydney Opera House—one of the symbols by which Australia is globally recognised—is a key physical manifestation of the place that opera has traditionally held in the Australian psyche. Equally, Dame Nellie Melba and Dame Joan Sutherland, who have been global figures, performing on a world stage, are revered household names within Australia.

That association is as real today as it has been historically. As but one example, on 25 July 2015 as the Panel concluded a two day meeting, the diversity of engagement of the Major Opera Companies with the Australian people was on full display. At the Sydney Opera House, Opera Australia gave a matinée and evening performance of *Turandot* and *Don Carlos*—two of the grandest works in the operatic canon. That same night, Opera Australia opened its co-production with the Gordon Frost Organisation of the Broadway musical *Anything Goes* in the Lyric Theatre at Brisbane's Queensland Performing Arts Centre (QPAC). Also on the same day in the same arts complex, Opera Queensland presented a matinée and evening performance of Leonard Bernstein's *Candide*. Across the continent that evening, in Perth's His Majesty's Theatre, WAO performed Mozart's *The Marriage of Figaro*, while in Adelaide SOSA was in rehearsal for Gounod's *Faust* for an opening a month later. In the Playhouse Theatre of Melbourne's Victorian Arts Centre, Victorian Opera—which is not classified as a Major Opera Company—gave a matinée and evening performance of Sondheim's *Sweeney Todd*.

This single day is emblematic of the richness and diversity of opera performances in Australia. It brings to life the importance of opera to Australians.

That significance can be captured in facts and figures that demonstrate the extent to which opera is important in Australia.

Artistically, the Major Opera Companies make a significant contribution to Australia. They are highly performed. In 2014, Australia's Major Opera Companies put on 576 performances, with Opera Australia being among the most performed opera companies in the world. Such performances cover the gamut of mainstage opera, musicals, events, regional touring, concerts and other forms of community engagement. In the same year, they staged 23 mainstage productions, around half of which were either new to the company or undertaken in conjunction with an international or Australian partner. At the same time, the companies supported the development of Australian talent, particularly young performers.

From an **access** perspective, the reach of the Major Opera Companies is highly significant. In 2014 alone, close to 700,000 attendees were present at performances of the Major Opera Companies, with over 32,000 individuals attending regional touring programs. Over 33,000 attendees were international visitors at Opera Australia performances, while a significant 23,000 interstate visitors saw Opera Australia perform in Sydney. The extent of this reach counteracts any lingering perspective that opera is just for a narrowly defined elite. Further, the Major Opera Companies reached out digitally, including through broadcast events, not just in Australia and New Zealand, but globally, bringing opera from Australia to the world. Opera Australia reached an additional 190,000 people in this way.

Economically, the Major Opera Companies generated \$86.5 million in earned revenue, with almost 88 percent of that coming from box office. They provided employment for the equivalent of over 600 full-time workers whose diversity of skills ranged from singers to craftspeople and technical staff, as well as those with administrative and marketing capability.

The artistic, access and economic contribution of the Major Opera Companies to Australia is elaborated on in detail in Chapter 2 of the Discussion Paper.

1.2 Governments recognise the significance of the Major Opera Companies

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

1.2.1 Governments' approach to funding recognises the companies' importance, although pressures have emerged

The 2011 Cultural Ministers Council (CMC) Framework recognised the importance of the major performing arts companies, including the Major Opera Companies. This Framework, which was underpinned by a set of Guiding Principles, established funding expectations for the companies. The community obligations for all companies were increased, at the same time as the strategic framework that had previously defined the roles of the companies was abolished. The approach embedded in the 2011 Framework represented a major change from that adopted in 2000, following the 1999 Major Performing Arts Inquiry, which initially established an approach to funding for the major performing arts companies.

It built on a number of other changes that had occurred in the intervening period, including significant modifications to the Australia Council's governance structure and staffing approach for the major performing arts companies. The significance of these changes, while undoubtedly well intentioned, was probably not fully understood at the time they were made.

More specifically, in aggregate, these changes contributed to a significant shift in the balance of authority in favour of the companies, away from the funding agencies. Importantly, this gave the Major Opera Companies far greater ability to determine their strategic direction, independently of Government agencies. In combination with the stretching of staffing resources at the Australia Council and the change in status of the Major Performing Arts Panel within the Australia Council, the impact was a diminution of the role of the funding agencies in overseeing the Major Opera Companies. The nature of these changes is described in detail in Chapter 3.

At the same time, Governments' support for the Major Opera Companies has been reflected in the level of funding that has been provided both as core and as project funding.

In 2014, 16 percent (\$32.6 million) of all core Government funding for the major performing arts companies went to the Major Opera Companies. 74.1 percent of that total (\$24.1 million) went to Opera Australia, with the other three companies variously receiving amounts between \$2.3 million and \$3.1 million. Such core funding includes support for Opera Conference (currently \$1.4 million), which since 1994 has provided annual funding for a new shared production each year. It also provides partial support for Opera Australia's regional touring activities.

The level of core funding provided to each Major Opera Company by the Federal Government and each relevant State Government reflects the strategic status of each company as determined in 2000 by the CMC. However, with that approach being superseded by the 2011 CMC Framework, no underpinning logic currently exists as the basis on which the Major Opera Companies (or any major performing arts company) are currently funded. As a result, funding variations are appearing. The abolition of the requirement to maintain the funding model also means that the underlying basis for any incremental funding adjustments no longer exists.

In addition, since 2002, the level of project funding provided to the companies has progressively increased, reaching \$4.3 million in 2014. Opera Australia received \$3.3 million of that funding. Such funding is variable in nature and cannot be relied upon.

1.2.2 Governments' funding is important to the Major Opera Companies

Governments provide funding to the Major Opera Companies (and for that matter other arts companies) because in economic terms, a market failure exists. Governments also recognise the importance of supporting the arts as part of Australia being recognised both at home and abroad for its cultural heritage as well as its creativity as a nation. Without such funding, in an Australian context, the companies' viability is highly likely to be threatened.

The extent of the Major Opera Companies' reliance on government funding differs significantly. While Opera Australia is the largest recipient of Government funding, it

also generates more earned income. In 2014, Opera Australia's proportion of earned income to government funding was 2.9 times. In contrast, the same ratio for Opera Queensland and SOSA is around 0.8 times, while that for WAO is just above 1. In other words, all four companies are highly dependent on government funding for their ongoing sustainability.

1.2.3 Governments' funding is important to audiences

Opera is an expensive artform involving as it does not just highly skilled principal singers, but also an orchestra, chorus and often dancers, actors and child performers. Behind the scenes, it is supported by a very large technical staff. Legitimate artform constraints, such as the difficulty of sequencing long run productions of the same opera, drive increased costs associated with staging opera.

Government funding makes opera more accessible to audiences across Australia. Without government funding, ticket prices would be even higher and the artform less accessible.

In 2014, the Federal and State governments' commitment to access was an average of \$60 per paid attendee across the four companies, with Opera Australia being the lowest at \$49 per attendee including musicals. This level of subsidy is not inconsistent with other artforms, with dance being similar at \$63 and orchestras somewhat higher at \$86. Having said that, the Major Opera Companies in the less populous states have a more significant subsidy per seat, reflecting the high level of fixed costs associated with staging an opera and the smaller audience base on which they draw.

The nature of government funding and the pressures that have emerged are discussed in detail in Chapter 3 of the Discussion Paper.

1.3 Evolving sector dynamics present challenges to opera companies in Australia and overseas

In Australia, and globally, the sector is being reshaped by forces which pose significant challenges to the companies. Shifts in the macroeconomic environment; changing consumer demographics and behaviours; rapidly evolving technology; along with emerging pressures from changing government priorities; and the demands on festivals and venues are some of the external factors that are affecting the sector. These forces are driving demand and supply for the Major Opera Companies, as well as their supply chain economics.

1.3.1 Significant changes in audience demand are having an adverse impact

Significant changes have occurred in audience demand.

1.3.1.1 The Global Financial Crisis has had a profound and lasting impact

One of the prime macroeconomic drivers of change has been the Global Financial Crisis (GFC) which created significant volatility in consumer demand as job security decreased; wealth eroded; and the propensity to save increased.

The immediate impact of the GFC on all artforms, including opera, was profound, not just in Australia, but globally. Between 2007 and 2010, revenue and attendances at opera in Australia declined by 15 percent and 36 percent. Theatre, classical music and dance/ballet also experienced significant negative trends. Opera companies in the USA and the UK were also adversely impacted.

However, the rate of recovery from the GFC varied among artforms and across geographies. In Australia, theatre and classical musical recovered strongly, while opera and dance/ballet languished somewhat. While revenue for both artforms increased by 8 and 9 percent respectively between 2010 and 2013, attendances continued to decline: by 16 percent in the case of opera (excluding musicals) and 5 percent for dance/ballet. Consumer price sensitivity to the high and increasing cost of an opera ticket appears to have contributed to reduced opera attendances. In the USA, opera recovered at a faster rate than other artforms.

1.3.1.2 Greater consumer expectations are increasing pressures on the companies

Consumer expectations for the opera productions they expect to see on stage have increased. These expectations reflect a number of significant societal trends.

Potential Australian audiences are increasingly better educated and more evaluative in their reaction to experiences. 37 percent of Australians now have a degree or a diploma, an increase from 16.5 percent when the Major Performing Arts Inquiry was conducted in 1999. Moreover, the employment profile of Australians has changed, with 46.6 percent now being employed as professionals and managers, versus 35.4 percent in 1999. Women have disproportionately driven this increase. Moreover, Australian audiences are also much more travelled, with the extent of overseas travel, including for holidays, more than doubling over the past decade. These trends, while having the potential to increase audience size, also drive a greater level of critical engagement of an audience with a performance.

Audiences' knowledge of what constitutes a world class performance has also increased due to technological change. The extent of Internet availability and access to social media, including Facebook, Twitter and YouTube, have increased the knowledge of what the Major Opera Companies have to offer, but also provide instant reviews of opera productions in Australia and other parts of the world. Further, audiences can view in high definition at cinemas recent performances by the Metropolitan Opera, the English National Opera, the Royal Opera House, among others, readily increasing their understanding of the quality of performance that is available globally.

Another audience phenomenon is the desire for a unique experience, which has increasingly resulted in the arts and culture being perceived as a subset of leisure activities. In seeking memorable experiences, audiences more critically evaluate the time and money they spend on services. Their insatiable desire for the new and the novel, reinforced by the cult of the celebrity, has had an impact on the Major Opera Companies.

1.3.1.3 Changing consumer buying patterns are affecting the companies

Readily available information via the Internet and social media is driving consumers' desire to obtain value for the performances they attend.

More specifically, subscriber patterns in the wake of the GFC have been highly variable, not just for opera, but for many major performing arts companies. The cost of a subscriber package and time pressures on families and individuals are major factors, as is the wide variety of cultural offerings. Repertoire choice appears to be another significant issue. Given the value of a subscriber to a company, this is a worrying trend.

Those subscribers who continue to buy a package are taking fewer performances in their package. This may reflect not just financial and time pressures faced by consumers, but also reductions in the range of productions put on stage by the companies, as the companies have adjusted to reduced audience numbers.

Attendees are also buying their tickets later. This may represent a desire to buy at a discount given the increased availability of seats; a wish to read accessible reviews of a production; to hold off committing to a future event, as well as wanting to optimise their use of time and money.

1.3.1.4 The mix of private sector income has changed significantly

Private sector support for the major performing arts companies (including for the Major Opera Companies) has increased significantly, growing in aggregate at a compound average annual rate of growth of 7.4 percent between 2001 and 2013.

Private philanthropy by generous individuals has become an increasingly important and relatively resilient element of the growth in private sector income for the major performing arts companies, rising between 2001 and 2013 at an average annual rate of 14.5 percent. This reflects the impact of the distribution of wealth in Australia, government initiatives to encourage private giving, as well as the companies' Deductible Gift Recipient (DGR) status, which allows individual donors to receive a tax deduction. While the GFC slowed the rate of growth in individual philanthropy in Australia, its impact was less severe than in other countries.

On the other hand, corporate sector support has grown at a far slower rate, increasing by only 1.7 percent per annum between 2004 and 2013. This undoubtedly reflects the need for corporations to provide a business case to support sponsorship of the arts, more so at a time when corporate profits were under pressure as a result of the GFC. Nonetheless, until recently, Western Australia and Queensland have been somewhat isolated from this trend because of the economic benefits generated for the economy through the mining boom.

1.3.1.5 Government funding has provided relative income stability for the companies

Federal and state governments have provided an ongoing and stable base of support for the Major Opera Companies, which has given a measure of security during and after the GFC. From 2004 to 2014, total federal and state government funding for the Major Opera Companies, including both core and project funding, increased from \$25.8 million to \$36.8 million, an increase of 3.6 percent per annum.

In contrast, in the UK, funding sharply declined. In the USA, direct government funding has historically been low to minimal, thereby increasing the vulnerability of its opera companies to volatility in audience attendances and private sector support.

1.3.2 Increased diversity of supply is presenting significant challenges for the companies

A diversity of supply of opera and other performing arts productions provides audiences with a richness of choice that has increased competition for the Major Opera Companies.

Such choice comes in a variety of forms. Venues are self-presenting, offering productions where they assume the financial responsibility for the success or failure of the venture. Venues are also offering musicals; operas (including in association with festivals); concerts by leading opera singers; and productions by commercial producers. Festivals are also a source of additional product, not just in association with venues.

Over and above live opera productions, the supply of digital productions of opera is increasing. This allows consumers access to leading productions in their homes on personal digital devices as well as in cinemas. For example, distribution through cinemas is available for a season of productions from The Metropolitan Opera and the Royal Opera House to name but two.

In addition, the Australian opera ecosystem is significantly enriched by the large number of smaller opera companies that offer a wide variety of niche productions. Chapter 4.4.4 provides details on many of those companies, including the Victorian Opera which has a larger budget and presents a wide variety of productions.

1.3.3 Supply chain economics increase pressure on the companies

The Major Opera Companies face a demanding array of supply chain economics, creating challenging cost-revenue dynamics.

1.3.3.1 Upfront production and staging costs are high

Mainstage opera usually has high upfront staging costs. While opera can be intimate, more typically mainstage opera involves visually spectacular stage productions, with elaborate sets and costumes, an orchestra, chorus, significant rehearsal time, as well as a technical support crew. Other costs may include venue charges; box office fees; royalty payments for the use of scores and libretti still in copyright; as well as specialised technical and creative expertise through an opera's development, manufacturing, production and performance cycle.

Mainstage opera may be produced by a repertory company which maintains a permanent artistic staff—as is the case with Opera Australia—or a stagione company, as is the case with Opera Queensland, SOSA and WAO, where singers and artistic personnel are engaged only for a specific work.

Regardless of the approach adopted, the overall level of up front fixed costs is high. Development and set costs alone can be more than a million dollars (as is the case for Opera Conference productions), without including performance and venue costs. This increases the risk associated with a Major Opera Company's committing to the production of an opera.

1.3.3.2 Performance costs are high

Performance costs are also high, driven by the large number of performers—principal singers, chorus and orchestra players—that are required for a specific production.

In addition, vocal demands of the artform impose the need to rest principal singers' voices between performances. This has consequences for the cost of staging opera, from which—for a company like Opera Australia and major opera companies worldwide—the repertory system has evolved. These companies perform two or three different operas in a week, thus largely avoiding dark nights in a venue. Stagione companies, on the other hand, such as Opera Queensland, SOSA and WAO, generally stage a single opera at a time, which, along with the need to rehearse productions, creates the problem of dark nights in the venue.

1.3.3.3 Venue economics are demanding

The venue costs associated with mainstage opera performances are demanding.

Traditional venues for opera require a proscenium arch stage of significant size; an orchestra pit; scenic docks in which to store sets and props; a significant backstage area with dressing rooms; and facilities for wardrobe, makeup and wigs, warm up rooms with pianos along with canteen facilities and offices for the administration directly involved in performances. Such venues are typically large with seating capacity for 1,500 to 2,000 people.

Such venues have significant operating costs, which need to be charged to hirers, including the Major Opera Companies. Appropriately, venues seek to maximise utilisation of their theatres. However, particularly for opera companies in the less populous states, tensions may arise between the Major Opera Company and the venue because it is difficult to find other activities that can fill dark nights.

1.3.3.4 High fixed costs and low marginal costs push companies to increase utilisation

Once a commitment has been made to staging a production, the costs of delivering an opera are substantially fixed or at least semi-fixed. Under these circumstances, there is a significant financial benefit from selling an incremental seat.

However, the challenge for opera is to ensure a production has a long enough run of performances to allow for the benefits of word of mouth to increase theatre utilisation. In that environment, marketing—along with an incremental spend—becomes important to sell extra tickets. At the same time, discounting needs to be carefully managed to ensure an incentive is not provided for consumers to delay purchasing a ticket.

1.3.3.5 Touring costs are significant

Touring adds significant incremental costs for mainstage opera. It involves relocating sets, props, costumes and technical equipment; incurring additional travel and accommodation costs for performers and backstage staff; additional venue hire; and incremental marketing spend. In addition, extra rehearsal time is required for a locally based orchestra or for local performers and extras.

Together, with the close geographic proximity of similar companies, these factors explain why relatively few leading global opera companies tour to other cities.

1.3.3.6 Overhead costs are significant

A Major Opera Company incurs significant overhead costs, although the extent of those costs varies by company. Driven by the need to warehouse and maintain complex sets, props and costumes from prior productions that remain in repertory for future revival or hire, those costs are likely to be more significant for opera companies than for other artforms.

A more detailed analysis of the factors driving the evolving dynamics of opera is provided in Chapter 4.

1.4 The Major Opera Companies have responded to evolving dynamics in strategic and operational ways that have been understandable

Each of the Major Opera Companies has responded to the challenges posed by the sector's evolving dynamics in ways that are understandable both from a strategic and operational perspective.

1.4.1 They have diversified their strategic approaches

The companies have responded to reducing audience demand for opera and increasing upward pressure on costs with bold strategic initiatives.

1.4.1.1 They have changed what programmes are delivered

Historically, excluding SOSA, the Major Opera Companies have offered audiences a reasonably balanced repertoire of popular and less familiar operas of different national origins from different centuries. This was done with a view to attracting new audiences with well known operas, while retaining and extending the operatic experience of frequent opera goers or subscribers with less familiar operas that they might not have seen before or with new productions of more popular operas. In this way, the weaker economics of shorter runs of less popular operas were balanced with the better returns generated from longer runs of more popular operas. A balanced repertoire approach also provides more variety of work for singers with diverse voice types, as well as giving orchestral players, technicians and other staff a greater variety of artistic challenges.

At the same time, SOSA, which characterises itself as a specialist company, maintained its commitment to niche programming, while regularly programming more popular operas to ensure its ongoing financial viability.

The drop in demand caused by the GFC, accompanied by rising audience expectations, greater competition and significantly increased costs caused the companies to re-evaluate their historical approaches. That re-evaluation became more urgent given opera's long lead times and high fixed costs.

The Major Opera Companies' responses in terms of what programmes are delivered fall into four clear categories.

A higher proportion of popular operas was offered

Opera Australia, and to a lesser extent WAO, have responded to the challenging forces they face by presenting a higher proportion of more popular operas. Opera Australia also increased the extent to which it repeated popular operas, many of which were the same production. Repeating popular operas is common and customary amongst opera companies internationally, although Opera Australia has a higher number of performances per staging than major international companies.

Long run Broadway musicals have increasingly been included

Another strategic response by Opera Australia was to diversify into a related artform, namely musicals, that offered the prospect of generating additional revenue and making a positive economic contribution to the company.

While historically Opera Australia has periodically offered a limited number of performances of operettas and musicals as part of its mainstage season, since 2012, it has presented long runs of *South Pacific*, *The King and I*, and *Anything Goes*. *My Fair Lady* has been announced for 2016. The Gordon Frost Organisation, a commercial producer with a track record of presenting musicals in Australia and overseas has been involved in these productions in various capacities. These productions have been presented at diverse theatrical venues throughout Australia, including in Sydney at the Sydney Opera House as part of Opera Australia's regular season, and have attracted significant attendances. The association with the Gordon Frost Organisation has mitigated some of the potentially significant risks of presenting musicals.

The consequence of this strategic response is that in 2014, musicals accounted for 51 percent of Opera Australia's performances and paid attendances and 48 percent of its performance revenue.

The number of mainstage productions and performances have been reduced

A third strategic response by Opera Australia, Opera Queensland and SOSA has been to reduce the number of mainstage opera productions and performances. In Sydney, the number of mainstage productions (excluding musicals) has been reduced from 14 in 2004 to 9 in 2015; while the number of opera performances has decreased from 164 to 122 over the same period. In Melbourne, the number of productions has reduced from 7 to 5 and the number of opera performances from 62 to 33.

Opera Australia's response reflects the increased average deficit per mainstage production it experienced between 2009 and 2014. By putting on fewer productions and performances, Opera Australia sought to mitigate the impact of the deteriorating economics of mainstage productions, while recognising that fewer productions and performances also, in part, accelerate the deterioration.

Similarly, Opera Queensland, faced with significant cost-revenue pressures has decreased the number of mainstage productions at QPAC's Lyric theatre from 2 to 1, while increasing productions at QPAC's Concert Hall, the Playhouse and the Conservatorium of Music Theatre. SOSA is facing similar challenges.

The commitment to innovation has increased

Another response has been to maintain or increase the commitment to staging innovative works. For SOSA, this has been consistent with its longer-term vision of being a specialist company. WAO, Opera Queensland and Opera Australia have all, to varying degrees, exhibited the same commitment.

1.4.1.2 They have changed where programmes are delivered

Recognising audiences' desire for experiences and state governments' aspirations to use cultural tourism to attract domestic and international visitors to holiday and work in their state, the Major Opera Companies adopted flexible approaches to where programmes are delivered.

They have offered events

In the case of Opera Australia, it has staged Handa Opera on Sydney Harbour (HOSH), with the financial support of the NSW Government and the generous contribution of Dr Haruhisa Handa, a significant international philanthropist. In 2013, it also staged Wagner's *Ring Cycle* in Melbourne, with the generous support of Maureen and Tony Wheeler. Opera Australia has recently committed to restage the *Ring Cycle* in 2016.

They have toured interstate

Opera Australia presented two productions at QPAC's Lyric Theatre in Brisbane in 2012, for which they received both Federal and Queensland Government financial support.

They have been involved with festivals

WAO has a long history of co-operation with the Perth International Arts Festival, with this collaboration including Opera Australia in 2015. Opera Queensland has also worked with the Brisbane Festival and the Queensland Musical Festival. SOSA, which has a long history of collaboration with the Adelaide Festival, has not done so since 2012.

They have continued their commitment to regional touring

All companies have, over the past three years, undertaken a level of touring, although it is most clearly demonstrated with Opera Australia and Opera Queensland. In total over 32,000 attendees were present at regional performances of the Major Opera Companies in 2014.

1.4.1.3 They have changed how programmes are delivered

Recognising the changing expectations of audiences, the Major Opera Companies have changed how programmes are delivered.

They have increased physical production values on stage

In response to audience expectations, they have increased the investment in physical production values that have been put on stage, both in sets and the scale of productions.

Increasingly, they have found it difficult to collaborate through Opera Conference

The exogenous factors facing the Major Opera Companies have brought into question the historically mutually advantageous collaboration that has occurred through Opera Conference.

More specifically, they have found it challenging to agree on repertoire, with Opera Australia arguing that less familiar productions or new works should be supported. Using Opera Conference funding for this purpose defrays the costs that Opera Australia might otherwise incur. Some of the other Major Opera Companies, however, want to see more popular repertoire produced that has greater appeal to less frequent opera goers. For SOSA, Opera Queensland and WAO, Opera Conference funding is a significant proportion of their overall revenue and the choice of repertoire is important to them.

The issue of the choice of repertoire is symbolic of other tensions that exist, which are elaborated on in Chapter 5.1.3.2.

They have undertaken more international partnerships

In light of the demanding supply chain economics outlined above, another significant strategic response by the Major Opera Companies has been the increased use of international partnerships.

Since 2009, the Major Opera Companies have either hired in or collaborated in 18 such partnerships, with 6 of them occurring in the past two years. While long having been an occasional Opera Australia practice, the impetus for such partnerships has increasingly come from Opera Queensland, SOSA and WAO. This, to some extent, reflects the issues that have emerged within Opera Conference, as well as the Major Opera Companies from the less populous states seeking greater variety in creative direction, rather than simply hiring-in or even buying productions from Opera Australia.

They have increased their commitment to digital

The Major Opera Companies are seeking to utilise new digital technologies to reach and widen their audience. To varying degrees, they are seeking to do this by using digital technology in cinemas as well as on YouTube. As an example of the success of this approach, in 2013, Opera Australia reached 190,000 people through cinema and domestic television screenings. These figures are over and above the 700,000 attendees at live performances by the Major Opera Companies.

1.4.1.4 They have changed who is delivering their programmes

A fourth strategic approach has been to increase the number of international singers. Opera Australia, in particular, has pursued this route with the number of non-Australian principal singers increasing from 10 in 2009 to 19 in 2015. While some singers and their agents have indicated to the Panel that they disagree, Opera Australia says it has increased the number of international singers because there are an inadequate number of available Australians with appropriate voice types to fill such roles. It might also reflect the desire to increase audience interest at a time when popular operas are being repeated.

1.4.2 They are increasing and defending other revenue sources, including government grants

Each of the Major Opera Companies has worked to supplement box office and core funding by raising private sector support from corporates and through philanthropy. The companies have also sought to enhance funds received from governments by pursuing project funding for events and other activities.

1.4.2.1 They have increased private sector income overall

Private sector income for the Major Opera Companies has increased, rising from \$7.85 million in 2009 to \$10.57 million in 2014. This represents a compound average annual growth rate of 6.13 percent over that period.

Opera Australia accounts for around 70 percent of this income, but as a percent of its own income, it is typically around 7 percent. WAO and Opera Queensland typically generate around 25 and 15 percent of their income from the private sector. SOSA's percent is similar to Opera Australia's.

1.4.2.2 Corporate sector support has remained relatively static

Corporate sector support for the Major Opera Companies typically represents between 40 and 50 percent of total private sector income. Apart from Opera Australia, which has grown at 6.7 percent per annum, such support for the other companies is either de minimis or has decreased.

1.4.2.3 Income from individual donors has increased more rapidly

Income from individual donors for the Major Opera Companies has increased by 8.6 percent per annum. While, in 2014, excluding income generated by its Capital Fund, Opera Australia generated close to 80 percent of the total, it has usually been tied to the need to undertake additional activities such as HOSH or *The Ring*. In other words, to generate incremental private sector income, the Major Opera Companies have had to undertake additional activity which might not be fully self-funding, even after adding the private sector income.

1.4.2.4 Additional project funding has been generated

Significant additional government project funding for specific activities has been generated. Typically, such projects do not offer the Major Opera Companies the surety of long-term funding, leaving the company more financially vulnerable.

1.4.3 They have improved their operational effectiveness and efficiency

In response to the increasingly challenging dynamics of the sector, the Major Opera Companies are each attempting to find a sustainable strategic position and to reduce operating risks.

1.4.3.1 Marketing spend has increased to reach new and existing audiences

The Major Opera Companies have typically increased their direct marketing spend to improve theatre utilisation. In particular, Opera Australia's overall marketing spend increased by 115 percent between 2011 and 2014, although the largest proportion of that was associated with advertising for musicals.

1.4.3.2 Operating cost efficiencies have been achieved

Various efforts to achieve operating efficiencies have been tried, particularly in relation to sourcing productions. Opera Australia and Opera Conference productions have been major sources of sharing up-front production costs, although increasingly companies are looking to international partnerships and non-Opera Australia productions.

In addition, as the only repertory company, Opera Australia has chosen to reduce the number of full-time artists it employs, seeking to variabilise its costs. As a result, Opera Australia has reduced the size of its ensemble; its chorus; and its orchestra.

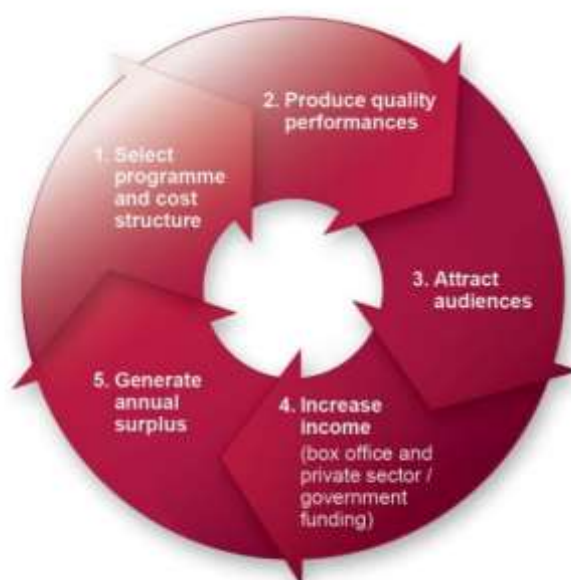
1.4.3.3 Overhead cost savings have been forthcoming

While overheads for most companies have increased, nonetheless, overhead cost as a percent of revenue has reduced.

Thus, the strategic and operational responses by the Major Opera Companies to the evolving sector dynamics have been understandable. Those responses are elaborated on in detail in Chapter 5 of the Discussion Paper.

1.5 The companies' understandable strategic and operational responses have created unintended pressure on their financial, artistic and access performance

The strategic and operational responses of the Major Opera Companies have had some intended and unintended consequences from an artistic, access and financial perspective. These consequences, which are discussed below, have put the Major Opera Companies' cycle of success¹ under pressure.



¹ *Major Performing Arts Inquiry Discussion Paper*, p. 115, citing *Managing for the Future* report, Major Organisations Fund, Australia Council, 1998, p.6.

1.5.1 They are under significant financial pressure

Because of the companies' divergent strategic and operational responses, and their varying sizes, their financial performance is discussed individually. It is also discussed first because it underpins each company's cycle of success.

1.5.1.1 Opera Australia is under significant financial pressure

Opera Australia has adopted a bold, multi-pronged approach to the exogenous factors it has faced, profoundly changing its programming mix (including what, where, how and to whom); as well as making shorter-term operational changes that have attempted to variabilise costs by reducing the size of its ensemble, chorus and orchestra, at the same time as containing overhead costs as a percent of total revenue.

These responses have had significant implications for its financial performance. While revenue has increased significantly, so too have costs. The consequence is that while Opera Australia has a sound consolidated balance sheet because of its long-term investment in property and the activities of its Capital Fund, its financial performance at an operational level is under stress. This has manifested itself in a variety of ways.

Overall, operating costs are rising faster than revenue

At an operating level, Opera Australia has incurred a cumulative deficit of \$4.4 million in the past two years, with expenditure rising faster than revenue. On a consolidated basis, including the Capital Fund, Opera Australia has made a small surplus overall that represents only 1 to 2 percent of its revenue.

Mainstage revenue has decreased at a faster rate than costs have declined

Opera Australia's mainstage activities are a large and increasing factor contributing to its operating deficit. The cost to income ratio for mainstage activities has increased from 140 percent to 171 percent between 2009 and 2014.

The factors that have driven the increase in the ratio include the impact of the Brisbane 2012 season; the staging of *The Ring* in Melbourne in 2013, the reduced number of Sydney productions; the reduced number of Sydney and Melbourne performances; the reduced subscriber base; and the staging of frequent repeats of popular operas.

More specifically, the total direct mainstage cost per staging of a production rose by 15.5 percent between 2009 and 2014, whereas revenue per staging of a production fell by 5.1 percent. This seriously adversely affected the cost-revenue dynamics for mainstage opera.

Musicals and concerts have made a positive contribution to overheads

In contrast to mainstage opera, musicals such as *South Pacific* and *The King and I* have generated a small but positive contribution to overheads. Despite the high upfront costs of staging musicals, the long runs achieved in multiple capital cities create more favourable cost-revenue dynamics than for mainstage opera. Repertory changeovers are avoided and, in addition, because of the different vocal requirements of these works and the fact that singers are amplified, the same cast can be used for up to eight performances a week, including performing twice on matinee days. This improves the economics of musicals compared to mainstage opera.

Concerts, including the New Year's Eve Gala concert and Great Opera Hits, have also made a positive contribution to overheads, reflecting in large part the lower staging costs.

Events have not yet made a positive contribution

Even though HOSH has valuably drawn a new and diverse audience to opera, it has not yet generated a positive contribution to overheads. It is, however, recognised that this is offset by financial support received from Destination NSW and Dr Handa.

A relatively small negative contribution to overheads was generated from Opera on the Beach at Coolangatta, even though some 7,000 people attended the performances.

Regional touring and education make a negative contribution

Opera Australia's regional touring, education and community programmes make a negative contribution of around \$2.7 million. This is partly offset by sponsorship, as well as by funding from Opera Conference and Playing Australia.

Overhead costs have increased significantly

Opera Australia's overheads have increased from \$17.5 million in 2009 to \$20.3 million in 2014, at a compound average annual growth rate of 3 percent. This primarily reflects higher overhead labour costs which increased by \$3.1 million. At the same time, overheads as a percent of total income (including from government) have dropped from 25 to 19 percent, reflecting the increase in revenue due to musicals.

Opera Australia's underlying cash position and balance sheet has weakened

Opera Australia's cash flow situation has deteriorated with the result that over the past two years it has sought a cash advance from the Australia Council against its funding for the following year.

Its operating reserves are eroding. Excluding the Capital Fund, the net operating equity was \$1.2 million in 2014. This offers very little equity backing for an organisation that generates over \$100 million in revenue each year. Nonetheless, Opera Australia has a Capital Fund that strengthens its overall financial position as well as properties that are valued in its books at \$19.5 million.

1.5.1.2 Opera Queensland is under severe financial pressure

Opera Queensland has been under significant financial pressure for a prolonged period. It has responded strategically to that pressure by reducing the number of mainstage operas; staging smaller productions; and putting on more concerts. It has also changed where it delivers programmes, increasingly moving from QPAC's Lyric Theatre to QPAC's Concert Hall, with another production being staged in the Conservatorium. In 2015, QPAC's Playhouse was also used for the staging of *Candide*. At the same time, it has increased its commitment to regional touring and changed the mix of how programmes are delivered, with more coming from international partnerships and its own productions, rather than as hire-ins from Opera Australia.

The financial consequences of these understandable strategic initiatives are as follows:

Cost containment initiatives do not adequately offset small revenue gains primarily from government

Even though Government funding has increased, Opera Queensland has made a loss in each of the past six years, generating a cumulative deficit of \$2.9 million.

Mainstage production economics are challenging

The negative contribution to overheads incurred by mainstage productions has increased between 2009 and 2014 from \$1.7 million to \$1.9 million.

This trend is explained in part by the mix of popular versus less familiar operas; the decline in attendances, including the subscriber base; the mix of venues that have been used; and the focus on new productions.

Non-mainstage programmes require significant government funding

The negative contribution to overheads incurred by activities such as regional touring, education and community programmes has increased from \$0.4 million to \$0.8 million between 2009 and 2014. These negative contributions were offset by increases in private sector support and government funding.

Overhead costs have reduced

Overhead costs, which are high relative to comparable sized opera companies, have reduced from \$2.2 million to \$2.1 million, contributing marginally to a reduced overall deficit.

Private sector support has increased in 2014

Opera Queensland has generated a significant increase in private sector support in 2014. However, while welcome, non-cash sponsorship in kind makes up a significant proportion of the total.

Opera Queensland's cash and balance sheet position is difficult

Opera Queensland's weak operating performance has led to a significant decline in its cash position, with its needing support from funding agencies to meet its cash flow requirements. This situation is exacerbated by its having negative reserves.

1.5.1.3 SOSA is financially vulnerable, despite acting prudently

While facing box office pressures in the wake of the GFC, SOSA has stayed true to its strategic intent of being a specialist company programming niche repertoire, while making some adjustments at the margin. It has done this by continuing to offer a mix of more challenging operas balanced with popular works. In that context, it has also reduced its commitment to the Festival Centre. While remaining committed to using Opera Conference productions, it has increased the number of productions it has hired in from international companies.

SOSA is vulnerable to costs rising faster than revenue

Despite its staging more innovative higher risk works, SOSA has exhibited financial prudence, with its generating a small surplus in all but one year since 2008-2009.

However, it remains financially vulnerable as can be seen by the fact that costs are rising at a faster rate than revenue (5.8 percent versus 4.6 percent). That vulnerability can also be seen in the following factors.

Mainstage has made an increasingly negative contribution

In 2014, SOSA's mainstage activities contributed 98 percent of SOSA's performance revenue and made up 79 percent of its total costs. However, the dynamics of its mainstage activities show some concerning trends with the negative contribution to overheads increasing from \$1.6 million to \$2.2 million.

In part, this has occurred because less familiar operas make a negative contribution more than twice that of popular operas, even though they are only offered 1.4 times as often. In striving for differentiation with less familiar operas, the use of productions sourced from international partnerships has somewhat exacerbated this trend. In addition, SOSA is vulnerable to reduced attendances because of the impact of the renovations being undertaken at the Festival Centre, where it has traditionally undertaken its performances.

At the margin, other activities exacerbate SOSA's vulnerability

SOSA undertakes regional touring, a schools programme and concerts. Individually, the negative contribution incurred by each activity is quite small, but for a small company such as SOSA, they represent a further stress on its finances.

Overheads have been held under control

SOSA's overhead costs are modest and have been held under control, increasing at a compound rate of less than 1 percent per annum.

SOSA's cash position and balance sheet is solid, but vulnerable

Because SOSA has generated small operating surpluses, it has built up a solid cash position. Reserves, which have marginally increased, are relatively small.

1.5.1.4 WAO is well managed, but experiencing challenges

WAO has prudently managed delivery of mainstage opera and concerts in Western Australia in a manner that has resulted in its financial position being relatively more secure than the other Major Opera Companies. However, there are some underlying cost-revenue dynamics that present challenges to the company.

WAO's operating costs are rising faster than revenue

Since the GFC, WAO has generally been profitable with occasional small operating losses. This situation reflects WAO's strong financial governance and management and the lesser impact of the GFC on Western Australia. The loss of \$0.6 million in 2014 primarily reflected the write down of shares in Fortescue Metals Group,

generously gifted to the company in 2011. Without this write-down, the loss would have been less than \$100,000.

Despite the overall financial outcome, performance revenue has been slowly trending down since 2009, as has corporate support and private philanthropy. Total expenditure, on the other hand, has been volatile, but rose in 2014.

Mainstage costs are rising, while revenue is slowly declining

Mainstage opera is WAO's core offering. However, the cost-revenue dynamics of WAO's mainstage activities is progressively deteriorating, albeit slowly. This largely reflects the mix of operas WAO has presented. Between 2009 and 2014, the company staged 8 popular operas and 11 less familiar operas. While the overall revenue from both categories is about the same, the cost of staging the less familiar operas is around 40 percent higher than that for more popular operas. Thus, on average, less familiar works produce a worse financial outcome than more popular operas, in part, because attendances are lower. However, offering less familiar operas is essential if regular opera goers, particularly subscribers, are to stay engaged.

Regional programmes and other activities make a negative contribution

WAO provides a regional programme, a schools programme and concerts as part of its overall activities. These non-mainstage activities generate little revenue but drive significant costs, creating a negative contribution to overheads. Private sector support for these activities, however, reduced this negative contribution to \$348,000.

Private sector support is showing signs of decline

WAO has successfully raised significant private sector support, typically around \$1.6 million each year. However, in 2014, WAO generated only \$1.3 million in private sector income, perhaps reflecting the changed state of the economy in Western Australia following the decline in mineral prices.

WAO's overhead costs have been stable

WAO has prudently managed its overhead costs, with the result that they have marginally reduced from 2011 to 2014.

WAO's cash and reserves position are healthy, but could become vulnerable over time

WAO has held cash balances between \$2.1 million and \$3.7 million over the period since 2009. These reserves are healthy, although they decreased between 2013 and 2014.

Total equity has also steadily increased, rising from \$1.9 million in 2009 to \$3.2 million in 2013, before being adversely impacted by the write down in value in 2014 of Fortescue shares.

In summary, WAO presents a picture of prudence and stability. There is, however, tension in programming between offering less familiar and more popular operas. Moreover, the Western Australian economic outlook may prove more challenging in the coming years.

1.5.2 The companies are under significant artistic pressure

Artistic vibrancy lies at the core of each Major Opera Company creating a cycle of success. Such vibrancy comes from offering a programme that engages with and innovatively challenges audiences, while staging performances of the highest artistic quality. Creating this dynamic underpins a company's long term sustainability artistically and financially, as well as from an audience perspective.

However, companies under financial pressure, such as that being experienced by the Major Opera Companies, may initiate a short-term response that, while understandable, can longer-term create unintended consequences that erode and even undermine their artistic vitality. In those circumstances, the dynamics related to a cycle of success may be disrupted.

1.5.2.1 The reduced number of productions challenges artistic vibrancy

The Major Opera Companies have responded to external pressures, as well as to the financial challenges posed to mainstage opera, by reducing the number of productions offered each year from 29 in 2009 to 21 in 2015, a reduction of 28 percent.

This reduction means that fewer opportunities are available for artists to pursue and maintain a career in opera.

1.5.2.2 The source of new productions may risk artistic vibrancy

New productions are the life blood of opera companies. When balanced with the staging of less familiar repertoire, new productions expand an audience's operatic experience and provide an incentive for them to return to see new and fresh interpretations of works they know.

However, while audiences are drawn in by new productions regardless of their source, the trend for the Major Opera Companies to undertake new productions in association with international companies has potentially adverse implications for Australian creative and design teams and technical craftspeople and manufacturing staff. This trend, when combined with a reduced number of productions, might erode Australia's capacity to provide a career path for Australian directors, designers and creative staff.

1.5.2.3 The narrowing of the repertoire risks artistic vibrancy

While offering a higher proportion of more popular operas and repeating such operas more frequently is understandable as a response to the pressures facing the companies, it also poses a risk to the companies' longer-term artistic vibrancy.

More specifically, it has narrowed the choice of repertoire both by century and by country of origin, which limits the choice and variety for audiences. It also narrows the voice types that the Major Opera Companies utilise, resulting in fewer opportunities for a greater variety of Australian vocal talents to be developed.

1.5.2.4 Fewer new works reflects limited artform investment

The development of new works is important to the reinvigoration of the artform. However, new works which do not have an established track record represent a higher degree of financial risk for the presenting company.

The financial pressures facing the companies have resulted in only one new Australian mainstage work—*Bliss*—being staged during the period from 2009 to 2014. Nonetheless, many non-mainstage new works have been developed.

1.5.2.5 Reduced artistic opportunities may constrain the artform and artists' career development

The reduced number of productions and performances has had significant implications for artists, particularly for singers, more so because they require a long period of study and stamina building apprenticeship. The opportunity to undertake this long period of artistic growth and development has potentially been diminished for a number of reasons, namely:

- There has been a decreased number of principal roles due to the reduced number of productions and opera performances;
- There is greater use of non-Australian international singers;
- There are fewer ongoing principal roles in Australia's only full-time ensemble;
- There are fewer opportunities in the chorus;
- There are fewer ongoing positions in the Australian Opera and Ballet Orchestra;
- There is a reduced number of experienced ongoing technical staff; and
- There are fewer opportunities for younger artists.

In addition, other growth areas, such as musicals, do not offer the same opportunities for individuals to grow as opera singers because the talent requirements are different.

Thus, overall, the financial challenges facing the companies are manifesting themselves in pressures on artistic vibrancy.

1.5.3 Overall audiences for the Major Opera Companies have significantly increased, but not for mainstage opera

Total audiences for the Major Opera Companies have significantly increased between 2009 and 2014, rising from 446,668 to 693,043, a compound average annual increase of 9.2 percent. But while the overall numbers look robust, there are concerning underlying trends.

1.5.3.1 Mainstage opera attendances have declined

Overall mainstage attendances decreased from 312,012 to 227,579 between 2009 and 2014. While Opera Queensland experienced the largest percent decline (12.2 percent per annum), Opera Australia had the greatest impact on the overall number. Its mainstage attendances decreased from 260,481 to 190,536 over the same period, a decrease of 6.1 percent per annum. SOSA experienced a small decline, while WAO declined at a rate of 4.2 percent per annum.

This decrease occurred with both subscribers (down 6.35 percent per annum) and single ticket sales (down 5.96 percent per annum), with single tickets representing 58 percent of the overall decline. Opera Australia contributed 74 percent of the decline in subscription tickets and 89 percent of the decline in single ticket sales.

Opera Australia saw a stronger decline in Sydney than in Melbourne where a higher percent of repeat operas have been frequently staged. It might also reflect Sydney subscriber tickets and single ticket prices being respectively 34 percent and 14 percent higher than the equivalent in Melbourne (in 2014). The reduced number of productions and performances also contributed to this outcome, creating a measure of concern amongst committed and knowledgeable opera goers.

1.5.3.2 Attendances at musicals have grown strongly

Opera Australia has significantly grown its attendances at musicals. In 2014, there were 281,088 attendees at performances of musicals in Sydney, Melbourne, Brisbane and Adelaide. This represented a 91 percent increase from 2012 when it first embarked on the strategic response of presenting musicals. Moreover, the total number of attendees at musicals was greater than that at mainstage opera in 2014, namely 281,088 versus 189,114, although that includes the outcomes for all capital cities. In Sydney, more mainstage opera tickets were sold, whereas in Melbourne tickets for musicals outsold those for mainstage opera.

The attendees at musicals represented a diversification of opera's audience base, with very few attendees having previously attended an opera. This has not, however, converted into significantly increased attendances at mainstage opera.

1.5.3.3 Attendances at HOSH have grown significantly

Opera Australia's offering of HOSH has been a major development that attracted 55,011 attendees in 2015. While not traditional mainstage proscenium arch opera, it has exhibited an ability to attract many attendees who have not previously attended an opera. The conversion rate to mainstage opera, so far, has been low.

1.5.3.4 Regional touring audience numbers are significant but fluctuate

Regional touring is another important initiative that seeks to make opera accessible to residents of regional Australia. In 2014, over 32,000 people attended regional performances. Ticket prices for regional performances are typically quite modest, varying in 2014 between \$20 and \$43, thereby increasing the accessibility of opera in regional areas.

In summary, opera in Australia has become more accessible through initiatives of the Major Opera Companies. While attendances at mainstage opera have declined in the face of external pressures and the way the Major Opera Companies have responded to financial and shifting external factors, other initiatives such as offering musicals and HOSH have built new audiences. Touring continues to be a very important part of how the Major Opera Companies engage with regional Australia.

Despite these initiatives, the Major Opera Companies are under severe financial, artistic and access pressures, as outlined in Chapter 6 of the Discussion Paper. As a consequence, the companies are at a tipping point where a cycle of success could readily become a cycle of decline. The challenge will be to ascertain what initiatives can be taken to address this situation.

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DISCUSSION PAPER PART A

ANALYSIS



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Part A Analysis

Chapter 1: Background to the Review

1.1 Origins of Review

The Attorney-General and former Minister for the Arts, Senator the Hon George Brandis QC, announced on 31 July 2014 that the Federal Government would conduct a National Opera Review. The Terms of Reference, which are described in more detail in Chapter 1.4, were released on 3 September 2014.

The Review was commissioned because of concerns that a number of major opera companies in Australia, and indeed worldwide, face significant financial challenges that are creating artistic and access challenges.

This Review was established with the endorsement of all relevant State Governments.

1.2 Companies included

There are four companies that are covered by the Review: Opera Australia (OA), Opera Queensland (OperaQ or OQ), State Opera of South Australia (SOSA) and West Australian Opera (WAO).

Hereafter, and only for the purpose of this Review, these four companies are referred to as the Major Opera Companies or the four Major Opera Companies.

1.3 Basis for inclusion

The companies included in the National Opera Review are those which receive significant funding from the Federal Government and the relevant State Governments under the *National Framework for Governments' Support of the Major Performing Arts Sector* which was endorsed by the Cultural Ministers Council in 2011. These companies were also previously included within the scope of the 1999 Major Performing Arts Inquiry.

Under the 2011 Framework, the four companies, along with the other major performing arts companies, must meet specified criteria to retain their status as major performing arts companies. These requirements are designed to help ensure the companies are accountable for the significant government funding they receive. The Framework is oversights on behalf of the governments by the Australia Council's Major Performing Arts Panel and the relevant State Government funding agencies.

More specifically:

- Opera Australia, which performs regularly in Sydney and Melbourne, receives the majority of its funding from the Federal Government. The company is also supported by the Governments of New South Wales and

- Victoria. It is the largest of the Major Opera Companies and the main recipient of government funding for opera;
- Opera Queensland, which performs in Brisbane and regional Queensland, receives the majority of its government support from the Queensland Government;
 - State Opera of South Australia, which performs primarily in Adelaide, receives support from the Federal Government and the Government of South Australia; and
 - West Australian Opera, which performs primarily in Perth, receives the majority of its government support from the Government of Western Australia.

An overview of each company is provided in Chapter 2.1.

Other important opera companies operate in Australia that are not directly included in the scope of this Review. They have not been included in the scope of this Review because they are not included in the 2011 Framework. Nonetheless, these companies play an important role in the opera sector in Australia and their contribution is discussed in this Discussion Paper.

1.4 Terms of Reference

The objective of the Review is to make recommendations aimed at promoting the Major Opera Companies' ongoing artistic vibrancy, accessibility and financial viability.

More specifically, the Terms of Reference released in September 2014 for the Review are as follows:

1.4.1 Financial

"The companies' ongoing financial viability is to be assessed, including having regard to the following:

- The effectiveness and efficiency of the delivery of opera performances in Australia by the four opera companies, including developing an assessment of:
 - Their cost-revenue dynamics, balance sheet strength and ongoing sustainability;
 - The competitive dynamics which might be affecting the operations of the companies;
 - Their workplace arrangements, including workforce flexibility and the sustainability of the approach adopted;
 - The cost and value of the assets of each company, including foundation assets where applicable; and
 - The corporate structures, constitutions, management and governance of each company to ensure they are fit for purpose.
- An assessment of the extent of co-operation among the companies and the appropriate approach going forward, including the role of Opera Conference;

- Benchmark information on the delivery of opera in Australia versus comparable opera companies internationally; and
- The rationale and role of government funding in supporting the operations of the companies.

1.4.2 Artistic

The companies' ongoing artistic vitality is to be assessed, including having regard to the following:

- An assessment of the artistic vibrancy of the companies and the relationship with their financial strength; and
- An analysis of the ways the delivery of opera in Australia contributes to the development of artists, musicians and other practitioners from the early to later stages of their careers.

1.4.3 Access

The extent of access provided by the companies and the way that interrelates with their artistic vibrancy and financial viability, including having regard to the following:

- An assessment of the delivery of opera in metropolitan and non-metropolitan areas, including through:
 - The delivery of performances, including regional touring; and
 - Education programs.
- Ways to broaden and increase audience engagement across all Australian states; and
- Ways by which the appreciation of opera as an art form in the Australian community can be increased.

The Review may also examine and report on any other issues it considers relevant or incidental. The Review will consult with stakeholders, including State Governments, as is thought necessary.”

1.5 Composition of Review

The Review Panel comprises four members.

The Chairman, Helen Nugent AO, also led the 1999 Major Performing Arts Inquiry.

Panel Members Kathryn Fagg, Andrew McKinnon, and Moffatt Oxenbould AM all bring highly relevant experience and skills to the Review.

The Secretariat for the Review has been provided by the Ministry for the Arts, with support from the Australia Council. The Secretariat were Dr Stephen Arnott PSM, Jane Carter, Jessica Kelly, Jacqueline Tucker, Dagmar Davies, Emma Lindenmayer and Rachel Morris. Consultants have been engaged for the Review as required to provide expert advice and analysis.

1.6 Conduct of Review

The key steps leading up to the release of the Discussion Paper have been as follows:

- Sought the initial views of the four Major Opera Companies and the relevant funding agencies in relation to the key issues to be addressed;
- Developed a fact-based analysis, including both publicly available data and extensive material provided by the Australia Council and the Major Opera Companies;
- Consulted with key stakeholders, including the holding of public consultations; and
- Released this Discussion Paper which provides a fact-based analysis and identifies the key issues to be addressed along with options for addressing them, as well as their pros and cons.

Following the release of this Discussion Paper, the following process will be adopted:

- Consult again with key stakeholders and the public; and
- Present a Final Report, including recommendations for action, to the Federal Government Minister for the Arts.

1.7 Purpose of Discussion Paper

The Discussion Paper is divided into two parts.

Part A of the Discussion Paper provides a fact-based analysis of the following:

- The contribution that the companies make to Australia;
- The investment made by Governments;
- The evolving dynamics of opera in Australia;
- The way the companies are responding to the changing dynamics; and
- The way those responses have affected the companies' performance.

Part B of the Discussion Paper provides an assessment of the issues facing the companies, the options for addressing those issues, and the pros and cons of the various options. More specifically, it addresses:

- The strategic issues facing the companies, including options for where they should head, how they should operate, including the extent of co-operation within and across artforms and with other relevant organisations;
- How artistic vibrancy could be improved;
- How access could be enhanced;
- How financial stability could be addressed, including through box office, private sector support, cost reduction initiatives, as well as initiatives that could be taken to strengthen the organisations' balance sheets;
- How best practice management and governance could be enhanced; and
- What approach Governments should take to funding.

1.8 Limitations of Discussion Paper

It should be emphasised that this is a report to Government. Its focus is, therefore, on factors where governments could legitimately expect to have a perspective within the Terms of Reference outlined above. The Discussion Paper, therefore, does not offer a perspective on specific company issues such as particular choice of repertoire or artists. Nor does it comment on individuals who have historically or who currently occupy governance or leadership roles within the companies.

The data contained in this Discussion Paper is accurate to the extent that it has been possible to verify. While every care has been taken to ensure the accuracy of the data, it has not been possible to independently verify all the material. Over the course of the Review, extensive checking has occurred with each Major Opera Company in relation to the data. However, the contextualisation and interpretation of the data is the responsibility of the Review Panel. Feedback on the material, including the interpretation of the data, is invited in response to the release of the Discussion Paper.

1.9 Acknowledgements of Panel

The Panel acknowledges the extensive support provided to the Review.

In particular, the Panel would like to acknowledge the significant support that has come from the Major Opera Companies. The Panel recognises the considerable additional workload that has resulted from the extensive requests for data and its verification. The staff have been generous and gracious in responding to these requests.

In addition, the Panel acknowledges the willing co-operation and support provided by the Australia Council, the State and Territory Governments and funding agencies, as well as the senior executives of orchestras, venues, festivals and conservatoria. A number of artists, artists' managers, and other opera staff and their representatives have provided valuable perspectives.

Further, through the extensive public consultation process, audience members and individual artists have been generous with their time and insight.

Without the co-operation and assistance of these parties, the Review would not have been able to deliver this Discussion Paper.

Other organisations and individuals have supported the Review's work. These include the Australian Music Centre, Professor Barry Burgan of Bond University who undertook the elasticity of demand analysis in Chapter 4, Macquarie Group which provided meeting facilities and other forms of support, and Mr Alex Harper and McKinsey & Company who undertook preliminary analysis on a pro bono basis.

Finally, the Panel would like to acknowledge the major contribution made by consultants to the Review, Dr Cathy Brown-Watt PSM and Chris Smith, who have been generous with their time, wisdom and insights throughout the Review process. In addition, Wayne McKenna and David Colville have both provided the Review with reports on specific topics.

Chapter 2: Significance to Australia of Major Opera Companies

Introduction

The four Major Opera Companies included in the Review make a significant contribution to Australia. This chapter describes their significance from an artistic, audience access and financial perspective.

2.1. Background on each company

Prior to outlining the contribution of the Major Opera Companies, a thumbnail sketch of their history and profile is provided in Chapter 2.1.

2.1.1 Opera Australia

Opera Australia was founded in 1956 and is based in Sydney and Melbourne. Previously known as The Australian Opera, the company was renamed Opera Australia following the merger with the Victoria State Opera in 1996.

Opera Australia is a repertory company presenting two substantial mainstage opera seasons in both Sydney and Melbourne each year. It also stages major events such as Handa Opera on Sydney Harbour (HOSH), as well as regional, schools and community performances. In recent seasons it has also scheduled long runs of Broadway musicals in conjunction with a commercial partner.

During Opera Australia's mainstage opera seasons, two or three different operas are usually in repertoire each week, while other works are being rehearsed for future performances. Some are new productions by Opera Australia; Opera Conference² stagings; or co-productions with international partners. However, most are existing repertoire works revived from previous seasons. Opera Australia's physical productions are regularly hired to Australia's other Major Opera Companies as well as overseas.

Opera Australia has a full-time CEO and a full-time Artistic Director. In 2014, Opera Australia had an administrative staff of 69 full-time equivalent (FTE) employees, comprising 61 ongoing FTE staff, of whom 24 are engaged in marketing. It is the major employer of operatic talent in Australia. In the same year, Opera Australia had 309 artistic employees and 171 technical employees. It employs singers on a salaried and casual basis, both from Australia and overseas, as well as orchestral musicians, music and language staff, scenic workshop, wardrobe, wigs and property staff, stage management and backstage crew. The Australian Opera and Ballet Orchestra (AOBO) is a wholly owned subsidiary of Opera Australia, and employs 62 full-time musicians as well as casual musicians as required by the repertoire. The AOBO performs for The Australian Ballet for its Sydney seasons.

² See Glossary

Opera Australia also has a successful young artists' development programme.

2.1.2 Opera Queensland

Opera Queensland (OperaQ as it has been rebranded or OQ as it will be designated as necessary throughout this document) was founded in 1981 and is based in Brisbane.

It is a stagione state opera company performing in a range of theatres and venues across Brisbane. Opera Queensland is also involved in extensive touring through regional Queensland and is increasingly active in community, education and specially devised event presentations in the state.

In 2014, it collaborated with the Brisbane Festival to stage a major work by Philip Glass in the Concert Hall of the Queensland Performing Arts Centre. In 2015, it is presenting two mainstage works in two different theatres: four performances in the Lyric Theatre and six in the Playhouse of the Queensland Performing Arts Centre. Both productions will be performed with the Queensland Symphony Orchestra as part of the orchestra's funding agreement with the Federal and State Governments.

Opera Queensland has a full-time General Manager and a part-time Artistic Director. It engages artists on a guest basis for specific productions and presentations, encouraging Queensland performers, while also using established Australian professionals and occasional international singers. In 2014 Opera Queensland had an administrative staff of 10.6 FTEs, comprising 8.4 equivalent administrative staff and 2.2 marketing staff.

Opera Queensland's physical productions in recent seasons have either been created in Brisbane or as co-productions with other state opera companies and companies in New Zealand and South Africa. It has not presented an Opera Conference mainstage production since 2011.

2.1.3 State Opera of South Australia

State Opera of South Australia (SOSA) was founded in 1976, having emerged from Intimate Opera in 1957 and New Opera in 1973. It is a stagione company based in Adelaide.

SOSA defines itself as a specialist company with a long history of producing new work from Australia and overseas—often as part of the Adelaide Festival—as well as major operatic landmarks such as *The Ring* in 1998 and 2004; and the Glass *Trilogy* in 2014.

It is distinctive amongst Australian opera companies in having a single person serving full-time as both CEO and Artistic Director. In 2014, SOSA had an administrative staff of 4.5 FTEs, comprising three full-time equivalent administrative staff and 1.5 FTE marketing staff.

In recent seasons, it has presented three mainstage works in the Festival Theatre, but in 2015 it is presenting only two operas for four performances each, plus a major concert work for two performances. These performances use the Adelaide Symphony Orchestra as part of the orchestra's annual activity.

SOSA is increasingly involved in performing smaller scale work at its Netley Studio and in community and education programmes within the state.

SOSA is active in developing young artists and employing experienced singers resident in SA. Singers are engaged, as required, for specific productions.

SOSA's mainstage productions are generally hired from Opera Australia or are Opera Conference productions. In recent years it has been a co-producer with other opera companies both in Australia and overseas.

2.1.4 West Australian Opera

West Australian Opera (WAO) was established in 1967.

It is Western Australia's state opera company presenting three operas each year for 5 or 6 performances, each in separate seasons in His Majesty's Theatre, a heritage listed Edwardian building in Perth's CBD. WAO also presents a major community event annually—*Opera in the Park*—which is simulcast live throughout Western Australia.

It performs on a stagione basis, engaging singers and artistic personnel required for the particular work being presented, which is mostly chosen from the traditional repertoire.

Its productions are generally hired from Opera Australia or are Opera Conference productions. It has a full-time General Manager and part-time Artistic Director and performs with the West Australian Symphony Orchestra as part of the orchestra's funding agreement with government. In 2014, WAO had an administrative staff of 8 FTEs.

WAO has a long record of developing and engaging artists from Western Australia, alongside established Australian and occasional international guests.

WAO is increasingly involved in the commissioning and development of new repertoire and has a strong collaborative relationship with the Perth International Arts Festival.

2.2 Artistic significance

The Major Opera Companies' artistic significance can be defined in three key ways:

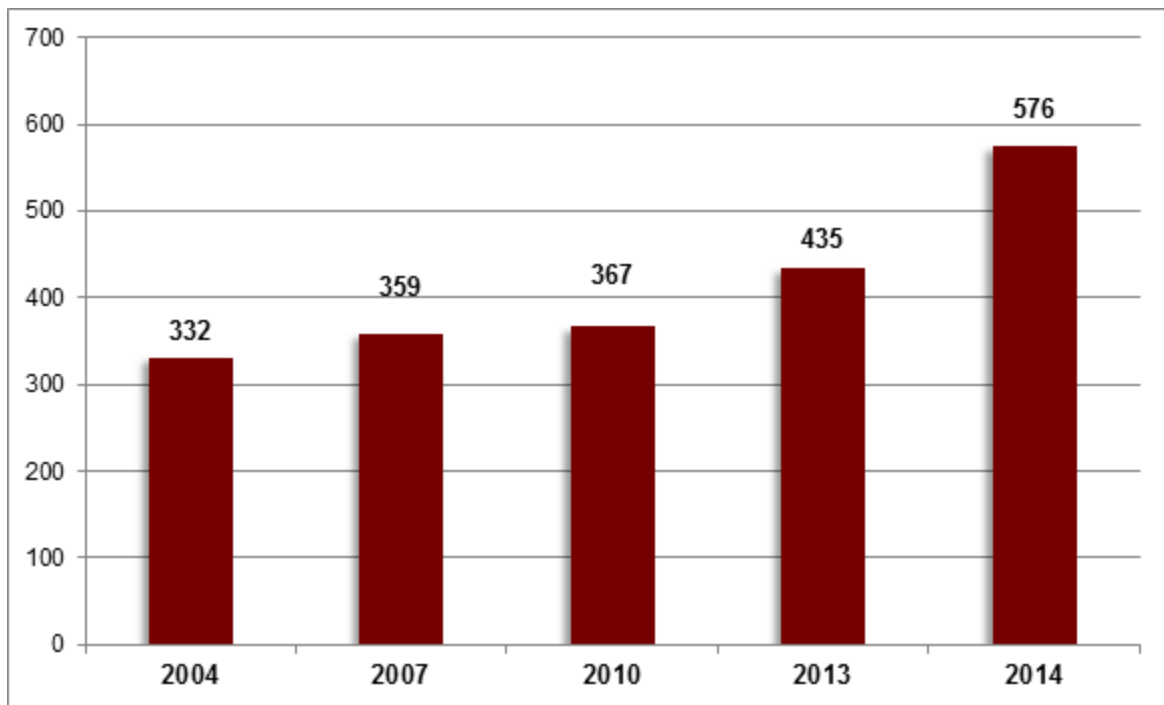
- 2.2.1 size of their artistic presence;
- 2.2.2 nature of their repertoire; and
- 2.2.3 role in developing Australian artistic talent.

2.2.1 Size of artistic presence

Australia's Major Opera Companies present a significant number of performances.

Indeed, the overall number of performances has increased significantly between 2004 and 2014, rising by 73 percent or 244 performances from 332 in 2004 to 576 in 2014. That trend can be seen in Exhibit 2.1.

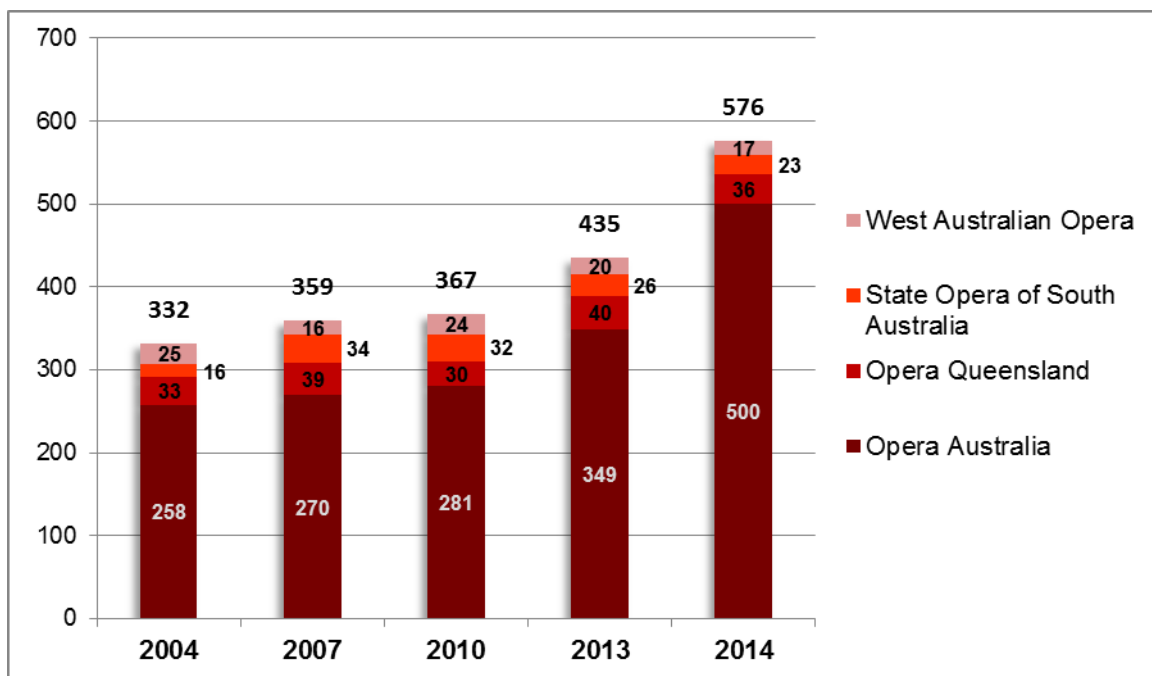
Exhibit 2.1 Performances* of Major Opera Companies 2004 to 2014 (number)



* Includes all performances except for school performances.

Such growth has largely been driven by Opera Australia, which has increased its number of performances by 242 over the 2004 to 2014 period. Other than WAO, the other companies have also increased their number of performances in this period.

Exhibit 2.2 Performances* by each Major Opera Company 2004 to 2014 (number)



* Includes all performances except for school performances (of which there were 379 in 2014).

Undertaking comparisons between the Major Opera Companies and global opera companies is challenging because their repertoire profiles are different and not all companies publish data that is readily able to be compared. More specifically, a

number of significant companies globally stage both opera and ballet. For purposes of comparison, the Review has excluded ballet performances where relevant.

With those caveats, Opera Australia puts on more opera performances each year than any other major opera company globally. As can be seen in Exhibit 2.3, with 349 and 500 performances in 2013 and 2014 respectively, Opera Australia put on more performances in aggregate than The Metropolitan Opera of New York (hereafter referred to as The Met) at 218 performances; the Staatsoper Im Schiller Theater Berlin with 233 performances or the Wiener Staatsoper with 254 performances.

Exhibit 2.3 Cross-section of performances of major opera companies globally* 2013 (number)

<i>Country/region</i>	<i>Opera company</i>	<i>Mainstage</i>	<i>Total</i>
Australia	Opera Australia (2013)	142	349
	Opera Australia (2014)	172	500
Canada	Canadian Opera Company	61	61
USA	LA Opera	37	44
	San Francisco Opera	67	78
	The Metropolitan Opera	207	218
UK	English National Opera	132	132
	Royal Opera House**	139	141
	Scottish Opera	57	128
Europe	Bayerische Staatsoper**	167	177
	Opéra National de Paris**	168	168
	Staatsoper Im Schiller Theater Berlin**	128	233
	Teatro alla Scala**	89	111
	Wiener Staatsoper**	254	254

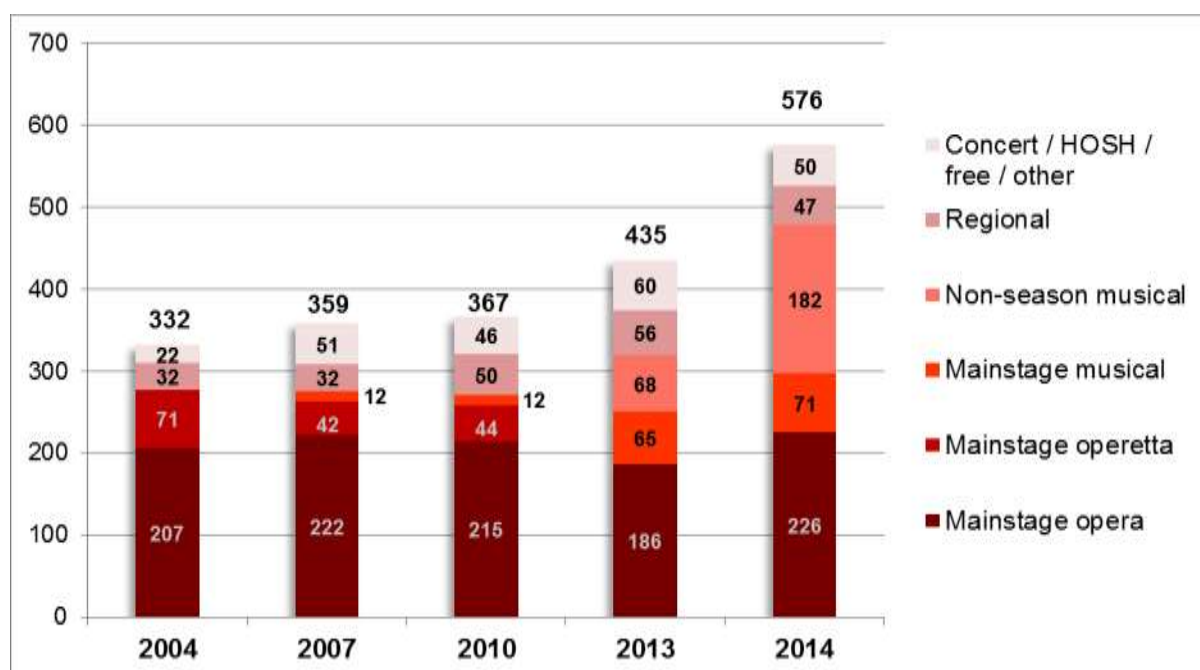
* Information drawn from publicly available information sources including season programmes and annual reports for the companies. As a result, some opera activities may not have been captured. Information is for the 2013 or 2012-13 season.

** These companies also present a significant number of ballet and/or orchestral performances throughout the year, which have not been captured here.

In the case of Opera Australia, however, a significant difference exists between its total number of performances and the number of mainstage opera performances. In 2013, of the difference of 207 performances, 133 were accounted for by Opera Australia putting on long-run musicals. In 2014, of the difference of 328, 253 were accounted for by musicals.

Exhibit 2.4 shows the significant increase in the number of performances that has occurred in aggregate for the Major Opera Companies between 2004 and 2014. The total has increased by a significant 244 performances. The most significant increase has come from the introduction of non-season musicals by Opera Australia (an increase of 182 performances); followed by the increase in concerts (28); regional performances (15); and mainstage performances (19). Somewhat serendipitously, the increase in Opera Australia's mainstage musicals of 71 exactly offsets the decrease in the company's operetta performances.

Exhibit 2.4 Major Opera Companies' performances by type 2004 to 2014* (number)



* See Attachment 1 for breakdown.

The specific composition for 2014 for each of the Major Opera Companies can be seen in Exhibit 2.5. From this chart, the significantly greater size of Opera Australia and the diversity of its activities become apparent.

Exhibit 2.5 Performances by type and Major Opera Company 2014 (number)

Type	Opera Australia	Opera Queensland	State Opera of South Australia	West Australian Opera	Total
Mainstage opera	172	22	17	15	226
Mainstage musical	71	0	0	0	71
Non-season musical	182	0	0	0	182
Regional	36	10	0	1	47
Concert / free / HOSH / other	39	4	6	1	50
Total	500	36	23	17	576

Thus, the number of performances put on by the Major Opera Companies is significant relative to other major companies globally. While each of the four Major Opera Companies makes a contribution to the diversity of approach, Opera Australia dominates both the number and diversity of performances.

2.2.2 Nature of repertoire

Australia's Major Opera Companies make a significant contribution to Australia's cultural life with the nature and variety of the repertoire they present.

2.2.2.1 Significant number of productions and presentations

Australia's Major Opera Companies put on a significant number of productions and presentations each year, although Opera Australia presents significantly more than any other Australian company.

Exhibit 2.6 Productions and presentations by type and Major Opera Company 2012 to 2014 (number)

Type	Opera Australia			Opera Queensland			State Opera of South Australia			West Australian Opera		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Mainstage opera	12	16*	12	1	2	3	3	3	5	3	3	3
Mainstage operetta	1	-	-	1	-	-	-	-	-	-	-	-
Musicals	1	1	2**	-	-	-	-	-	-	-	-	-
Regional	2	2	2	3	5	3	2****	2****	-	1	1	1
Concert / free / HOSH / other	6	8	8	1	2***	1	3	2	3	1	1	1
Total	22	27	24	6	9	7	8	7	8	5	5	5

* *The Ring* is counted as four productions in 2013.

** *South Pacific* and *The King and I* were both performed by Opera Australia in 2014.

*** *St Matthew Passion* is classified as a Concert in 2013.

**** Regional Productions of the Oz Opera production of *Don Giovanni* in South Australia are attributed to Opera Australia in 2012 and 2013.

However, compared to other major opera companies worldwide, Opera Australia puts on fewer productions.

Based on 2013 data, which is indicative of their regular strategies, the major European opera companies staged more productions with fewer performances per production than Opera Australia, except for Opéra National de Paris which had a similar number of performances per production to Opera Australia. The UK and US major companies produced a similar number of performances per production to Opera Australia. Scottish Opera had the highest average number of performances as it undertook an extensive touring programme in that season to mark the company's 50th anniversary.

The Canadian Opera Company, which is smaller than Opera Australia, produces around half the number of productions of Opera Australia, with each production being presented for a similar number of performances. This data can be seen in Exhibit 2.7.

Exhibit 2.7 Profile of mainstage productions: global opera companies 2013

<i>Country / Region</i>	<i>Opera Company</i>	<i>Mainstage productions</i>	<i>Average number of performances per production</i>
Australia	Opera Australia	17*	8.4
Canada	Canadian Opera Company	7	8.7
USA	LA Opera	6	6.2
	San Francisco Opera**	8	8.3
	The Metropolitan Opera	28	7.3
UK	English National Opera	16	8.2
	Royal Opera House	21	6.6
	Scottish Opera**	4	14.3
Europe	Bayerische Staatsoper**	42	4.0
	Opéra National de Paris	20	8.4
	Staatsoper Im Schiller Theater Berlin **	23	5.5
	Teatro alla La Scala**	16	5.9
	Wiener Staatsoper	47	5.4

* Does not include HOSH. Counts all stagings during the Sydney and Melbourne seasons.

** Information is for the 2013 or the 2012-13 season. Includes mainstage opera performances only. During this period, Opera Australia, The Metropolitan Opera, Staatsoper Berlin, Bayerische Staatsoper and Teatro alla Scala, Opéra National de Paris and Wiener Staatsoper performed *The Ring*, which in each case has been counted as four productions.

2.2.2.2 Mix of popular and less familiar works

The mix of works presented by Australia's Major Opera Companies has varying degrees of audience challenge.

As identified in Exhibit 2.8, in 2012 and 2013, the different approaches taken by the companies undoubtedly reflect their views of the audiences they are trying to attract. Quantum Market Research's Performing Arts Audiences Report (hereafter referred to as the Quantum Research report) undertaken for Arts Victoria in 2013 identified that occasional performing arts attendees seek out a familiar programme, whereas regular attendees want more balance in their programming. Chapters 4 and 5 will outline the challenges in the external environment that all opera companies currently face, along with an analysis of the factors that might have influenced those choices and the way the Major Opera Companies have responded.

Exhibit 2.8 Profile of mainstage productions by company: extent of audience familiarity 2012 to 2015 (percent of productions)

2012

<i>Company</i>	<i>Popular</i>	<i>Less familiar</i>	<i>Unfamiliar</i>
Opera Australia*	54	38	8
Opera Queensland**	67	33	-
State Opera of South Australia	33	67	-
West Australian Opera	33	67	-

2013

<i>Company</i>	<i>Popular</i>	<i>Less familiar</i>	<i>Unfamiliar</i>
Opera Australia*	31	63	6
Opera Queensland**	-	100	-
State Opera of South Australia	33	67	-
West Australian Opera	100	-	-

2014

<i>Company</i>	<i>Popular</i>	<i>Less familiar</i>	<i>Unfamiliar</i>
Opera Australia*	50	50	-
Opera Queensland**	67	-	33
State Opera of South Australia	20	20	60
West Australian Opera	33	67	-

2015

<i>Company</i>	<i>Popular</i>	<i>Less familiar</i>	<i>Unfamiliar</i>
Opera Australia*	73	27	-
Opera Queensland**	100	-	-
State Opera of South Australia	33	67	-
West Australian Opera	67	33	-

* Includes Opera Australia's Brisbane mainstage season in 2012 and does not include Opera Australia's HOSH productions or large musicals: *South Pacific*, *King and I*, and *Anything Goes*.

** Includes Opera Queensland's mainstage concert productions that were part of subscription seasons.

The Major Opera Companies also present a diverse array of productions from 18th to 19th century classical pieces through to contemporary works. However, as can be seen in Exhibit 2.9, at least in the Major Opera Companies' 2013 repertoire choices, there is a tendency towards staging a higher proportion of 19th century works and early 20th century (such as works by Puccini and Richard Strauss), as these have become the more popular works within the operatic canon.

Exhibit 2.9 Australia's Major Opera Companies repertoire by century of work 2013, 2014 and 2015 (percent of mainstage productions)

<i>Company</i>	<i>Year</i>	<i>18th century</i>	<i>19th century</i>	<i>20th century</i>	<i>21st century</i>
Opera Australia*	2013	6	81	13	-
	2014	17	75	8	-
	2015	27	45	27	-
Opera Queensland	2013	-	100	-	-
	2014	-	67	-	33
	2015	-	50	50	-
State Opera of South Australia	2013	-	33	67	-
	2014	-	40	60	-
	2015	33	67	-	-
West Australian Opera	2013	33	67	-	-
	2014	33	67	-	-
	2015	33	33	33	-

* Opera Australia's productions are counted only once in each year they were presented, even if they were staged in both Sydney and Melbourne that year.

In the seven years up to and including 2015, the Major Opera Companies have predominantly presented 19th century works, with a secondary tendency toward 20th century works. The 18th century operas of Mozart are also regularly represented in the repertoires of Opera Australia and occasionally in the programming of the three other Major Opera Companies.

Exhibit 2.10 Australia's Major Opera Companies repertoire by century of work 2009 to 2015 (percent of mainstage productions)

<i>Company / century of repertoire</i>	<i><18th</i>	<i>18th</i>	<i>19th</i>	<i>20th</i>	<i>21st</i>
Opera Australia	2	15	61	20	2
Opera Queensland	-	6	59	33	2
State Opera of South Australia	-	4	63	29	4
West Australian Opera	-	13	57	26	4
Overall	1	11	62	23	3

Most of the world's leading opera companies have a leaning towards a programming preference for 19th and early 20th century repertoire as shown in Exhibit 2.11, although the UK opera companies have greater diversity in the profile of works they present. In 2013, Opera Australia had a relatively less diverse repertoire than other companies (with the exception of Teatro alla Scala which had the greatest focus on 19th century productions).

Exhibit 2.11 Profile of mainstage productions of global opera companies: period of repertoire 2013* (percent of total productions)

Country / Region	Company	<18 th century	18 th century	19 th century	20 th century	21 st century
Australia	Opera Australia	-	6	81	13	-
Canada	Canadian Opera Company	-	14	57	29	-
USA	San Francisco Opera	-	12.5	50	12.5	25
	The Metropolitan Opera	-	14	68	18	-
UK	English National Opera	6	19	31	31	13
	Royal Opera House	-	-	57	24	19
	Scottish Opera	-	25	75	-	-
Europe	Bayerische Staatsoper	-	7	74	14	5
	Opéra National de Paris	-	20	65	15	-
	Staatsoper Im Schiller Theater Berlin	-	13	61	22	4
	Teatro alla Scala	-	-	93	-	7
	Wiener Staatsoper	-	9	68	21	2
	International average	0.5	10.5	66.5	16	6.5

* Information is for the 2013 or the 2012-13 season.

Thus, Australia's Major Opera Companies have a particular programming emphasis on 19th century repertoire, although this is not significantly out of line with many, but not all, of the leading opera companies, globally.

2.2.2.3 Profile of productions – new works and new productions of existing works

The Major Opera Companies have developed a number of new Australian works in recent years, but have a stronger track record of developing new productions of existing and established works.

New works

Since 1991, Australia's Major Opera Companies have developed and presented eleven new Australian works. Eight of those were developed by Opera Australia, which also included *Bliss* going to the Edinburgh Festival. While more recently the company has worked in association with Barking Gecko and WAO to present *The Rabbits* at the Perth International Arts Festival, Opera Australia's rate of commissioning new works on its own appears to have slowed relative to past decades, even though *The Eighth Wonder* was revived in Sydney in 2000 and *The Eighth Wonder*, *Summer of the Seventeenth Doll* and *Bliss* have all been simulcast nationally in conjunction with ABC Television. SOSA developed *Ode to Nonsense* on its own, while *The Love of the Nightingale* was developed through collaboration between WAO, Opera Queensland and Victorian Opera, and was also staged by Opera Australia in Sydney. Two new operas are currently in development under the leadership of WAO and SOSA. Exhibit 2.12 provides additional information.

Exhibit 2.12 Profile of new Australian works (opera productions) 1991 to 2015*

<i>Commissioning company/ies</i>	<i>Name of work</i>	<i>Year first performed</i>	<i>Type of performance</i>
Opera Australia	<i>Mer de Glace</i>	1991	Mainstage
Opera Australia	<i>The Golem</i>	1993	Mainstage
Opera Australia	<i>The Eighth Wonder</i>	1995	Mainstage
Opera Australia	<i>Batavia</i>	2001	Mainstage
Opera Australia	<i>Lindy</i>	2002	Mainstage
Opera Australia	<i>Love in the Age of Therapy</i>	2002	Non-mainstage
Opera Australia	<i>Madeline Lee</i>	2004	Mainstage
West Australian Opera, Opera Queensland, Victorian Opera	<i>The Love of the Nightingale</i>	2007	Mainstage
Opera Australia	<i>Bliss</i>	2010	Mainstage
State Opera of South Australia	<i>Ode to Nonsense</i>	2013	Non-mainstage
Opera Australia and Barking Gecko Theatre Company in association with WAO	<i>The Rabbits</i>	2015	Non-mainstage
Opera Australia, West Australian Opera, Opera Queensland and State Opera of South Australia as part of Opera Conference	<i>The Divorce</i>	In development for 2015	Television
West Australian Opera, New Zealand Opera and Victorian Opera	<i>Star Navigator</i>	In development	-
State Opera of South Australia	<i>Cloudstreet</i>	In development for 2016	Mainstage

* In 1996, the former Victorian State Opera (subsequently merged with Opera Australia) produced *The Summer of the Seventeenth Doll*, which was performed in Sydney and Melbourne.

The investment of Australia's Major Opera Companies in developing new productions of existing and established works, rather than completely new operas, is consistent with the approach of international opera companies. Globally there has been limited investment in the development of new opera works. Of the surveyed international companies, the San Francisco Opera has led the way in supporting the development of new works. This company was distinctive in staging a world premiere opera each year from 2012 to 2014: *Heart of a Soldier* in 2012; *The Gospel of Mary Magdalene* in 2013; and *Dolores Claiborne* in 2014.

New productions of existing works

New productions are the lifeblood of any company's repertoire. They can be expensive and sometimes controversial, but they revitalise the experience for both performers and audiences, whether they be works completely new to the company, new interpretations of familiar works or showcases for particular star talents available to a company.

The Major Opera Companies have traditionally developed new productions of existing works, often with a distinctively Australian perspective. In recent years, new productions and productions not previously seen in a city made up a significant component of the annual repertoire for each of the companies, particularly in the case of the three smaller companies.

Exhibit 2.13 Profile of origin of productions 2009 to 2014 (number)

<i>Origin of production</i>	2009	2010	2011	2012	2013*	2014	Total
New production by company	3	2	2	5	6**	7***	25
Co-production with international partners	1	-	4	1	2	1	9
Co-production with Australian partners	-	-	-	1	-	-	1
Co-Production with Australian and international partners	1	1	-	-	1	3	6
Opera Conference production	5	6	3	2	6	1	23
International hire	-	1	-	-	-	2	3
Domestic hire	5	3	5****	5	4	1	23
Revival	9	10*****	10	8	5	8	50
Total	24	23	24	22	24	23	140

* 2013 does not include the mainstage production of *St Matthew Passion* as this was a semi-staged production based on a previous production.

** 2013 includes *The Ring* which is counted as four new productions.

*** 2014 Philip Glass *Trilogy* counted as three new productions.

**** 2011 one domestic hire was the hire of an OA co-production with international partners that OA had previously staged.

***** 2010 two revival productions were revivals of OA co-productions with international partners which OA had previously staged.

Certain new and revived productions presented by the Major Opera Companies are supported by funding through Opera Conference, which is discussed in detail in Chapter 5.1.3.2. The following exhibit shows the productions that were developed through Opera Conference from 2009 and 2015 and the extent to which they have been staged by the Major Opera Companies.

Exhibit 2.14 Opera Conference new productions developed and presented 2009 to 2015

Year	<i>Opera Australia</i>	<i>Opera Queensland</i>	<i>State Opera of South Australia</i>	<i>West Australian Opera</i>
2009	<i>La fanciulla del West</i>	-	<i>La fanciulla del West</i>	<i>La fanciulla del West</i>
2010	<i>La Sonnambula</i>	-	-	<i>La Sonnambula</i>
2011	-	<i>La fanciulla del West</i>	<i>La Sonnambula</i>	-
2012	<i>Salome</i>	-	-	-
2013	<i>La Forza del Destino</i>	-	<i>Salome</i> <i>La Forza del Destino</i>	-
2014	-	-	-	-
2015	<i>Faust</i>	-	<i>Faust</i>	<i>Faust</i>

During the period 2009 to 2015, Opera Australia and WAO also revived earlier Opera Conference productions of *Manon Lescaut*, *Cavalleria Rusticana* and *Pagliacci*, *Falstaff*, *La bohème* and *Aida*.

Opera companies in other parts of the world also invest in new productions. Looking at other companies globally, an average of around 25 percent of their annual repertoire is made up of new productions. However, the results vary widely. Companies such as The Met, Royal Opera House, Staatsoper Im Schiller Theater Berlin and Wiener Staatsoper have a lower percent of new productions than Opera Australia, while noting that most of the international companies have a significantly higher number of productions. The higher result for Opera Australia in 2013 reflected its investment in a new production of *The Ring*, which has been captured as four new productions.

Exhibit 2.15 New mainstage opera productions* presented: global opera companies 2012 to 2014 (number, percent)

<i>Country / Region</i>	<i>Company</i>	<i>2012 total prod's</i>	<i>2012 % new</i>	<i>2013 total prod's</i>	<i>2013 % new</i>	<i>2014 total prod's</i>	<i>2014 % new</i>
Australia	Opera Australia**	13	38	16	50	12	33
Canada	Canadian Opera Company	7	71	7	14	6	67
USA	LA Opera	6	66	6	100	7	100
	San Francisco Opera	9	78	8	63	7	71
	The Metropolitan Opera	26	27	28	25	26	23
UK	English National Opera	14	79	16	69	13	62
	Royal Opera House	18	28	21	29	19	37
	Scottish Opera	4	50	4	100	3	67
Europe	Bayerische Staatsoper	25	24	42	17	41	15
	Opéra National de Paris	20	35	20	30	15	47
	Staatsoper Im Schiller Theater Berlin	21	29	23	22	28	21
	Teatro alla Scala	12	42	15	60	10	70
	Wiener Staatsoper	51	12	47	15	48	13
	Average of international	19	32	21	29	20	13

* New productions refers to productions which have not previously been staged by the company. It can include the staging of new operas, as well as new stagings of operas previously performed by the company in different stagings. Information is for the 2012 or 2011-12, 2013 or 2012-13, or the 2014 or 2013-14 season.

** For Opera Australia, a new production could also be a new Opera Conference production, or a new co-production. Productions staged in both Sydney and Melbourne in the same year are only counted once for that year.

In summary, Australia's Major Opera Companies invest in new productions. They have had a fairly strong focus on developing new productions of established works that can be expected to be presented for a reasonable number of performances over a period of years. This allows the company to balance each year's repertoire with revivals of prior productions.

2.2.3 Role in developing Australian talent

The Major Opera Companies play a critical role in the development of Australian artistic talent.

2.2.3.1 Developing young performers

The development of young performers falls into two categories: singers and other practitioners. The Major Opera Companies have always considered "growing one's own" a priority and each has a fine record of identifying, encouraging and developing emerging operatic talent. This can be in formal membership of young artist development programmes within a company, or encouraging young artists and practitioners to begin their careers as chorus members or junior members of music, production and technical staffs, often leading to more responsibility as more practical experience is gained. Opera Australia, because of its scale and the variety of its operation, is able to offer more development opportunities in this latter category and has frequently seconded or invited developing talent from the three other Major Opera Companies to participate in its projects and seasons.

Developing singers

There are a range of avenues through which young and emerging singers come to the notice of the Major Opera Companies. One approach is through participation in the major singing competitions that are held annually throughout Australia. Others emerge through associations with mentor or specialist training programmes, such as the Lisa Gasteen National Opera School or the Melba Opera Trust Scholars Program. Another avenue is through direct auditions for the companies.

The Major Opera Companies support the development of young performers through young artist programmes. Opera Australia, SOSA and WAO all currently offer programmes targeted at young artists. Opera Queensland last offered a young artists programme in 2012.

Opera Australia operates the Moffatt Oxenbould Young Artist Program. It is a training and development programme for young Australian opera singers, conductors and répétiteurs to strengthen and supplement their talent and performance skills. There is an annual intake to the programme and membership is limited to two-years. As part of the Young Artist Program, participants receive formal instruction in craft and technique. They cover and perform roles and participate in concert activity.

Opera Australia, the only Major Opera Company to have a permanent chorus, has a tradition of singers commencing their association with the company as choristers, undertaking covers and small roles, which sometimes lead to engagement as a principal artist.

SOSA expanded its young artists programme in 2013-14, The James & Diana Ramsay Foundation Opera Program, as a result of significant philanthropic support. The aim of the programme is to increase the competitiveness of the next generation of opera singers and practitioners, and to construct meaningful pathways for a future career in opera. The programme involves master classes with visiting artists, Alexander technique classes, public showcases, and other performance opportunities.

WAO's programme for young artists, the Mentored Artist Program, seeks to equip promising young artists with the skills and artistry to understand and build on operatic traditions. The programme encourages participants to express these traditions in new and innovative ways.

Exhibit 2.16 shows the number of participants each year for these programmes. The names of the participants are in Attachment 2.

Exhibit 2.16 Young artist programme participants 2012 to 2015 (number)

Opera Australia

<i>Year</i>	<i>New participants in year</i>	<i>All participants in year</i>
2012	3	5
2013	1	3
2014	1	3
2015	1	3

SOSA

<i>Year</i>	<i>New participants in year</i>	<i>All participants in year</i>
2012	3	3
2013	2	3
2014	6	9
2015	5	11

WAO

<i>Year</i>	<i>New participants in year</i>	<i>All participants in year</i>
2012	3	7
2013	1	3
2014	-	3
2015	2	2

Developing other practitioners

Practitioners such as directors and designers usually emerge from theatre training institutions, such as the National Institute of Dramatic Art (NIDA) or Western Australian Academy of Performing Arts (WAAPA), or begin their careers in other disciplines such as dance, drama or film. Conductors and répétiteurs are usually trained within conservatoria and then specialise or develop an interest in opera that leads to a junior engagement by an opera company.

Exhibit 2.17 shows the number and diversity of NIDA graduates from various courses to demonstrate that opera companies have a pool of new graduates to support important disciplines that are required for the production of opera.

Exhibit 2.17 Opera-related National Institute of Dramatic Art graduates 2013 and 2014 (number)

<i>Course</i>	<i>2013</i>	<i>2014</i>
Costume	3	4
Properties	4	5
Production	13	11
Design	7	8
Directing	6	7

Each Major Opera Company has a record of offering emerging conductors, directors and other practitioners the opportunity to be associated with professional operatic activity, initially as assistants and as staff members and subsequently on a guest artist

basis. More specifically, SOSA has offered up to 2 places each year since 2009 for emerging directors and pianists.

The Major Opera Companies also provide opportunities for other practitioners through the engagement of dancers, choreographers and actors.

2.2.3.2 *Bringing in international artists and other professionals*

The Major Opera Companies each engage non-Australian performers, conductors, directors and designers for productions. Non-Australian vocal consultants and coaches are also engaged by the companies from time to time. Utilising such international talent provides an artistically stimulating element in the activities of the Major Opera Companies, providing opportunities for Australian artists to further develop their own skills by exposure to professionals in the field who have different experiences and skill sets. Their engagement also provides opportunities for audiences to experience notable artists and interpretations from other countries. Moreover Australia's international reputation and the opportunity to appear in the Sydney Opera House make it an attractive and prestigious proposition for such artists to come to Australia to perform.

Non-Australian guest singers can be an appealing addition to the rosters of the four Major Opera Companies. The engagement of guest artists is routine across opera companies globally. There are a number of reasons why the Major Opera Companies engage non-Australian guest singers. They may be engaged because of the international renown of the singer and their acknowledged suitability for a specific role. Alternatively, it might reflect the need to cast a specialist role because no suitable Australian artist is available to fill the role. They may also be engaged so the company can establish a mutually beneficial association with emerging singers who are interested in having a long-term association with Australia as their world career develops. They may also be engaged to add variety to the artists that audiences see on stage.

Of the Major Opera Companies, Opera Australia has the highest level of non-Australian artists, reflecting the size of the company's repertoire. This can be seen in Exhibit 2.18.

Exhibit 2.18 Non-Australian principal singers and conductors who performed with the Major Opera Companies in 2014 (number)

<i>Company</i>	<i>Singers</i>	<i>Conductors</i>
Opera Australia	19	6
Opera Queensland	5	1
State Opera of South Australia	-	2
West Australian Opera	2	2*

* The company's Musical Director in 2014 was a conductor from the USA.

2.2.3.3 *Sending Australian artists to the world*

Opera is an international artform and working internationally provides Australian opera singers with the opportunity to broaden their skills and gain experiences that are not as readily available in Australia. This is due to the extent of operatic opportunities in Australia compared to those available in jurisdictions with deeper and longer operatic traditions.

Australia has a distinguished track record of its singers establishing international reputations in opera. Since Dame Nellie Melba first conquered the operatic world in Brussels in 1887, Australia has had a proud history, relative to its population, of notable Australian opera singers appearing on the world's greatest stages. Dame Joan Sutherland is among the most illustrious of such stars.

With the establishment of the Australian Opera in 1956 and the emergence of the four Major Opera Companies, a number of these acclaimed expatriates—singers, conductors and directors—have returned as residents to continue careers in their own country and others (who remain based in Europe or America) are open to devoting a period of time each year, with appearances in Australia being included in their international schedules.

Scholarships and development programmes are a key way for Australian singers to acquire international experience and consolidate technical skills. Many Australian scholarships provide opportunities for young Australian singers to train overseas. Examples include the Opera Foundation Australia Awards, the Australian Singing Competition, McDonald's Aria Competition, Melbourne Herald-Sun Aria Competition and the German-Australian Opera Award. Australian singers may also be selected for or engage with the young artist programmes of overseas companies, such as the Jette Parker Program at the Royal Opera House Covent Garden or the Scholarships of the Patrons of the Deutsche Oper Berlin. Young Australians have also participated in the renowned Merola Program of the San Francisco Opera and the young artist programme at Houston Grand Opera. These opportunities can lead to successful offshore careers. Other Australian singers may establish successful international careers based in Europe, the United Kingdom or the USA.

Thus, Australia punches above its weight on a global stage with the performances and productions it delivers. It has a proud heritage of investing in talented Australians who are able to hold their head high in a global context.

2.3 Access significance

Australia's Major Opera Companies make a significant contribution to Australia's cultural life through the breadth and depth of the audiences they reach.

This breadth and depth can be seen in:

- 2.3.1 Their overall reach;
- 2.3.2 Their geographic reach;
- 2.3.3 Their community and educational reach; and
- 2.3.4 Their broadcast and digital reach.

2.3.1 Overall reach

Overall, the Major Opera Companies reach a very large number of attendees in capital cities through mainstage, musicals and events as well as in regional Australia. The number of attendees is outlined in Exhibit 2.19.

Exhibit 2.19 Trend in total audience Australia – paid and complimentary tickets all types of productions 2009 to 2014 (number)

<i>Audience</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Capital cities*	430,515	411,241	396,605	552,194	476,526	660,257
Regional	16,153	22,485	12,809	28,817	16,230	32,786
Total audience	446,668	433,726	409,414	581,011	492,756	693,043

* Capital cities include audiences in Hobart and Canberra at performances outside of the regional tours. This comprises 1,379 attendances in 2010 and 3,000 attendances in 2014.

An international comparison of opera audience size and penetration as a percentage of population can be made by examining the Americans for the Arts' *National Arts Index 2013*, which surveys 100 opera companies in the USA and comparing it to the *Live Performance Australia Ticket Attendance and Revenue Survey*. As a percent of the population, Australians are three and a half times more likely to attend a mainstage opera performance. In other words, attendance at opera is more deeply embedded in the Australian than in the American psyche. With the Sydney Opera House being so enshrined as a symbol of Australia, this is not altogether surprising.

2.3.2 Geographic reach

Reaching geographically diverse audiences within the imperatives of their economics is important to the Major Opera Companies. Typically, touring any performing arts company is expensive, potentially involving the movement of a significant number of artists, along with technical and administrative staff. Touring an opera company is especially expensive, with a significant number of performers, support staff and equipment to be moved. The cost escalates if the orchestra also needs to travel.

2.3.2.1 Capital Cities

Within those constraints, as Exhibit 2.20 shows, a consistent pattern exists of Australia's Major Opera Companies reaching all mainland state capital cities with a wide range of productions and multiple performances. This includes opera being presented in a variety of forms and formats, not just mainstage opera.

Exhibit 2.20 Productions or presentations* and performances in selected capital cities 2009 to 2014 (number)**

Productions/presentations

<i>Year</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Total</i>
2009	18	9	6	4	7	44
2010	18	9	5	7	8	47
2011	17	8	6	5	4	40
2012	17	9	6	6	4	42
2013	16	11	6	6	5	44
2014	17	10	5	8	4	44

Performances

Year	Sydney	Melbourne	Brisbane	Adelaide	Perth	Total
2009	173	66	33	16	27	315
2010	182	54	24	30	25	315
2011	172	56	30	19	18	295
2012	197	146	35	21	14	413
2013	207	43	52	25	52	379
2014	228	150	82	52	16	528

* Includes mainstage productions, concerts (including free concerts) and gala events

** Includes all performances in capital cities except for regional tours. Note there is one performance in Hobart and one performance in Canberra in 2010 which were not counted in this exhibit and were not counted as part of regional tours.

Since 2009, the Major Opera Companies have reached significant audiences, paid and unpaid, in their home capital cities. Exhibit 2.21 shows that while there have been variations across these years due to different programming choices, audiences have continued to engage strongly with the companies.

Exhibit 2.21 Total audience – paid and unpaid (including complimentary tickets) by selected capital city 2009 to 2014 (number)

Capital City*	2009	2010	2011	2012	2013	2014
Sydney	253,182	245,591	238,907	287,826	255,767	321,082
Melbourne	94,790	72,557	77,968	169,787	64,477	176,246
Brisbane	33,199	30,383	31,717	41,629	63,443	81,225
Adelaide	13,739	25,239	18,373	20,988	23,547	46,226
Perth	35,605	36,092	29,640	31,964	69,292	32,478
Total	430,515	409,862	396,605	552,194	476,526	657,257

* Does not include audiences in Canberra and Hobart attending performances outside of regional tours, which occurred in both cities in 2010 with 1,379 attendances and in 2014 with 3,000 attendances in Canberra.

Performances by the Major Opera Companies also attract very significant paid attendances.

Exhibit 2.22 Paid attendance by selected capital city (including musicals) 2009 to 2014 (number)

Capital City	2009	2010	2011	2012	2013	2014
Sydney	202,512	191,713	186,539	248,332	235,239	283,998
Melbourne	70,237	61,085	70,530	153,760	48,554	157,405
Brisbane	24,823	22,229	18,420	35,500	53,013	74,853
Adelaide	12,670	23,226	17,052	18,243	19,493	40,476
Perth	18,850	16,261	12,334	13,095	45,378	12,879
Total	329,092	314,514	304,875	468,930	401,677	569,611

Paid attendances vary considerably between the companies given the difference in scale between Opera Australia and the other Major Opera Companies. This can be seen in Exhibit 2.23.

Exhibit 2.23 Paid attendance by company and selected capital city including musicals 2014 (number)

<i>Company</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>	<i>Perth</i>	<i>Total</i>
Opera Australia	283,998	157,405	62,594	27,996	-	531,993
Opera Queensland	-	-	12,259	-	-	12,259
State Opera of South Australia	-	-	-	12,480	-	12,480
West Australian Opera	-	-	-	-	12,879	12,879
Total	283,998	157,405	74,853	40,476	12,879	569,611

Thus, the largest numbers of Major Opera Company attendees are in Sydney and Melbourne, reflecting not just the size of the population of these cities, but also the attraction of the Sydney Opera House as a tourist destination and the relative size of Opera Australia.

2.3.2.2 Regional access

The companies undertake significant regional touring. Opera Australia tours nationally, while the other companies tour to varying degrees within their own state.

Exhibit 2.24 demonstrates that the companies undertake significant regional touring activities, with between 31 and 56 performances per year, with all states and territories being offered regional performances by the companies in at least two years in this period. These productions attract significant audiences.

Exhibit 2.24 Regional access: distribution of productions and performances and attendance (paid and free) 2009 to 2014 (number)

2009

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>Total</i>
Productions	-	1	1	2	-	1	-	1	
Performances	-	1	3	21	-	10	-	6	41
Attendance	-	254	2,684	5,991	-	3,907	-	3,317	16,153

2010

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>Total</i>
Productions	1	1	1	1	1	-	1	-	
Performances	21	12	3	7	3	-	4	-	50
Attendance	8,882	4,283	2,339	4,297	1,110	-	1,574	-	22,485

2011

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>Total</i>
Productions	-	1	-	3	-	1	-	1	
Performances	-	1	-	18	-	7	-	5	31
Attendance	-	679	-	6,775	-	3,056	-	2,299	12,809

2012

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>Total</i>
Productions	1	1	1	4	3	1	-	-	
Performances	15	13	3	10	7	1	-	-	49
Attendance	5,156	3,677	1,642	12,120	5,122	1,100	-	-	28,817

2013

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	Total
Productions	1	1	-	6	3	2	-	2	
Performances	1	1	-	30	7	8	-	9	56
Attendance	465	397	-	7,787	2,380	1,750	-	3,451	16,230

2014

	<i>NSW</i>	<i>Vic</i>	<i>ACT</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	Total
Productions	1	1	1	4	-	1	1	-	
Performances	16	11	3	13	-	1	3	-	47
Attendance	7,006	4,111	2,484	17,191	-	416	1,578	-	32,786

In summary, the Major Opera Companies reach audiences in capital cities and in regional areas with a diverse range of programming and a significant number of performances.

2.3.3 Community and education initiatives

Each of the Major Opera Companies undertakes significant community and education initiatives, which are often free to attendees. The companies take their responsibilities for community and educational engagement seriously and consider them an important element of expanding the reach of their organisation, providing opportunities for strengthening access to and engagement with opera, and developing and retaining audiences. In addition to increasing the reach of opera, many of the activities fulfil obligations that the companies have under the 2011 Cultural Ministers Council Framework (see Chapter 3.2.3) and obligations that have been defined by the Federal and State Governments under the terms of their funding agreements.

The range of community and educational initiatives undertaken by the companies is diverse. Examples include community choirs, free concerts, education programmes at the primary, secondary and tertiary level, and introductory talks and workshops about specific operas. This community and educational engagement is being enhanced by the use of digital technology to reach further into the population (see Chapter 2.3.4).

Educational engagement in the arts has been shown to have advantages that reach beyond the classroom.

A 1998 American study by James Catterall analysed 25,000 subjects and relevant data from their time at secondary school through to their experiences in adulthood. It identified advantages of engagement in the arts for students with a low socio-economic status and also observed the increased employment opportunities and remuneration for arts students. In 2009, this study was updated using the same subjects. The results demonstrate that there is dramatic evidence indicating that high involvement in the arts during secondary school pays off for students from low socio-economic backgrounds. This shows up in the study as higher rates of participants completing college programmes, and earning college and post-graduate degrees by age 26. Students with high involvement in the arts are also significantly more involved in social activities and showed twice as much community and youth volunteer service, plus a higher rate of voting registration and voting itself.

OECD research also shows that arts education, including musical education, contributes to the acquisition of artistic habits of mind; not only mastery of craft and technique, but also skills such as close observation, exploration, persistence, expression, collaboration and reflection. These are habits of mind that carry into everyday life. Specifically, music education has been found to strengthen IQ (intelligence quotient), academic performance, word decoding and linguistic skills, all of which can transfer to other areas of students' lives.

Information on ways the companies extend their community and educational reach is highlighted below.

2.3.3.1 Free events

All four companies provide access to opera through free events. This allows an opera experience to be widely accessible.

Two significant free annual events for Opera Australia are Opera in the Domain in Sydney and Opera in the Bowl in Melbourne. In 2013, Opera Queensland staged two free concerts, Opera on the Riverstage for the Brisbane Festival and Opera at Jimbour, with the Queensland Music Festival. In 2013, SOSA provided access to opera at the ABC studio in Collinswood where it presented four different live broadcasts for ABC Classic FM *Sunday Live*, which were broadcast on radio and through digital streaming to a national and international audience. WAO presents its annual event, Opera in the Park, which is simulcast to regional screens across the state.

2.3.3.2 Community partnerships and education initiatives

A diverse range of community and education initiatives are undertaken by each company.

Opera Australia

In 2012, Opera Australia commenced a three-year programme of Community Partnerships. Those programmes, partly funded by the Australia Council and private philanthropy, enabled Opera Australia to expand its reach and depth of activities.

Under that programme support was provided to community choirs. The Western Sydney Community Choirs project enabled an Opera Australia musical leader to work with community choir groups, culminating in a concert at the Sydney Opera House Concert Hall involving 400 singers supported by the AOBO and guest soloists. In 2013, the initiative was taken to Melbourne where the Melbourne Community Choirs performed with Opera Australia's principal singers and the Melbourne Symphony Orchestra at Opera in the Bowl. This was held within the Melbourne *Ring* Festival.

Opera Queensland

Opera Queensland has provided opportunities for the public to perform with the company through Project Puccini in 2014. This saw 384 Queenslanders across eight regional locations perform alongside well known artists in a new touring production of Puccini's *La bohème*. It was undertaken in partnership with local councils and venues. Auditions were held to select 36 adults and 12 children to represent each local

community where *La bohème* was being staged. Chorus members underwent a 10 week rehearsal period learning stagecraft, acting, singing and Italian language skills.

SOSA

SOSA presented an opera based education programme in three metropolitan and regional schools during its *La traviata* season in 2014. The programme involved school classes, giving students an opportunity to work directly with an opera singer, a répétiteur, a director and a presenter. The programme provided the students with the opportunity to gain a unique perspective on opera.

The company is also developing choirs in regional centres. It has identified Whyalla, Mildura and Mount Gambier as centres to develop new singers. In partnership with soloist singers, SOSA is also developing a choir in Roxby Downs.

WAO

WAO introduces students to opera through production workshops. By participating in the workshops, students gain an insight into a professional theatre production including lighting, flying, staging and make-up.

Despite financial constraints, the Major Opera Companies continue to invest in community and education initiatives that extend the reach of opera. They consider these activities important in raising awareness and appreciation of the artform. They also meet their community obligations under the 2011 Framework.

2.3.4 Digital initiatives

The Major Opera Companies are using digital technologies to increase audience and community engagement.

Such initiatives include broadcasting productions on radio and television, and through cinematic release.

In 2014, as described in Chapter 2.3.3.1, SOSA presented four performances on *Sunday Live* on ABC Classic FM.

In the same year, WAO's Opera in the Park performance of *Tosca* was simulcast to Northbridge in Perth as well as to Albany, Broome, Bunbury, Esperance, Geraldton, Kalgoorlie, Margaret River, Merredin and Port Hedland.

In 2013, 161 cinema screenings in Australia of Opera Australia productions occurred, with a further 661 international cinema screenings. Audience for cinema and domestic television screenings, plus recording sales in 2013 was 191,164. Further details are set out at Exhibit 2.25.

Exhibit 2.25 Opera Australia digital and broadcast initiatives 2013 (number)

<i>Channel</i>	<i>Number of productions</i>	<i>Number of broadcasts / screenings</i>
Radio	8	8
Television	3	3
Cinema – Australia / New Zealand	9	163
Cinema – rest-of-world	12	661
Recordings released (CD, DVD, Blu-ray, digital downloads)	22	22

Digital technology has increased the channels for the release and purchase of productions. This has been supplemented by recorded performances that can be purchased as Blu-rays, DVDs and CDs. The Major Opera Companies' release of content through digital download services (such as iTunes and Google Play), is also expanding. Opera Australia has released albums and individual arias for purchase, and podcasts for downloading and streaming through digital services, while Opera Queensland has also released albums and individual arias for purchase through digital download services.

Digital technologies are also being used to promote public engagement. The Major Opera Companies' engagement and communication strategies incorporate digital initiatives including e-newsletters, Twitter, Facebook, YouTube and podcasts. The change in the number of Facebook and Twitter followers is shown in Exhibit 2.26.

Exhibit 2.26 Facebook and Twitter followers 2011 to 2015 (number and percentage increase)

<i>Company</i>	<i>Facebook followers 2015*</i>	<i>Percentage increase Facebook followers 2011 to 2015</i>	<i>Twitter followers 2015</i>	<i>Percentage increase Twitter followers 2011 to 2015**</i>
Opera Australia	23,149	361	18,003	305
Opera Queensland	3702	197	3,564	n/a
State Opera of South Australia	4,203	423	1,300	163
West Australian Opera	4,229	393	695	n/a
Total	35,283		23,562	

* Facebook and Twitter follower numbers accessed on 7 September 2015.

** Twitter information not available for Opera Queensland and West Australian Opera for 2011.

All Major Opera Companies have a YouTube channel making content available and providing additional insight into their performances, including interviews and behind the scenes footage.

Exhibit 2.27 YouTube Channel subscribers and views* (number)

	<i>Opera Australia</i>	<i>Opera Queensland</i>	<i>State Opera of South Australia</i>	<i>West Australian Opera</i>
YouTube subscribers	2,638	86	32	35
YouTube views	1,876,443	62,906	70,266	6,671

* YouTube numbers accessed on 7 September 2015.

Although the number of subscribers appears low, many of the videos posted have been viewed thousands of times. SOSA's video of the Philip Glass *Trilogy*, which was staged in 2014, has received more than 10,000 views at the time of writing. Opera Australia's video of Kate Miller-Heidke performing *Where* from *The Rabbits* has received more than 13,500 views.

In summary, the Major Opera Companies reach a significant number of Australians through their mainstage work and recently introduced musicals, as well as through their community and education work. Increasingly, this is being enhanced by the way digital technology is being used to reach further into the population. This expansion into digital initiatives aligns with the increased uptake of mobile devices and the increasing download speed of Internet services in Australia.

2.4 Economic significance

The Major Opera Companies also make a valuable contribution to the economy, thereby enhancing their significance from an artistic and access perspective.

This can be seen directly and indirectly through:

- 2.4.1 Revenue generated;
- 2.4.2 Contribution from international and interstate visitors;
- 2.4.3 Employment generated; and
- 2.4.4 Expenditure on goods and services.

2.4.1 Revenue generated

In 2014 Australia's subsidised major performing arts sector generated self-earned revenue of \$319 million. Of this, the four Major Opera Companies earned 27 percent, or \$86.5 million.

A total of \$75.9 million came from box office and performance fees. A further \$10.6 million was generated by income earned through sponsorship and generous individual donors.

The four Major Opera Companies generate significant revenue from subscribers, single ticket sales, private sponsorship and private philanthropy as evidenced in the following table.

Exhibit 2.28 Revenue from ticket sales, sponsorship and philanthropy in 2014 (\$million)

<i>Company</i>	<i>Box office and performance income</i>	<i>Private sector support</i>	<i>Total</i>
Opera Australia	67.4	7.9	75.3
Opera Queensland	1.9	1.0	2.9
State Opera of South Australia	2.3	0.4	2.7
West Australian Opera	1.4	1.3	2.7
Total	73.0	10.6	83.6

2.4.2 Contribution from international and interstate visitors

International and interstate visitors are important to the Major Opera Companies, particularly to Opera Australia given that it performs at the Sydney Opera House. This section of the Discussion Paper relies on data from Opera Australia. The Review Panel acknowledges that such audiences might also be important to the other Major Opera Companies. However, data has not been sourced from them.

2.4.2.1 International visitors

Opera Australia generates income from visitors to Australia through the sales of tickets to mainstage opera, musicals and HOSH. As can be seen in Exhibit 2.29, over 33,000 international visitors attended Opera Australia performances in Sydney in each of the past three years.

Exhibit 2.29 Opera Australia Sydney international audience 2012 to 2014 (number, \$million, \$)*

	2012	2013	2014
Tickets sold to international audiences	38,289	37,775	33,080
Box office revenue \$million	5.33	4.88	4.73
Average ticket price \$	139.3	129.2	143.0

* Does not include concerts.

Overseas visitors represented around 20 percent of the total number of attendees at Sydney's mainstage opera performances from 2009 to 2014. Expressed another way, on average, 15 percent of the total Sydney audiences at mainstage opera, musicals and HOSH performances between 2012 and 2014 were from overseas. Exhibit 2.30 provides the underlying mainstage opera trends, showing that the number of attendees has declined.

Exhibit 2.30 Opera Australia Sydney international audience at mainstage opera performances 2009 to 2014 (number, percent)

	2009	2010	2011	2012	2013	2014
Number of tickets sold to international audiences	41,037	37,347	39,624	32,790	25,666	22,395
Number of Sydney mainstage opera performances	163	165	161	131	111	120
Average number of international audience members per performance	252	226	246	250	231	187
Percent of audience that are international visitors	22	21	22	22	21	17

Mainstage opera box office from international visitors is also significant, even though it has somewhat declined over the past five years, perhaps because of the reduced number of Sydney mainstage productions. This trend can be seen in Exhibit 2.31.

Exhibit 2.31 Opera Australia Sydney revenue from international audiences at mainstage opera performances 2009 to 2014 (\$million, \$)

	2009	2010	2011	2012	2013	2014
International audience box office revenue \$million	5.22	4.86	5.37	4.56	3.58	3.14
Average ticket price for international audiences \$	127.4	130.2	135.6	139.0	139.6	140.2
Average ticket price for Sydney \$	123.1	131.1	142.7	144	145.6	137.9

2.4.2.2 Interstate visitors

A significant number of tickets are sold to interstate visitors for Opera Australia's performances of opera and musicals in Sydney. There has been a marked increase in the number of tickets sold to interstate visitors since 2012. This increase has been driven by the introduction of musicals and HOSH.

Exhibit 2.32 Opera Australia Sydney interstate audience 2009 to 2014 (number, \$million)*

	2009	2010	2011	2012	2013	2014
Number of tickets sold to interstate audiences	14,907	14,158	15,582	24,314	22,117	23,081
Box office revenue \$million	2.02	1.98	2.34	3.67	3.24	3.57

* Does not include concerts. 2009-2011 only includes mainstage performances as there were no musicals or HOSH performances in this period.

In other words, Opera Australia's interstate audience for mainstage opera, HOSH and musicals in Sydney from 2012 to 2014 is of a similar scale to the total annual mainstage audience of two of the other Major Opera Companies in their home city.

However, probably reflecting the reduced number of mainstage productions and performances in Sydney, the number of mainstage interstate attendees has declined, as can be seen in Exhibit 2.33.

Exhibit 2.33 Opera Australia Sydney interstate audience at mainstage opera performances 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Number of tickets sold to interstate audiences	14,907	14,158	15,582	13,862	10,458	9,891
Number of Sydney mainstage opera performances	163	165	161	131	111	120
Average interstate audience per performance	91	86	97	106	94	82

Box office revenue from interstate visitors, while small relative to Opera Australia's total ticket sales, is nonetheless important to the company, more so because such visitors pay a premium relative to other Sydney attendees.

Exhibit 2.34 Opera Australia Sydney revenue from interstate audiences of mainstage opera performances 2009 to 2014 (\$million, \$)

	2009	2010	2011	2012	2013	2014
Interstate audience box office revenue \$million	2.02	1.98	2.34	2.18	1.63	1.51
Average interstate audience ticket price \$	135.7	139.8	150.4	157.4	156.0	152.9
Average ticket price for Sydney \$	123.1	131.1	142.7	144	145.6	137.9

In summary, international and interstate visitors make an important contribution to opera audiences and the economy in Australia. This enhances Sydney and Australia's vibrancy and Sydney's being known as a cultured, global city.

2.4.3 Employment generated

The Major Opera Companies are significant employers. This can be seen in Exhibit 2.35 which outlines the full-time equivalent number of staff for each of the Major Opera Companies from 2012 to 2014. These numbers will also reflect the profile of the repertoire in each year.

Exhibit 2.35 People engaged by Major Opera Companies 2012 to 2014 (number)

<i>Company</i>	2012 (FTE)	2013 (FTE)	2014 (FTE)
Opera Australia	488	558	549
Opera Queensland	40	39	34
State Opera of South Australia	34	27	32
West Australian Opera	19	19	20
Total	581	643	635

The Major Opera Companies enrich Australia through the diversity of skills that are fostered in a highly specialised artform. Exhibit 2.36 demonstrates this point in relation to Opera Australia in 2014.

Exhibit 2.36 Opera Australia staff employed by type (FTE) in 2014 (number)

<i>Staff category</i>	<i>Ongoing</i>	<i>Seasonal</i>	<i>Casual</i>	<i>Total</i>
Principal singers	19	42	-	61
Choristers	39	2	8	49
Orchestral players	56	10	54	120
Other performers	-	-	13	13
Music and language	7	4	2	13
Other artist support	13	11	4	28
Artistic administration	20	4	1	25
<i>Subtotal artistic</i>	<i>154</i>	<i>73</i>	<i>82</i>	<i>309</i>
Stage management	5	6	-	11
Stage staff	18	24	17	59
Set and props workshop	16	4	3	23
Wardrobe and wigs	17	17	8	42
Stores	5	1	8	14
Facilities	4	-	2	6
Technical support and administration	11	3	2	16
<i>Subtotal technical</i>	<i>76</i>	<i>55</i>	<i>40</i>	<i>171</i>
Marketing and sales	16	2	6	24
Administration and management	45	-	-	45
<i>Total administration</i>	<i>61</i>	<i>2</i>	<i>6</i>	<i>69</i>
Total FTE	291	130	128	549

The employees of the Major Opera Companies are individual taxpayers unless they earn below the tax free threshold. In 2013, the total wages and salaries paid by the Major Opera Companies was over \$67 million. At an assumed average rate of tax of 20 percent, these employees contributed over \$13 million to Federal Government tax revenue. This significantly offsets the financial support provided by the Federal Government.

In addition to those staff employed directly, indirect employment is also provided to other industries, including hospitality, transport and venues.

2.4.4 Expenditure on goods and services

The Major Opera Companies collectively expend \$64 million annually for the purchase of goods and services throughout the economy. Exhibit 2.37 demonstrates how this was composed in 2014.

Exhibit 2.37 Expenditure by Major Opera Companies on goods and services in 2014 (\$million)

<i>Category</i>	<i>Expenditure</i>
Production and touring	38.5
Marketing and advertising	14.2
Other programmes	0.7
Infrastructure	10.6

GST is payable on this expenditure, offset by GST collected where the ticket price is above the threshold of 75 percent of the cost of production. Expenditure subject to GST is about \$50 million resulting in GST paid of around \$4.5 million. Indicatively, 25 percent of tickets are above the threshold and assumed to contribute about 50 percent of revenue or about \$30 million resulting in GST payable of about \$3 million per annum. Based on this analysis, the net amount of GST paid by the Major Opera

Companies is about \$1.5 million, which is about a 5 percent offset against the financial support provided by governments.

Individual income tax and GST are a significant offset to the government grants made to the Major Opera Companies.

Thus, in summary, the Major Opera Companies make a significant contribution from an artistic, access and economic perspective to Australia. On the artistic side, they put on a significant number of performances (with Opera Australia being one of the companies putting on the highest number of opera performances annually in the operatic world); their repertoire is extensive; and they are committed to developing young artists. From an access perspective, they reach a significant number of people in capital cities and the regions and have a higher penetration relative to the USA. They are committed to providing community and free events both to fulfil their funding obligations and to reach new audiences. They are also committed to extending that reach using digital channels. From an economic perspective, they make a meaningful contribution to the Australian economy through the revenue they generate, the staff they employ and their purchase of goods and services.

Chapter 3: Governments as key stakeholders

Introduction

The Federal Government, along with the State Governments of New South Wales, Queensland, South Australia, Victoria and Western Australia—through their direct and indirect support—are key stakeholders in Australia’s four Major Opera Companies.

This support, while fulfilling Government objectives to enhance the cultural and artistic offering of Australia’s cultural sector, is vitally important to each of the Major Opera Companies and to audiences.

This chapter outlines the following:

- 3.1 How Governments recognise the importance of the Major Opera Companies;
- 3.2 How Governments’ current funding approach reflects a changing environment;
- 3.3 How Governments’ support for the Major Opera Companies is reflected in specific funding;
- 3.4 How Government funding is important to the Major Opera Companies; and
- 3.5 How Government funding is important to audiences.

3.1. Governments recognise their importance

Governments, both Federal and State, have a long history of providing funding for the Major Opera Companies.

Governments recognise the importance of Australia’s major performing arts companies and, in that context, the four Major Opera Companies. That support and its rationale extend back to the 1999 Major Performing Arts Inquiry (MPAI) and before that, to the significant support provided to Australian performing arts companies since at least the 1970s.

Governments also recognised the importance of Australia’s Major Opera Companies—along with the other major performing arts companies—at the 2011 Cultural Ministers Council (CMC) when they agreed *A National Framework for Governments’ Support of the Major Performing Arts Sector* (hereafter the Framework). This Framework is the current basis for the provision of Federal and State Government funding for the Major Opera Companies, along with the 24 other major performing arts companies.

The nature of government support is made explicit in the 2011 Framework in four different ways, which are elaborated on below.

3.1.1 Guiding principles

The 2011 Framework articulates guiding principles that describe the importance to Australia of the major performing arts companies, including the Major Opera Companies. The guiding principles underpinning the Framework, which are outlined in Exhibit 3.1, recognise the companies’ artistic, audience development and financial significance.

Exhibit 3.1 Cultural Ministers Council Framework 2011: guiding principles

1. Australia should have a vibrant major performing arts sector that enriches Australian life and builds its image as an innovative and sophisticated nation
2. Australia should cost-effectively deliver broad access to the major performing arts
3. Australia should have a financially viable major performing arts sector that supports artistic vibrancy
4. Government support for the major performing arts should be transparent and based on an understanding of the responsibilities of all parties

3.1.2 Federal Government funding expectations

The Federal Government's recognition of the companies' importance is embedded in the 2011 Framework where its expectations for the companies for which it provides the majority of support are made clear. Those expectations are outlined in Exhibit 3.2.

Exhibit 3.2 Federal Government: 2011 funding expectations

<i>The companies should:</i>
1. Have a national or artform leadership role
2. Have a commitment to developing their artform encompassing the development of artists, the provision of education and / or access programs
3. Adapt their business model to address changes in the marketplace

3.1.3 State Governments perspectives

The National Opera Review's consultations, which included discussions with State Government funding agencies, elaborated on why, in 2011, the companies were regarded as important by the State Governments.

State Governments outlined the importance of providing existing residents, as well as visitors and potential new residents, an attractive cultural offering. They saw this as important in an increasingly competitive service-based economy to attract more knowledge-based workers. Such cultural offerings were also important in attracting visitors for major events.

These considerations represent an elaboration of the guiding principles articulated in the 2011 Framework.

3.1.4 Criteria for being a major company

As outlined in the 2011 Framework, recognition of the importance of the companies is reinforced in the criteria that the companies need to meet to remain a major performing arts company. Those criteria—elaborated on in Exhibit 3.3—are addressed under the three broad headings of artistic vibrancy, audience development and financial viability.

Exhibit 3.3 2011 CMC Framework: definition for recognition as a major performing arts company

<i>Guiding principle</i>	<i>Definition</i>
Artistic vibrancy	Present work of a high artistic quality
	Foster a vibrant and sustainable cultural sector, including building the sector's economic and artistic potential through collaborations with small to medium performing arts companies on the development and / or presentation of works
	Demonstrate a leadership role in the development of performing arts encompassing the development of artists, a commitment to the creation of professional development opportunities for young and emerging artists, artists in multicultural communities and Indigenous [sic] and artists with disabilities
Audience Development	Demonstrate a leadership role in the development of audiences including young and disadvantaged audiences, multicultural audiences and more equal access for people with disability
	Demonstrate a commitment to engaging with audiences in regional communities
Financial viability	Be governed by a responsible board that plans future activities in accordance with best practice governance guidelines and with respect to the company's financial capacity
	Have strong financial management which includes a mix of strong reserves, working capital and operating margin
	Make ongoing improvements to its business which strengthen sustainability and reduce reliance on government subsidy over time including through productivity gains and establishing a broad income base comprising strong box office, sponsorship and philanthropy
	Achieve annual earned (non-grant) income of \$1.6 million adjusted annually for CPI (\$1.76 million at December 2014)

Thus, the 2011 Framework captures and reinforces the ongoing importance to Australia of the Major Opera Companies within the broader major performing arts sector.

3.2 Governments' funding reflects a changing environment

While the principles that underpin the importance governments attribute to the major performing arts sector have not significantly changed since the 1999 MPAL, the basis of funding has evolved in response to changing priorities by the Federal Government and State Governments, as well as the needs of the companies.

This section outlines the current funding approach against the background of the funding model that was initially agreed by the Cultural Ministers Council in 2000 following the 1999 MPAL. The historical context provides a basis for understanding the nature and significance of the changes made in 2011 with the establishment of the Framework and other changes made around that time.

3.2.1 1999: A new basis for funding

The 1999 MPAL represented a watershed in the funding of Australia's Major Opera Companies and the major performing arts sector more generally. The recommendations also changed and clarified strategic objectives and strengthened funding responsibilities and arrangements.

The key outcomes of the MPAA with ongoing (as opposed to one-off) implications, as agreed in 2000 at the Cultural Ministers Council, and subsequently implemented, are outlined in Exhibit 3.4.

Exhibit 3.4 Key 2000 CMC recommendations

<i>Type</i>	<i>Specific Change</i>	<i>Company Affected</i>	<i>Comments</i>
Strategy	Criteria were established to become a major performing arts company	All	The criteria were broad and able to be met by all companies irrespective of their strategic direction and artform
	Companies were categorised according to their agreed strategic role, including: - Australian Flagship: Resident - Specialist - State Flagship	OA SOSA OQ, WAO	See Attachment 3 for more detail on the strategic expectations that flowed from the categorisation
	Specific categorisation may be changed by agreement with companies and Governments	All	
Funding responsibilities	All companies were funded by the Federal Government and relevant State Government/s	SOSA, OQ, and WAO OA	They received federal funding for the first time OA had previously been funded by the Federal as well as by the NSW and Victorian Governments and continued to be funded in that way, although the proportions changed
	The proportion of funding provided by the Federal versus the relevant State Government was determined according to each company's strategic categorisation (Federal: Specific State Government ratio) - Australian Flagship: 80:20 - Specialist: 50:50 - State Flagship: 20:80	OA SOSA OQ, WAO	Both New South Wales and Victoria provide funding
	The Major Performing Arts Board (MPAB) was established within the Australia Council with responsibilities for all major performing arts companies. Responsibilities were clearly defined. The Chair of the MPAB sat on the Australia Council Board. Appointments to the MPAB were made by the Arts Minister.	OA SOSA OQ, and WAO	Previously direct line funded by the Federal Government No previous oversight by the Australia Council because they were not funded by the Federal Government

<i>Type</i>	<i>Specific Change</i>	<i>Company Affected</i>	<i>Comments</i>
	The MPAB was to have a small high calibre staff with a General Manager reporting directly to the General Manager of the Australia Council and the Major Performing Arts Board Chair	All	Responsibilities included working closely with the companies and each State Government
	Funding for MPA companies was identified separately within the Australia Council budget, with the Australia Council Board unable to overturn MPAB funding decisions	All	
	The MPAB and its staff were to work closely with each relevant state funding agency to oversight and monitor the companies		This was an important development that significantly improved relationships between the MPAB and the state arts funding agencies. State Government agencies participated in all MPAB discussions, and decisions relating to the companies were made jointly
Provide funding	Governments implemented a funding model that reflected: <ul style="list-style-type: none"> - Cost of the artform - Strategic role of each company - Geographic access considerations - Other considerations 	All	A logical basis for funding, backed up by a comprehensive model, was established, thereby significantly reducing the ad hoc nature of previous funding decisions
Funding agreements	Tripartite funding agreements were established	All	The agreements were made among the company, the Federal Government and the relevant State Government/s. (OA has a quadripartite agreement because it is funded by NSW and Victoria as well as the Federal Government)
	Performance obligations were to reflect the categorisation criteria	All	Specific obligations were established
	Companies' performance obligations were reflected in rolling three year key performance indicators	All	
	In the interest of public accountability and transparency, each company was to release, in its annual accounts, a list of performance indicators and progress against that year's targets	All	This assisted with the ability to make comparisons across the companies, particularly within the same artform and to help with improved transparency

Categorisation of the companies was critical to the outcome of the MPAB, underpinning not just the companies' strategic role and responsibilities, but also the funding they received and the proportion of funding provided by the Federal Government and State

Governments. The criteria for each category are outlined in Attachment 3. In general terms, however:

- Opera Australia was categorised as a Resident Australian Flagship company in light of its leading artform role. While it was not expected to tour its mainstage productions nationally because of the unattractive economics of touring opera, its ongoing commitment to Melbourne was recognised by funding from the Victorian Government;
- SOSA was categorised as a specialist company in recognition of its commitment to undertaking niche programming; and
- Opera Queensland and WAO were categorised as State Flagship companies, taking into account the leadership role they play in their states.

In summary, therefore, the MPAI established a coherent basis through its funding model for the level of funding for each company, as well as for the percent of funding provided by the Federal and each relevant State Government.

The significant changes that occurred as a result of the MPAI were welcomed by companies and government agencies alike.

3.2.2 2001 to 2011: A decade of adjustments

In the period between 2001 and 2011, three different types of adjustments occurred.

The first involved planned reviews of the funding model. The second was the 2005 Orchestras Review. And the third was the *Further Examination of the Opera and Ballet Orchestras* which also occurred in 2005. Each of these is addressed in turn.

3.2.2.1 Funding model reviews

From 2001, funding for the major performing arts companies was increased annually due to indexation. Prior to the 2005-06 Budget, this benefit was decreased as a result of an efficiency dividend, which reduced increases to annual funding to encourage operational efficiencies. Exhibit 3.5 outlines the annual indexation and efficiency dividend rates applied by the Federal Government throughout the period from 2001.

Exhibit 3.5 Indexation and efficiency dividend rates 2001 to 2006 (percent)

<i>Period</i>	<i>Federal Government (Australia Council) annual indexation rate</i>	<i>Federal Government annual efficiency dividend*</i>
2001-02	2.6	1.0
2002-03	2.9	1.0
2003-04	2.0	1.0
2004-05	1.3	1.0
2005-06	2.3	0

* As explained in 3.2.2.2, the efficiency dividend measure was not applied to the Major Opera Companies from and including 2005-06.

Reflecting implementation of the 2000 CMC agreement, funding model reviews were undertaken in 2002-03; 2005-06; and 2008-09. A review was also undertaken in 2011, but Governments subsequently decided to adopt a different approach, which is elaborated on in Chapter 3.2.3. These reviews were undertaken by the Australia Council's Major Performing Arts Board.

In the first review in 2002-03—recognising that the MPAA used data from 1997—the removal of the efficiency dividend was proposed. This recommendation was not accepted at that time.

The second review in 2005-06, which examined all companies other than the orchestras (including the Australian Opera and Ballet Orchestra [AOBO] and Orchestra Victoria), recommended an increase in funding for all companies, including the four opera companies. This resulted in an aggregate increase in core funding for the opera companies of 4 percent from 2008.

The third review of the funding model in 2008-2009 recognised that some financial strains were beginning to emerge, particularly for Opera Australia. No funding increase was recommended for the opera companies, but as a consequence of the review, in July 2009, LEK Consulting was engaged by the funding agencies to undertake a review of Opera Australia's operations. Although this report has not been made public, consistent with the findings of the review, Opera Australia began to programme more popular operas and increase its commercial activities.

In summary, three funding reviews were undertaken between 2002 and 2009 in a way that was consistent with the 2000 CMC recommendations. During this time, the Major Opera Companies received one funding adjustment of 4 percent, thereby establishing a new base for indexation. In addition, as described in Chapter 3.2.2.2, the efficiency dividend was removed.

3.2.2.2 2005 Orchestras Review

In large measure, the Orchestras Review came about because of the inability of the MPAA to gather adequate data relating to the orchestras. In 1999, at the time of the initial review, the orchestras had only recently been corporatised as subsidiary companies of the ABC and had relatively little experience of operating independently of ABC management. Data in relation to their financial situation was not readily available.

The 2005 Orchestras Review, commissioned by the Federal Government and chaired by James Strong AO, covered both the symphony and pit orchestras.

Three recommendations had the potential to directly impact the Major Opera Companies.

The first was a recommendation that the efficiency dividend be removed from Government funding for the orchestras. Subsequently, the Federal Government decided to remove the efficiency dividend for all major performing arts companies (see Chapter 3.2.2.1). The removal of the dividend was of significant benefit to the Major Opera Companies.³ In 2005-06, the efficiency dividend was 1.25 percent of Federal Government funding, which would have resulted in reduced Federal Government funding of approximately \$216,000 for the four opera companies had the efficiency dividend been applied in that year, with a cumulative effect in future years.

³ This had been recommended in the 2002-03 review but had not been accepted by the Cultural Ministers Council.

A second recommendation made a one-off interim payment of \$1.5 million to assist Opera Australia as a contribution to the operating costs of the AOBO until new arrangements could be put in place. The full amount was provided by the relevant governments.

The third recommendation was for a review to be undertaken of the future governance and funding arrangements for the AOBO and Orchestra Victoria. This was to be known as the *Further Examination of the Opera and Ballet Orchestras*. No report was released publicly.

In addition, the Orchestras Review indirectly affected the orchestral services provided to SOSA, Opera Queensland and WAO via the recommendations in relation to the symphony orchestras in those states.

The existing arrangement, re-affirmed by the Orchestras Review, was that the Adelaide Symphony Orchestra (ASO), Queensland Symphony Orchestra (QSO), and the West Australian Symphony Orchestra (WASO) provide a specified number of weeks of pit services for SOSA, Opera Queensland and WAO as well as for the Queensland Ballet and West Australian Ballet. (The ASO provides pit services to The Australian Ballet when it performs in Adelaide.)

As a result of the Orchestras Review, the ASO, the QSO and WASO received additional one-off funding of \$5.8 million from the Federal Government with additional funding from State Governments according to agreed ratios, as well as an increase in core annual funding of \$2.2 million or 15 percent.

3.2.2.3 2005 *Further Examination of the Opera and Ballet Orchestras*

Following the Orchestras Review, also in 2005, the Federal Government commissioned a *Further Examination of the Opera and Ballet Orchestras*, which looked at the provision of orchestral services by the AOBO and Orchestra Victoria. These orchestras provided pit services to Opera Australia and The Australian Ballet in Sydney and Melbourne respectively.

As a result of this examination, additional increased annual funding of \$2.6 million or 30 percent was provided for orchestral services for Opera Australia and The Australian Ballet.

In addition, the separate core funding grant, previously provided to Opera Australia for the AOBO, was in future to be combined with the core funding grant to Opera Australia. This recognised that Opera Australia had full ownership and responsibility for the AOBO, while continuing to provide pit services for The Australian Ballet.

3.2.3 2011: A year of significant change

In 2011, as a consequence of the fourth review of the funding model, a more fundamental examination was undertaken of the way governments interacted with the major performing arts companies and hence with the Major Opera Companies. This revised approach emerged due to concerns at Federal and State Government levels that the review process could potentially lead to an expectation of increased funding for the major performing arts companies at a time of increasing pressure on expenditure by governments.

As a consequence of this review and after agreement at the CMC, in August 2011, significant changes were made to the arrangements that had operated since 2000.

They can be summarised as follows:

Exhibit 3.6 Comparison of 2000 and 2011 funding Frameworks

<i>Type</i>	<i>2000 Arrangement</i>	<i>2011 Change</i>	<i>Comments</i>
Strategy	Criteria were established to become a major performing arts company	Broad responsibilities were defined as outlined in Attachment 4.	Significant additional obligations (common to all companies irrespective of artform) were imposed without additional funding
	Companies were categorised according to their agreed strategic role, including: - Australian Flagship: Resident - Specialist - State Flagship	Categorisation was abolished. Companies reached an agreement with the funding agencies on their strategy going forward.	
	Specific categorisation may be changed by agreement with companies and governments	No longer relevant because categorisation was abolished	
Funding responsibilities	All companies were funded by the Federal Government and the relevant State Government/s	No change	
	The proportion of funding provided by governments was determined according to the company's strategic categorisation (Federal: Specific State) - Australian Flagship: 80:20 - Specialist: 50:50 - State Flagship: 20:80	Proportional funding based on categories was no longer relevant because categorisation was abolished. Companies were told that Federal Government and relevant State Government funding ratios would be maintained	Subsequently, variations have occurred in the indexation rates for NSW and Victoria, SA and WA ⁴ The abolition of categorisation and the links to the funding ratio means that the underlying logic for the basis on which companies are funded has been eliminated. This means that there is no established basis on which a new company can become a major performing arts company

⁴ NSW has not provided indexation in 2013 and 2014; Victoria's core funding to Opera Australia reduced by -3.07 percent in 2013 and remained static in 2014. SOSA received a core funding uplift in 2008 from the South Australian Government, which has continued. In 2014, Federal Government funding was indexed at a higher rate than each State Government except for Queensland (which matched the 1.8 percent rate).

<i>Type</i>	<i>2000 Arrangement</i>	<i>2011 Change</i>	<i>Comments</i>
	<p>Major Performing Arts Board (MPAB) was established within the Australia Council with responsibilities for all companies.</p> <p>Responsibilities were clearly defined</p> <p>The Chair of the MPAB sat on the Australia Council Board</p> <p>Appointments to the MPAB were made by the Arts Minister.</p>	Maintained	A subsequent change occurred in 2012. See Chapter 3.2.5
	The MPAB has a small high calibre staff with a General Manager reporting directly to the General Manager of the Australia Council and the Major Performing Arts Board Chair	Maintained	A subsequent change occurred in 2012. See Chapter 3.2.4
	Funding for MPA companies was identified separately within the Australia Council budget, with the Australia Council Board unable to overturn MPAB funding decisions	Maintained	This was only for the funding for the companies, not for the administrative staff within the Australia Council who oversaw the MPA companies. See the subsequent change that occurred in Chapter 3.2.4
	The MPAB and their staff were to work closely with each relevant state funding agency to oversight and monitor the companies	Maintained	A subsequent change occurred in 2012 that may have affected the nature of the relationship. See Chapter 3.2.4
Provide funding	<p>Governments implemented a funding model that reflected:</p> <ul style="list-style-type: none"> - Cost of the artform; - Strategic role of each company; - Geographic access considerations; and - Other considerations 	The funding model approach was abolished; although the companies were assured that base funding would be maintained (plus indexation) at the then current levels	<p>Subsequently, variations occurred in the indexation rates in NSW, Victoria and SA. This could more readily occur because there was no longer any defined Federal: State Government funding ratio</p> <p>In addition, because the funding model was no longer maintained, the Australia Council lost visibility of the underlying cost-revenue dynamics in the companies.</p> <p>The Review notes the difficulties it has experienced in reconstructing something akin to the model</p>

<i>Type</i>	<i>2000 Arrangement</i>	<i>2011 Change</i>	<i>Comments</i>
	Rolling triennial funding was introduced offering greater certainty of funding	Maintained	
	The data and assumptions underpinning the funding model were to be reviewed every three years	The three year review process was abolished	A valuable source of the companies' cost information was no longer required to be maintained
Funding agreements	Tripartite funding agreements were established	Maintained	
	Performance obligations were to reflect the categorisation criteria	The obligations based on categorisation were abolished. Performance obligations were to be negotiated individually by companies with the relevant funding agencies	
	Companies' performance obligations were to be reflected in rolling three year key performance indicators	Maintained	
	In the interest of public accountability and transparency, each company released in its annual accounts, a list of performance indicators and progress against the year's targets	Reporting of performances and attendees maintained but reporting against targets not published	

In a rapidly evolving external environment and increased pressure on governments' budgets, these changes were ostensibly made to give the companies greater flexibility. It was also stated that the revisions "would allow governments to negotiate base funding outcomes annually according to current and changing strategic priorities without being restricted by set categories"⁵.

Subsequently, the NSW and Victorian State Governments have not continued to provide full indexation of core funding in each year⁶. In the case of South Australia, additional ongoing funding was provided by the State Government to SOSA for 2007-08.

⁵ *A National Framework for Governments' Support of the Major Performing Arts Sector*, page 8.

⁶ Not provided by NSW and Victoria in 2013 and 2014.

However, the removal of categorisation, while introducing greater flexibility, has also had the consequence of removing the underlying logic for funding proportions between the Australian and individual State Governments.

The removal of the requirement to review the funding model also means that going forward no mechanism exists for linking funding to the underlying economics of the companies either within or across artforms. The model has not been maintained and the intrinsic insight that process created has been lost.

3.2.4 2012 Australia Council management changes

From 2000 to 2012, as recommended by the MPAI, the MPAB had a dedicated high calibre team reporting to the MPAB Chair and the Australia Council CEO. They dealt exclusively with the 28 major companies, including the four Major Opera Companies and the AOBO. They had also assumed responsibility for managing relations with the State Governments in relation to the companies.

In 2012, an administrative restructure was implemented at the Australia Council. This resulted in MPAB staff assuming additional responsibility for the governance and financial oversight of the small to medium companies funded by the Australia Council, in addition to the 28 major performing arts companies. This represented a significant change of focus for staff, with a reduction in resources specifically dedicated to the major performing arts companies.

3.2.5 2012-2013 Review of the Australia Council

In 2012, a major independent review of the Australia Council was undertaken.

Following this review, on 1 July 2013, a new governance structure came into effect for the Australia Council. The composition of the Board of the Australia Council was changed from a board with representatives of each artform (including the MPAB) to a skills-based board.

Previously, in keeping with a representative approach, the Chair of the MPAB had been a member of the Australia Council Board. From 1 July 2013, this was no longer the case. Instead, the MPAB became the Major Performing Arts Panel (MPAP), with the Chair of the Panel reporting under an instrument of authority to the Board of the Australia Council, which is now the ultimate decision-maker. Under the revised process, the Chair of the MPAP presents on an as requested basis to the Australia Council Board. This differs from the prior arrangement where the MPAB Chair was a full participant in all Australia Council Board meetings. It should be noted that core funding for the MPA companies represents approximately 58 percent of the Australia Council funding budget.

Another change implemented related to the appointment of members of the MPAP. Previously, all members of the MPAB, including the Chair, had been Ministerial appointments. Under the new arrangements, all appointments to the MPAP, including the Chair, are made by the Australia Council Board.

These changes, along with those outlined in Exhibit 3.6 and Chapters 3.2.3 and 3.2.4, represented a significant change to the way the funding agencies interacted with the companies. More specifically, the changes contributed to a significant shift in the balance of authority in favour of the companies at the expense of the funding agencies,

with the companies being given the ability to determine their own strategic direction. As will be described in Chapters 5 and 6, some of the companies have taken advantage of that greater flexibility. The effective impact has been a diminution of the funding agencies' roles, more so when combined with the stretching of staffing resources at the Australia Council and the change in status of the MPAP within the Australia Council's governance structure.

3.2.6 2014 Orchestra Victoria changes

Following Orchestra Victoria experiencing financial difficulties, the Australia Council and Arts Victoria agreed that Orchestra Victoria would become a wholly owned subsidiary of The Australian Ballet from 1 July 2014. (The 1999 MPAP had indicated concerns about Orchestra Victoria's ongoing financial health).

The funding agencies agreed to provide additional annual funding of \$640,000 to The Australian Ballet to assume these responsibilities.

Under the new arrangement, pit services continue to be provided by Orchestra Victoria to Opera Australia and The Australian Ballet when they perform in Melbourne.

In summary, therefore, the strategic direction and funding framework underwent significant changes from 2000 to 2011. Those changes provided the companies with much greater flexibility. However, in the process, the intrinsic logic for the way the companies were funded was abolished; the funding model which provided insight into the companies' cost-revenue dynamics was disbanded; and the authority of the funding agencies was reduced, both through the stretching of staff resources and the change in the governance arrangements of the Australia Council.

3.3 Governments' support is reflected in specific funding

Governments recognise the importance of the Major Opera Companies through the provision of significant specific direct and indirect support.

3.3.1 Direct support

Governments provide financial assistance through direct grants to each of the Major Opera Companies.

This funding comes in a variety of forms.

3.3.1.1 Core government funding

Core grant funding provided to the Major Opera Companies in Australia is significant.

In aggregate, in 2014, \$32.6 million was provided by the Federal Government and State Governments. This represented 16 percent of all federal and state funding to the major performing arts companies.

The core grant allocation to each of the companies in 2014 can be seen in Exhibit 3.7. It should be noted that, as a State Government statutory authority, SOSA has a financial year end, while the other companies operate on a calendar year basis. As a result, in the exhibits in this chapter, SOSA's financial information is presented as

being the year in which the company's financial year ends. That is, 2013-14 financial year data is presented as being for 2014.

Exhibit 3.7 Core funding by company: Federal Government and State Governments, including funding for Opera Conference in 2014 (\$000, percent)

<i>Company</i>	<i>Core funding (\$000)</i>	<i>Percent of total</i>
Opera Australia*	24,116	74.1
Opera Queensland	3,127	9.6
State Opera of South Australia	2,985	9.2
West Australian Opera	2,322	7.1
Total	32,550	100.0

* Includes funding for the Australian Opera and Ballet Orchestra.

Opera Australia—Australia's largest major performing arts company—receives almost three quarters of funding provided to the Major Opera Companies, and more funding than any other major performing arts company.

Core government funding is provided by both the Federal Government and State Governments as outlined in Exhibit 3.8.

Exhibit 3.8 Distribution of core funding by the Federal Government and State Governments, including funding for Opera Conference in 2014 (\$000, percent)

<i>Company</i>	<i>Australia Council funding</i>	<i>State agency/ies funding</i>	<i>Total funding</i>	<i>Australia Council %</i>	<i>State agency/ies %</i>
Opera Australia*	19,829	4,287 ⁷	24,116	82.2	17.8
Opera Queensland	626	2,501	3,127	20.0	80.0
State Opera of South Australia	1,434	1,551	2,985	48.0	52.0
West Australian Opera	453	1,868	2,322	19.5	80.5
Total	22,343	10,207	32,550	68.6	31.4

* Includes funding for the Australian Opera and Ballet Orchestra.

The proportion of funding provided by the Federal Government and the relevant State Governments in 2014 largely reflects the categorisation of the Major Opera Companies introduced in 2000 as a result of the MPAI. However, variations have occurred as a result of changes in indexation rates and other minor adjustments. More specifically:

- For Opera Australia, the original 80:20 mix has shifted, mainly as a result of NSW not providing the benefit of indexation in 2013 or 2014; and Victoria implementing an efficiency dividend in 2013, while not providing indexation in both 2013 and 2014.
- For SOSA, a 2008 increase in State Government funding has resulted in the South Australian Government funding more than the 50 percent split that the Federal Government agreed in 2000.

Over time, core funding for the companies has increased.

⁷ New South Wales \$3,285,660; Victoria \$1,001,263.

Exhibit 3.9 Core opera funding including for Opera Conference: Federal Government and State Governments 2002 to 2014 (\$)

<i>Company</i>	<i>2002</i>	<i>2005</i>	<i>2008</i>	<i>2011</i>	<i>2014</i>	<i>cagr</i>
Opera Australia*	16,632	17,377	21,442	22,859	24,116	3.14
Opera Queensland	2,201	2,302	2,735	2,940	3,127	2.97
State Opera of South Australia	2,026	2,108	2,093**	2,825	2,985	3.28
West Australian Opera	1,369	1,597	2,004	2,183	2,322	4.50
Total	22,228	23,384	28,275	30,807	32,550	3.23

* Includes funding for the Australian Opera and Ballet Orchestra.

** Core funding amount paid to SOSA in 2008 was lower than normal due to repayment of advanced funding for *The Ring* which was presented in December 2004.

Against an average annual inflation rate of 2.7 percent, the Major Opera Companies' aggregate core government funding—both Federal and State—has increased at a compound growth rate of 3.23 percent. However, the rate of increase among the companies has varied.

3.3.1.2 Opera Conference funding

Opera Conference funding is part of the core funding of each opera company.

Opera Conference is a funding mechanism that has operated annually since 1994 to encourage collaboration among the Major Opera Companies. It does this by providing funding each year for a new production, which potentially can be programmed by each company, thereby increasing economies of scale, particularly for the staging of a less familiar opera and assisting with the significant cost of staging new operatic productions. Opera Conference funding also supports Opera Australia's regional touring activities in New South Wales and Victoria. Opera Conference meets at least annually to discuss specific repertoire and the operatic sector in Australia more generally.

Prior to 2008, Opera Conference funding was provided by the Federal Government alone. Since 2008, it has been co-funded with the State Governments.

Currently, the Federal and relevant State Governments provide approximately \$1.4 million in funding in proportions agreed in 2008⁸. The Federal Government remains the largest contributor, providing 89 percent of total Opera Conference funding in 2014. Opera Conference funds are indexed at the same rate as core funding. For this reason, Opera Australia's Opera Conference funding from the New South Wales and Victorian Governments has not increased since 2012.

Currently, Opera Conference funding is allocated in two ways. Opera Australia receives funding for its regional touring activities through what was previously known as Oz Opera and is now branded under the Opera Australia name. The amount is just in excess of \$216,000. In addition, all four companies are funded in roughly equal amounts (currently \$271,000) to assist with the development of a new annual opera production.

⁸ After the merger of the Victorian State Opera (VSO) and Opera Australia in 1996, Opera Australia received the VSO's share of Opera Conference funding.

Because of the difference in the size and the core funding for each company, Opera Conference funding represents a varying proportion of the core funding provided by governments. This can be seen in Exhibit 3.10.

Exhibit 3.10 Opera Conference funding in 2014 (percent)

<i>Company</i>	<i>Percent of core funding</i>
Opera Australia	2.6
Opera Queensland	8.7
State Opera of South Australia	9.1
West Australian Opera	11.7

Thus, Opera Conference funding represents a more significant proportion of funding for the smaller opera companies, while still being important to Opera Australia.

3.3.1.3 Project funding

Typically one-off project funding represents an increasingly important source of government income for at least two of the Major Opera Companies, namely Opera Australia and Opera Queensland. In the case of Opera Australia, it is provided for major events, such as HOSH, which Destination NSW supports in the interest of attracting more tourists to NSW. In addition, Opera Australia has received an annual grant from the Federal Government's Playing Australia regional touring programme for its interstate regional touring activities. Between 2010 and 2014, the grant has ranged from \$430,000 to \$530,000. Opera Queensland has also received State Government funding for regional touring.

The level of project funding in 2014 can be seen in Exhibit 3.11.

Exhibit 3.11 Importance of project funding in 2014 (\$000, percent)

<i>Company</i>	<i>Core funding \$000</i>	<i>Project funding \$000</i>	<i>Total funding \$000</i>	<i>Percent project funding</i>
Opera Australia	24,116	3,332	27,448	12.14
Opera Queensland	3,127	540	3,667	14.73
State Opera of South Australia	2,985	160	3,145	5.09
West Australian Opera	2,322	222	2,544	8.73
Total	32,550	4,254	36,804	11.56

The variable nature over time of this project funding—as can be seen in Exhibit 3.12—indicates that it cannot necessarily be relied on as a stable source of funding, which is significant for an artform where lead times are long for scheduling events.

Exhibit 3.12 Project funding: Federal Government and State Governments 2002 to 2014 (\$000)

<i>Company</i>	<i>2002</i>	<i>2005</i>	<i>2008</i>	<i>2011</i>	<i>2014</i>
Opera Australia	743	1,096	680	659	3,332
Opera Queensland	155	30	265	283	540
State Opera of South Australia	962	1,770	0	10	160
West Australian Opera	173	75	41	0	222
Total	2,033	2,971	986	952	4,254

3.3.2 Indirect support

Governments provide additional indirect support in five key forms. The most significant ways are described below.

3.3.2.1 Deductible Gift Recipient status

All four Major Opera Companies have been granted Deductible Gift Recipient status through their listing on the Register of Cultural Organisations.

This enables each company to offer donors the opportunity to make tax deductible gifts. From the Government's perspective, this represents tax revenue foregone, but it assists the companies raise additional revenue to improve their sustainability.

3.3.2.2 Not for Profit status

Under the *Income Tax Assessment Act 1997*, all four Major Opera Companies are deemed to be income tax exempt charitable entities.

This means they do not pay tax on revenue earned from ticket sales and other income. From the Government's perspective, this represents company tax revenue foregone, but it is of significant value to the companies.

3.3.2.3 Goods and Services Tax

As charitable entities, the Major Opera Companies can sell tickets free of GST if the sale price is less than 75 percent of the cost of supply per ticket. The cost of supply is calculated based on the cost of a particular opera production or presentation and the number of tickets estimated to be sold. Given the economics of opera productions, this means that the majority of tickets are sold free of GST. However, some high priced tickets attract GST.

From Governments' perspective, where GST is not paid, this is revenue foregone.

3.3.2.4 Funding for orchestral services

The Federal Government, together with relevant State Governments, provides funding for orchestral services in Queensland, South Australia, Western Australia and Victoria.

Opera Queensland, SOSA, WAO and Opera Australia in Victoria receive a specified number of weeks of orchestral services for their mainstage season from the QSO, ASO, WASO and Orchestra Victoria. While they pay augmentation and additional costs associated with using casual musicians, they have access to the core orchestral ensemble at no charge.

This effectively means that the benefits of Federal and some State Governments' funding for the orchestras are, to some extent, passed through to the Major Opera Companies.

3.3.2.5 Venues

The venues in which the Major Opera Companies perform receive significant grants from the relevant State Governments.

The companies indirectly benefit from such funding because, without these grants, venue charges would likely be higher than they currently are.

3.4 Government funding is important to companies

The ratio of total earned income to total government subsidy demonstrates the importance of government funding to each company, showing the dependency of all companies, but particularly Opera Queensland, SOSA and WAO, on government funding. This can be seen in Exhibit 3.13.

Exhibit 3.13 Ratio of earned income to total government funding by company in 2014

<i>Company</i>	<i>Ratio</i>
Opera Australia*	2.85
Opera Queensland	0.79
State Opera of South Australia	0.86
West Australian Opera	1.07
Weighted average	2.35

* Opera Australia's earned income includes donations to the Capital Fund.

In other words, while Opera Australia is generating earned income almost three times the level of its government funding, the earned income from the other companies is roughly comparable with the level of government funding.

However, as can be seen in Exhibit 3.14, the trend over time for Opera Australia shows a somewhat more complex situation. In the case of Opera Australia, until 2011, the ratio significantly declined from 2002, turning around in 2014 as a result of increased attendances at musicals. If revenue from musicals is excluded for Opera Australia, the ratio would be 1.68.

Opera Queensland shows a marked decline, while SOSA and WAO's outcomes are highly variable.

Exhibit 3.14 Ratio of earned income to total government funding: Federal Government and State Governments 2002 to 2014

<i>Company</i>	<i>2002</i>	<i>2005</i>	<i>2008</i>	<i>2011</i>	<i>2014</i>
Opera Australia	2.14	2.21	2.35	1.85	2.85
Opera Queensland	0.75	1.19	1.02	0.82	0.79
State Opera of South Australia	1.00	1.94	0.78	0.85	0.86
West Australian Opera	0.63	0.88	1.41	1.72	1.07
Weighted average	1.77	2.00	2.03	1.65	2.35

3.5 Government funding is important to audiences

The significance of government funding for ensuring audience access is demonstrated through an analysis of the funding subsidy per attendee.

Exhibit 3.15 presents the 2014 subsidy per seat for all Major Opera Companies.

Exhibit 3.15 Subsidy per seat in 2014 (\$)*

<i>Company</i>	<i>Subsidy per paid attendee</i>
Opera Australia	49
Opera Queensland	194
State Opera of South Australia	152
West Australian Opera	191
Weighted average	60

* Includes total government funding and total paid attendances for mainstage season opera, regional performances, non-mainstage productions, and in the case of Opera Australia, HOSH and all performances of musicals. It does not include schools performances or unpaid attendance.

If the subsidy per seat for Opera Australia is examined based only on core government funding per paid mainstage opera or mainstage musical attendee (in other words, excluding attendees at regional performances and events such as HOSH, non-mainstage musicals and other non-mainstage presentations), the subsidy per paid attendee increases from \$49 to \$63 in 2014.

Exhibit 3.16 shows the outcome over time, demonstrating an increase on a total subsidy per seat basis, particularly for the Major Opera Companies based in Brisbane, Adelaide and Perth.

Exhibit 3.16 Average subsidy per paid attendee 2002 to 2014 (\$)*

<i>Company</i>	<i>2002</i>	<i>2005</i>	<i>2008</i>	<i>2011</i>	<i>2014</i>
Opera Australia	61	55	51	88	49
Opera Queensland	101	77	108	136	194
State Opera of South Australia**	165	191	129	136	152
West Australian Opera	111	91	105	167	191
Weighted average	72	66	64	97	60

* Includes total government funding and total paid attendances for mainstage season opera, regional performances, non-mainstage productions, and in the case of Opera Australia, HOSH and all performances of musicals. It does not include schools performances or unpaid attendance.

** SOSA figures calculated on a financial year basis, where the year indicated is the year in which the relevant financial year ended.

Comparing 2002 and 2014, Opera Australia and SOSA showed decreases in the subsidy per seat. However, between 2008 and 2014 each company other than Opera Australia showed an increasing level of government support on a per attendee basis. The significant decrease for Opera Australia in 2014 reflects its increased emphasis on musicals. These results can be calibrated against that achieved in 2014 by major performing arts companies in dance and orchestral music. As can be seen in Exhibit 3.17, provided Opera Australia's attendances for all musicals are included, the government subsidy per attendee for opera is similar to dance and somewhat lower than for orchestras.

Exhibit 3.17 Average subsidy per paid attendee in 2014 (\$)

	<i>Opera</i>	<i>Dance</i>	<i>Orchestras</i>
2014	60	63	86

In summary, therefore, although the way governments fund the companies has changed over the past decade, continued government support is recognised in the funding provided to the companies and, therefore, governments' support for audiences. Funding remains crucial for the production of opera by the companies.

Chapter 4: Evolving dynamics of opera

Introduction

Opera companies, both in Australia and in other countries, along with other major performing arts companies, face significant challenges.

Those challenges reflect broader macroeconomic factors; shifting audience demographics; rapidly evolving technology; shifts in consumer behaviour; along with emerging pressures from changing government priorities; and demands on venues and festivals.

This chapter examines the way these external factors are affecting the sectoral structure within which the Major Opera Companies operate. More specifically, the chapter examines:

- 4.1 Significant changes in audience demand;
- 4.2 Changes in private sector support;
- 4.3 Shifts in government funding priorities;
- 4.4 Growth in diversity of supply; and
- 4.5 Pressures on supply chain economics.

4.1 Significant changes in audience demand

Changes in audience demand are having a significant impact on opera companies and to varying degrees, other performing artforms. The companies are being affected by:

- 4.1.1 Volatility in consumer spending;
- 4.1.2 Variability in paid attendances;
- 4.1.3 Increased price sensitivity;
- 4.1.4 Increased consumer expectations and sophistication; and
- 4.1.5 Changed buying patterns.

4.1.1 Volatility in consumer spending

Over the past decade, the Global Financial Crisis (GFC) has created significant volatility in consumer spending for the live performing arts.

In Australia, from a consumer's perspective, the decade from 2004 to 2013 can be divided into three distinct periods: the pre-GFC period (2004-2007); the GFC period (2007-2010); and the post-GFC period (2010-2013).

This section of the Discussion Paper uses data from *Live Performance Australia Ticket Attendance and Revenue Survey* which provides valuable data on each artform, including opera and musicals. Comparisons in this section are also made with other live performance categories, including dance / ballet; classical music; theatre; what is defined as musical theatre (which are called musicals in this Discussion Paper); as well as contemporary music. Data from the Major Opera Companies is contained within the opera category, and in the case of Opera Australia's musicals, within the music theatre grouping.

Pre-GFC period

Immediately prior to the GFC, in 2007, Australians spent about \$1.22 billion on the live performing arts, with that expenditure having grown strongly at an annual rate of 21.2 percent from 2004.⁹

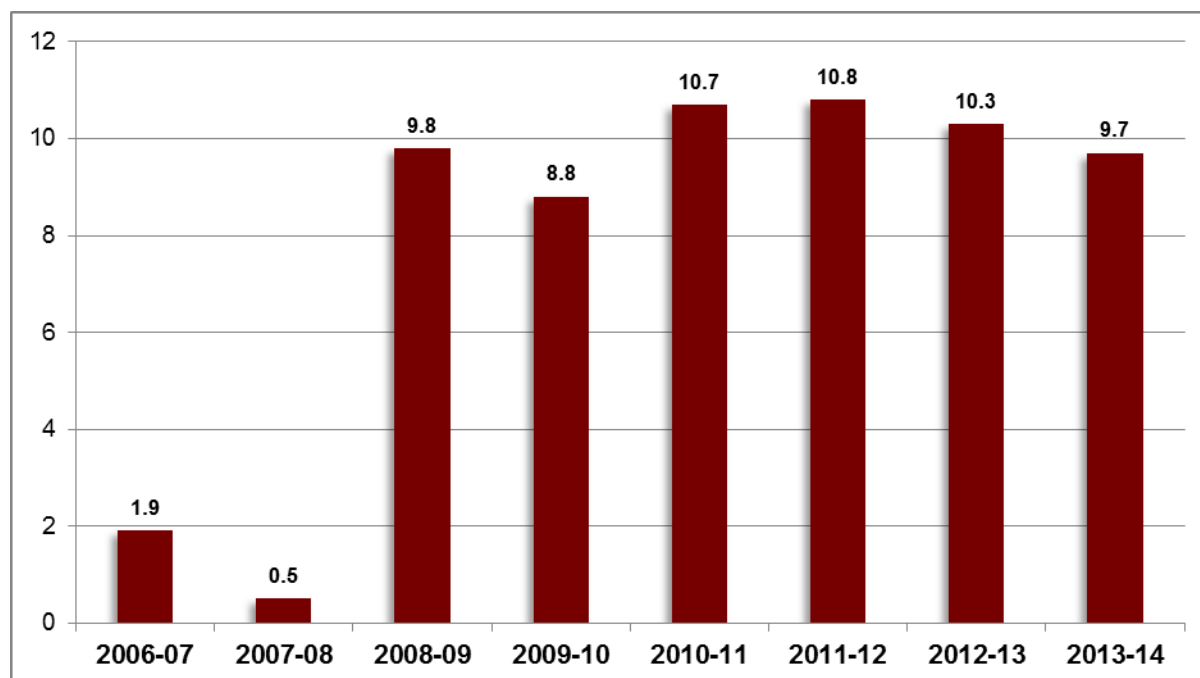
Spending on dance / ballet; classical music; opera and theatre, which accounted for 24 percent of the total in 2007, had been growing at an average annual rate of 9.7 percent. Including musicals with that group, its percent of the total entertainment spend increased to 42.8 percent in 2007, with the compound annual growth rate over the prior three years being a significant 13.1 percent. Over and above the traditional artforms, contemporary music was the largest single category of spend at 41 percent and growing at 37 percent per annum.

GFC period

As with other parts of the economy, the GFC had a profound impact on the live performing arts.

The GFC increased job insecurity; diminished wealth as asset prices decreased; and increased individuals' propensity to save. This was reflected in the household savings ratio, increasing by a significant 9.3 percent between 2007-8 and 2008-9. The step change, leading to a sustained higher savings ratio, can be seen in Exhibit 4.1. The consequence of these pressures was that an individual's willingness to consume discretionary items, including entertainment, was adversely affected.

Exhibit 4.1 Australian household savings rates 2006-07 to 2013-14 (percent)



⁹ The following sections draw on data from *Live Performance Australia Ticket Attendance and Revenue Surveys*.

As a result, consumers spent less on live performances. Each part of the live performance sector was adversely impacted, although the depth and duration of the impact varied significantly.

The large contemporary music market experienced a revenue decline of 8.5 percent between 2007 and 2009, but turned around by 2010. Musicals also turned the corner by 2010, having experienced a relatively mild reduction in revenue of 6.1 percent between 2007 and 2009. In almost all other areas, the impact of the GFC was felt well into 2010.

As can be seen in Exhibit 4.2, dance / ballet, classical music, opera and theatre experienced a 31 percent aggregate decline in consumer spending between 2007 and 2010, with theatre and dance / ballet being the most adversely affected with aggregate declines of 48.8 percent and 25.6 percent respectively. Classical music declined 16 percent over the same period; while opera experienced a 15.1 percent overall decline.

Post-GFC period

From 2010, consumers gained more confidence, with their expenditure on most but not all segments of the live performing arts increasing.

Overall, in the period from 2010 to 2013—the last period for which consistent data is available—consumer expenditure on live performances increased by 11 percent in total over the three years, or at a more muted average annual rate of 3.7 percent, versus the heady pre-GFC growth rates of 21.2 percent.

As can be seen in Exhibit 4.2, these overall rates of change disguise significant variations in the more traditional artforms.

Exhibit 4.2 Revenue change: selected live performing arts segments* 2007 to 2010 and 2010 to 2013 (percent)

<i>Segment</i>	<i>2007-2010*</i>	<i>2010-2013</i>
Dance / ballet	-25.6	9.3
Classical music	-16.0	53.6
Opera	-15.1	7.9
Theatre	-48.8	98.9
Sub-total	-31.3	45.5
Musical theatre	6.1	-20.4
Total incl. musical theatre	-15.0	9.6

* This data relies on *Live Performance Australia Ticket Attendance and Revenue Survey*. The collection methodology was changed in 2007. As a result, some inconsistencies may exist in the data between 2007 and 2008.

Thus, the turnaround in consumer support for classical music and theatre was much stronger than for opera and dance / ballet. On the other hand, consumer demand for musical theatre experienced a decline.

These trends are best explained by examining both attendances and price sensitivity in relation to tickets.

4.1.2 Variability in paid attendances

The variability in consumer expenditure on the performing arts reflects both the frequency of their attendance, as well as the price an individual is prepared to pay for

a ticket. This section of the Discussion Paper addresses the variability in their attendance.

In 2007, immediately prior to the GFC, paid audience attendances for dance / ballet, classical music, opera and theatre reached a peak of around 5.2 million attendees annually, with a steady annual growth rate of 7.3 percent from 2004 to 2007.

In the three years following the GFC (to 2010), total paid attendances for these artforms declined in aggregate by 2 million attendees or 39.1 percent. If musical theatre is included in the total, the decrease is 2.8 million attendees or 33.4 percent.

Exhibit 4.3 shows the percent decline in paid attendances in each artform from 2007 to 2010. It also shows the extent to which each artform recovered or further declined from 2010 to 2013.

Exhibit 4.3 Change in paid attendances in Australia: traditional artforms 2007 to 2010 and 2010 to 2013 (percent)

<i>Artform</i>	<i>Change 2007 to 2010</i>	<i>Change 2010 to 2013</i>
Dance / ballet	-34.2	-5.1
Classical music	-22.4	26.9
Opera	-35.8	-16.2
Theatre	-49.8	40.5
Sub-total	-39.1	18.1
Musical theatre	-24.1	-22.0
Total incl. musical theatre	-33.4	0.6

In summary, as a result of the GFC, the number of paid attendees for each traditional artform declined significantly, with theatre being the most adversely affected. Opera and dance declined by a third over the period, with musical theatre and classical music declining by close to a quarter.

The rate of recovery varied significantly. Theatre, followed by classical music, showed the greatest resilience. Dance / ballet, opera and musical theatre, on the other hand, continued to decline. In aggregate, total attendances for these artforms, including musical theatre, have not recovered to 2007 levels and are still below the number of paid attendees in 2004. Thus, opera's decline in the number of paid attendances was on a par with other artforms, but has not recovered to the same extent as other artforms, other than musical theatre.

These trends mirror to varying degrees those experienced in the USA. There, however, the period of decline was more prolonged, extending until 2011 rather than 2010. The Key Findings from the National Arts Index published by Americans for the Arts state that "the arts' recovery from the Great Recession did not begin until 2012". Exhibit 4.4 shows the shifts in attendances on that basis. Data is currently available only until 2012.

Exhibit 4.4 USA shifts in audience attendances 2007 to 2011 and 2011 to 2012 (percent)

<i>Artform</i>	<i>2007-2011</i>	<i>2011-2012</i>
Dance and ballet	-5.1	-3.9
Symphonies	-7.6	-4.5
Opera	-35.4	9.1
Non-commercial theatre	9.7	7.9

In other words, in the USA, opera was disproportionately affected, although its recovery appears to have been marginally stronger than other artforms. Compared to Australia, the opera decline was similar, although the USA data covers 2007 to 2011 versus 2007 to 2010 for Australia.

Obtaining high quality comparable data for Europe is more difficult. However, a 2014 study undertaken by Arts Council England, in determining ongoing funding for opera and ballet, provides some insight. The study covered the seven large-scale lyric companies, including for opera, the Royal Opera House (which also includes the Royal Ballet), English National Opera, Welsh National Opera and Opera North. Ballet covered the English National Ballet, Birmingham Royal Ballet and Northern Ballet.

While company specific data was not released, the study stated that, “for the four opera companies, audiences declined for large-scale and mid-scale performances [between 2008-9 and 2011-12] from c.700,000 to c.650,000. This was accompanied by a decrease in performances from 448 to 415”, presumably because the market would not support the additional performances. In the case of ballet, on the other hand, audience growth was from “c.700,000 to c.850,000 per annum and was accompanied by an increase in performances from 515 to 536”.

In other words, the overall decline for the opera companies was 7 percent, while ballet increased by 21 percent from 2008-9 to 2011-12. This suggests that there was less volatility in the UK than in the USA or Australia.

In summary, the GFC had a significant impact on audience attendances. This impact was felt across geographies and artforms to varying degrees. It was not a phenomenon confined to opera.

4.1.3 Increased price sensitivity

Price sensitivity has become an increasingly important factor in live performance attendances.

The Quantum Research report demonstrates that “money concerns” create more stress for Australians than any other single factor. Forty-one percent of survey respondents cited it as a factor, with 82 percent of Australians believing that the “cost of living” will worsen with time.

Against this backdrop, the survey indicated that consumers are cutting back on expenditure. Fifty two percent of respondents indicated they are “going out less”, 46 percent stated that they are “giving up luxuries”, while 32 percent said they are “actively looking for discounts”. These factors underpin a broader consumer trend of increased price sensitivity and looking for better “value for money”, according to the Quantum Research report. This was more so for the performing arts, where cost was specifically identified as being a factor influencing a consumer’s purchasing decision.

The extent of price sensitivity and the desire to look for “value for money” varied according to whether a consumer was a regular or an occasional attendee.

Regular attendees, who are usually subscribers, according to the Quantum Research report, are primarily looking for a programme that appeals to them. When a programme does not appeal, financial pressures are likely to come to the fore. As a result, in Victoria, 53 percent of regular attendees at the performing arts indicated that

their attendance had declined over the previous five years. In this context, financial pressures undoubtedly reflected the impact of the GFC.

Thirty six percent of occasional attendees indicated they were going to live performances less over the past five years. In their case, however, having less discretionary income was the most important factor. This is a direct indication of the impact of the GFC.

The nature of these pressures is outlined in Exhibit 4.5.

Exhibit 4.5 Reasons for reduced attendance over past five years – Quantum Research report outcomes (percent of respondents)

Question: Why has your attendance decreased over the past five years?

<i>Factor</i>	<i>Nature of attendance: regular</i>	<i>Nature of attendance: occasional</i>
Fewer performances that appeal to me	36	27
Less disposable income available to me now	32	46
I don't have enough time any more	18	23
I don't have anyone to go with / I can no longer go with the person / people I used to attend with	13	14
Percent attending less over last five years	53	36

In other words, price is a key part of the decision, but so too are programming considerations which will be discussed in Chapter 6.2. The impact of price can be seen in Exhibit 4.6.

Exhibit 4.6 Importance of price in a purchase decision – Quantum Research report outcomes (percent of respondents)

Question: How important is price to you in determining whether you go or not?

<i>Factor</i>	<i>Nature of attendance: regular</i>	<i>Nature of attendance: occasional</i>
The price is critical	11	21
The price is important but other considerations also come into play	68	65
The price is only of minor importance	15	11
The price is irrelevant	5	3

Against this backdrop, over time, the price of tickets for differing artforms becomes more important. Average ticket prices over time for live performances in traditional arts are outlined in Exhibit 4.7.

Exhibit 4.7 Average ticket prices for selected artforms in Australia 2004 to 2013 (\$)

<i>Artform</i>	<i>2004</i>	<i>2007</i>	<i>2010</i>	<i>2013</i>
Opera	108.9	85.3	112.9	145.3*
Opera 2013 (without <i>The Ring</i> impact)	-	-	-	126.8
Musical theatre	76.3	70.5	98.8	100.9
I feel				
Ballet and dance	50.1	57.4	64.9	74.7
Theatre	43.9	50.4	51.5	72.9
Classical music	43.2	55.9	60.4	73.2

* Pricing includes a higher price paid by audiences for *The Ring*.

Thus, the average price of an opera ticket is significantly higher, being between 1.5 and 2.5 times higher than the lowest average ticket price for any other artform. In large measure, this reflects the supply chain costs of opera which are outlined in more detail in Chapter 4.5.

Demand for the performing arts is quite elastic in that price increases will result in significant declines in attendances. A price elasticity of -1.0 suggests that increasing prices will result in a commensurate loss of customers such that the overall impact would be revenue neutral. Statistical analysis of Australian audience sizes and pricing from 2003 to 2013 shows that the underlying indicative price elasticity for opera is about -0.59. Elasticity has increased since the GFC to -0.66. The same time series of data from 2003 to 2013 indicates that dance and classical music are more elastic than opera, whereas theatre is less price elastic. All performing arts suffered increased price elasticity after the GFC. Thus, the price of a ticket to a performing arts event is a major consideration, more so with opera given its relatively higher price reflecting its cost structure. Such price sensitivity has significant implications for the Major Opera Companies.

4.1.4 Increasing consumer expectations and sophistication

Changing socio-demographic factors, increasing travel, rapidly changing technology, the cult of the celebrity and an increasing desire for a unique experience have created enhanced audience expectations and sophistication.

4.1.4.1 Changing socio-demographic factors

Australian audiences are increasingly sophisticated and demanding in their expectations, reflecting evolving socio-demographic changes.

Increasingly, Australians are better educated. In 2012, 37 percent of Australians had a degree or a diploma. This is a dramatic increase over the 2009 figure of 25 percent, when as a result of the Bradley Review into Tertiary Education, a target of a tertiary educated population of 40 percent by 2025 was set in recognition of the importance Australia should attach to being a creative and productive nation. It is also a dramatic increase over the 1996 figure of 16.5 percent cited in the 1999 MPAI Discussion Paper.

Australia's employment profile has also significantly changed, with more Australians working as professionals and managers. In 2015, the Australian Bureau of Statistics (ABS) figures show that 46.6 percent of those employed were engaged in those two categories, versus 39.2 percent in 2005 and 35.4 percent in 1999. Females have disproportionately driven the increase, representing 46.6 percent of all professionals

and managers in 2015, versus 39.2 percent and 35.4 percent respectively in 2005 and 1999.

These demographic shifts are significant because tertiary educated professionals and managers account for a disproportionate percent of performing arts attendees. This potentially increases not just the audience size, but also the degree of critical engagement of the audience with a performance. This is particularly the case with women. As a 2014 Opera Australia mainstage audience survey reported, 62 percent of attendees were female. The same survey did not indicate if those same attendees were tertiary educated.

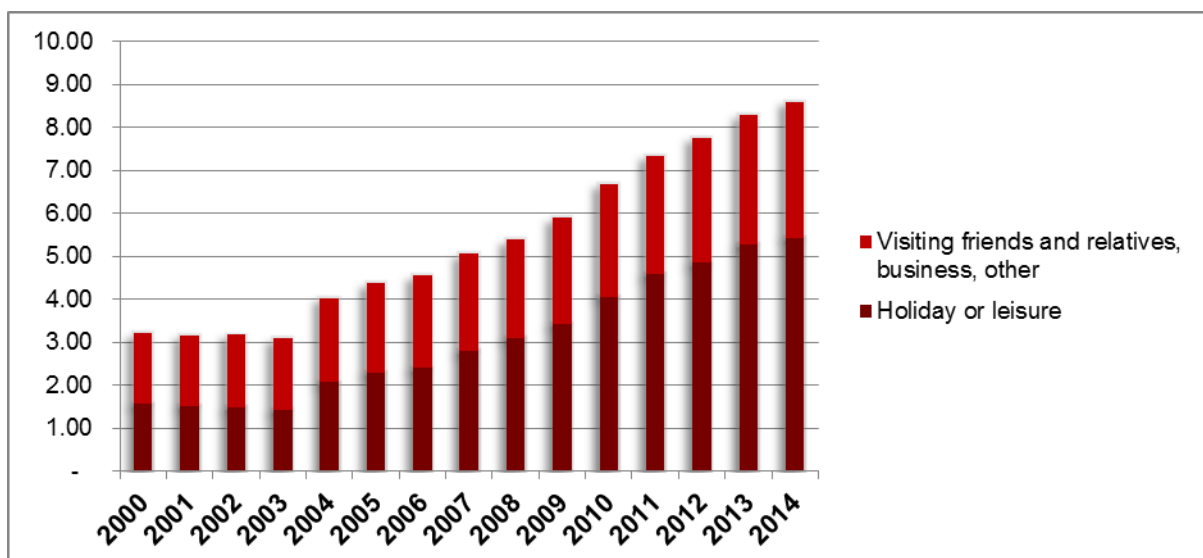
4.1.4.2 Increasing travel

Australians travel overseas much more than they did in the past.

In the decade to December 2014, residents departing Australia for a short time undertook 64.0 million trips. This was more than double the 30.1 million trips undertaken in the previous decade. Sixty percent of those trips were to undertake a holiday, whereas in the prior decade, that was 49 percent. Visiting friends and relatives stayed relatively constant around 26 percent over both decades as the prime reason to travel.

The rapid escalation in outbound trips by Australians, from 3.2 million in 2000 to 8.6 million in 2014, can be seen in Exhibit 4.8.

Exhibit 4.8 Australian residents' outbound trips 2000 to 2014 (million)



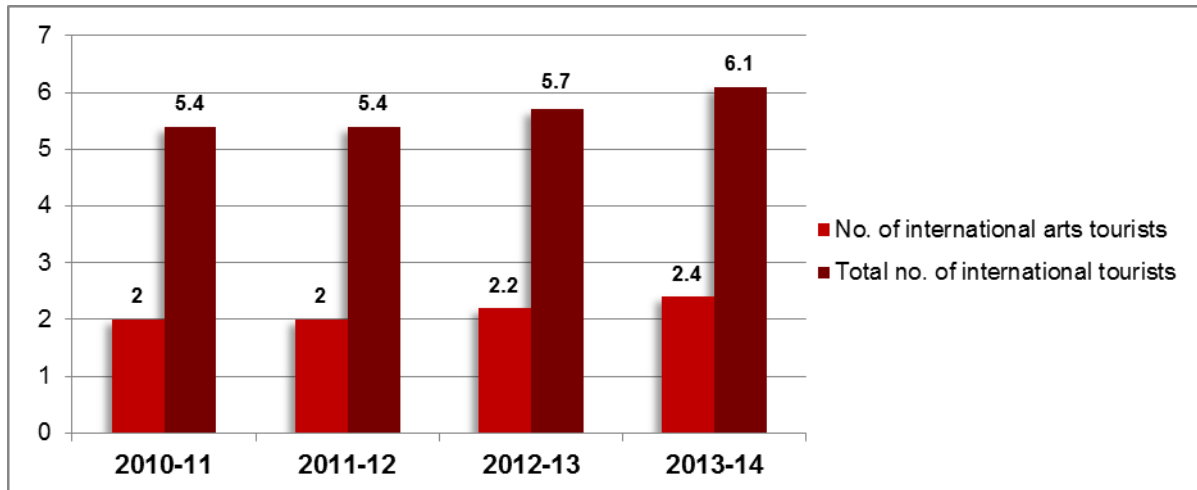
Improved education, a higher proportion of the population who are professionals and a greater propensity to travel means that Australians increasingly understand what it means for the performing arts to be world class. Their expectations are set not just by what they see in Perth or Sydney, but by their experiences in New York, London, Tokyo and Paris.

This insight is consistent with information solicited by the Review Panel at public consultations where a high percentage of attendees indicated they had attended opera performances overseas.

In turn, visitors to Australia have also increased. Over 58 million inbound visitors came to Australia in the decade to December 2014, up from 45.4 million a decade earlier. Around half of those visitors were tourists, with the Sydney Opera House regularly topping the list of the most admired and visited tourist attractions in Australia.

According to the Australia Council, arts tourism has grown significantly as the number of international visitors to Australia has increased. As Exhibit 4.9 indicates, over two million tourists to Australia each year have been arts tourists. This includes gallery visitors, festival attendees, as well as those attending live performing arts events.

Exhibit 4.9 International tourist trends 2010-11 to 2013-14 (million)



Foreign consumers attending a performance in Australia also have expectations driven by experiences in other parts of the world. Twelve percent of tickets sold by the Sydney Opera House in 2014 were to international visitors.

As stated in 2.4.2 a significant number of interstate visitors attend Opera Australia productions in Sydney. The introduction of musicals and HOSH performances to Opera Australia’s Sydney programme in 2012 resulted in a 56 percent increase in interstate visitor attendance that year from the previous year. Increasing travel is reinforcing the expectations of audiences for the quality of performances they expect to see on stage.

4.1.4.3 *Rapidly changing technology*

Significant and swift changes in technology are increasing audience expectations. This is occurring particularly through the Internet and social media.

Internet

Access to the Internet has radically transformed consumer behaviour and increased audience expectations over the past fifteen years.

Whereas in 1999, at the time of the MPAI, use of the Internet was described as ‘embryonic’, in December 2014, there were 12.7 million Internet subscribers.

Almost all of those connections are by broadband, with dial-up Internet accounting for less than one percent of connections. This facilitates high quality downloads, including of opera performances from the world’s leading opera houses. Moreover, broadband

speeds are increasing, with close to 12.3 million subscribers having access to broadband speed that is 256kbps or greater.

Looked at by household, 83 percent of all households at the end of 2013 had Internet access, with 77 percent having a broadband connection.

More affluent households have a higher Internet penetration. 98 percent of households with an income over \$120,000 had Internet access in 2012-13, versus 57 percent of those with a household income less than \$40,000. More affluent households constitute a higher proportion of audiences for the performing arts. By way of example, 65 percent of audience members for HOSH in 2014 reported an annual household income of \$100,000 or more.

Use of the Internet is ubiquitous. 81 percent of households access the Internet at home every day, with a further 16 percent using it at least once a week.

In 2012-13, according to the ABS, 76 percent of Internet users make an on-line purchase, with 74 percent (the most common) being for travel, accommodation and ticket purchases. 50 percent of users also purchase music, videos and books. The Internet was also used for social networking by 66 percent of users and voice or video calls by 40 percent of users.

In 2010-11, 96 percent of persons between the ages of 18 and 24 accessed the Internet. However, the 55 to 64 year age group showed the highest rate of take up, with their participation rate increasing from 63 percent in 2008-9 to 71 percent in 2010-11.

Internet usage is also increasingly available on mobile devices, with 20.6 million mobile subscribers registered by June 2014. In addition, in the three months to end June 2014, the volume of data downloaded via mobile handsets dramatically increased by 40 percent to 38,734 terabytes, compared to the same period the prior year. Nonetheless, this represented only 4 percent of the total Internet data downloaded. With an average of only 0.6 gigabytes a month of data on mobile devices currently being downloaded, this trend can only be expected to continue.

Thus, a significant increase in Internet access and usage has had a major impact on consumer behaviour. Over the Internet, opera goers are able to view what purports to be the best performances from leading opera houses around the world and to view what constitutes being world class. Artform knowledge is more readily available, and information on current performances is instantly accessible, even though it is not a substitute for a live performance. For those who travel, tickets can easily be purchased online, thereby radically transforming the ease of access to performances globally.

At the same time, the Internet offers opera companies tools to enhance their marketing. This includes season and programme information, as well as the ability to solicit post-performance feedback. Bookings can be made online directly with the company, thereby providing greater data to the companies than hitherto was the case. Alternatively, online bookings with ticketing agencies, such as Ticketek, make it easier for a consumer to purchase a ticket both in Australia and from opera companies throughout the world.

Social Media

Social media is increasingly being used by consumers to access information and to increase their assessment of whether to attend a performance.

Facebook

Facebook has been publicly available since 2006 and by December 2014, Facebook had over 1,390 million users globally.

SOSA launched a Facebook page in 2009, with Opera Australia, Opera Queensland and WAO following suit in 2010, thereby allowing these companies to understand comments being made by consumers. More significantly, it can be used as a marketing tool to promote the companies' productions and to create an online relationship.

YouTube

YouTube was launched in 2005. It rapidly became a source globally for new video views, with that number reaching 100 million by 2006. Recognising its value, Google purchased YouTube in 2006 for US\$1.65 billion.

Use of YouTube increases audience knowledge and responsiveness to opera by allowing consumers to gain a real life view or preview of a performance. This is accessible both to domestic and international consumers on an on-demand basis.

Opera Australia took advantage of connecting with audiences through this medium in 2006, followed by SOSA in 2009; Opera Queensland in 2010; and WAO in 2012. As recently as February 2015, Opera Australia released a behind-the-scenes video of the children's opera *The Rabbits* on YouTube. As of early September 2015, it had been viewed over 13,500 times.

4.1.4.4 Cult of the celebrity

While the cult of the celebrity might have deep roots in time, the power of globalising technology, be it through film, television, the Internet, or magazines, has made it ubiquitous.

The cult of the celebrity provides a vehicle for an audience to connect with an artform.

Historically, Dame Nellie Melba and Dame Joan Sutherland have created this aura, allowing audiences to identify not just with them as talented artists and individuals, but also with the artform more generally.

Other Australian artforms, such as theatre, in the case of the Sydney Theatre Company (STC), have used the public profile that Cate Blanchett, Geoffrey Rush, Hugo Weaving and Richard Roxburgh and others have created on screen to draw audiences to theatre. The undoubted talent of these actors has assisted with attracting audiences to the STC. Opera in Australia has used this approach to a more limited extent.

4.1.4.5 Increasing desire for unique experiences

A body of literature exists that suggests that consumers increasingly consider the arts and culture to be a subset of leisure activities. Advocates of this perspective consider not only that a service economy is being replaced by an experience economy, but that arts audiences are seeking experiences or a series of memorable events that engage participants in a distinctive way.

Arts organisations are undoubtedly responding to such views. The extent of engagement can differ widely, dependent on the artform and the nature of the perceived opportunity. For instance, audiences might value pre-performance dinners, post-performance on-stage dinners, as well as special one-off occasions.

Alternatively, performances might occur in unique locations, such as on Sydney Harbour or on a beach.

Such creations are typically a response to audiences' increasing desire for unique experiences.

Author Joseph Pine's work on the experience economy shows that as the economy has evolved, expenditure on goods has reduced while expenditure on services has increased. People now scrutinise the time and money they spend on services to make way for more memorable and highly-valued experiences. As a consequence of the GFC, people questioned what was material. In general, the conclusion reached was that experiences mattered more than "things". Experiences were perceived to add meaning to an individual's life, representing time well spent. The result is that product offerings have evolved as the transition to an experience economy has occurred.

In summary, increasing audience sophistication reflects not just that consumers are more demanding because they are better educated and travelled, but also the greater access they have via technology to best in class performances. This is complemented by what others see as an insatiable desire for the new and the novel, driven by the cult of the celebrity as well as by consumers' desire for unforgettable experiences. These trends present significant challenges to which the Major Opera Companies, as well as other performing arts companies, have needed to respond. Their responses will be discussed in Chapter 5.

4.1.5 Changing buying patterns

Changing consumer behaviour is having an impact on buying patterns for the Major Opera Companies.

More specifically, consumers want to receive value for the entertainment choices they make. Readily available information via the Internet and social media is driving consumers' choices. They also receive information from their friends as to what constitutes good value.

Some of the key buying patterns that are emerging for opera and other major performing arts companies are as follows.

4.1.5.1 Variability in subscription packages;

4.1.5.2 Smaller subscription packages purchased; and

4.1.5.3 Tickets sold later.

4.1.5.1 Variability in subscription packages

Traditionally, subscribers have been the backbone of the vast majority of Australia's 28 major performing arts companies. They are particularly valuable to performing arts companies, especially opera companies.

Subscribers buy a package of performances delivered over a whole year, in contrast to single ticket buyers who buy once and may not purchase again for a long period. Additionally, the behaviour of subscribers is to renew their subscriptions, often over a long period of time.

A net present value can be calculated for an individual subscriber based on the average pricing of a standard package of performances and the lapse rates of subscribers. This analysis, undertaken by the Review, indicates that with current subscription lapse rates, a subscriber who takes a package of about \$800 is worth about \$2,600 to a company over a ten year period. By reducing the lapse rate by around 10 percent from the current levels of close to 30 percent, a further \$900 can be added to the value of a subscriber over the same period.

According to the Quantum Research report, subscribers have defined reasons for taking out a subscription. They are outlined in Exhibit 4.10.

Exhibit 4.10 Reasons for acquiring a subscription – Quantum Research report survey outcomes (percent of respondents)

<i>Reason</i>	<i>Percent</i>
Allows me to plan in advance	69
Works out cheaper than buying individual tickets	56
Allows me to get tickets to the performances I want to see	55
Guarantees I can get seating in the area I prefer	49
It represents good value for money	49
It is a way of supporting this artform	44
It means I don't have to worry about buying tickets later in the year	44
It is a way of supporting a particular production company	37
It is something I have always done	33
So I can sit with family / friends who also take out subscriptions	27

The pattern of commitment of subscribers in the wake of the GFC has been highly variable for Australia's major performing arts companies.

Between 2010 and 2013, 15 companies experienced a decline of varying proportions in their number of tickets sold to subscribers. Overall, this represented an 8.4 percent decline.

Of the 15 major performing arts companies experiencing declines, the following patterns exist:

- 75 percent or three of the four Major Opera Companies experienced a decline, with that decrease being significant for two of the companies.
- 56 percent of the orchestras and classical music companies experienced a drop, with 40 percent of those experiencing a significant decrease of over 20 percent, with the other half undergoing a relatively nominal decline.

- 71 percent of the theatre companies saw a decline, with two of those being in excess of 20 percent.
- 66 percent of the dance companies experienced marginal declines in their subscriber base.

Thus, opera was affected along with other major performing arts companies.

However, the picture is not entirely negative. Eight performing arts companies experienced an increase, with six having an increase of more than 10 percent and two—both in less populous states—having growth rates well in excess of 50 percent.

Thus, significant variability exists in subscriber patterns, although the GFC undoubtedly had an adverse impact on the subscriber base. That pattern crosses artforms.

In part, this pattern of reducing subscribers is not inconsistent with the responses outlined in Exhibits 4.5 and 4.6 that provide an explanation of why regular attendees do not continue going to live performances. The Quantum Research report provides additional reasons why subscribers allow their subscription to lapse. The top five reasons are outlined in Exhibit 4.11.

Exhibit 4.11 Key reasons subscribers allow their subscription to lapse – Quantum Research report survey outcomes (percent of relevant respondents)

Question: Why did you stop subscribing?

<i>Reason</i>	<i>Percent</i>
I couldn't afford a subscription / can't justify the expense	24
I preferred not to commit to specific performance dates too early	20
I no longer had the time to go to so many performances	20
I decided to spend the price of a subscription on other activities instead	17
I didn't want to go to the specific performances offered in the season	16
I didn't find this year's productions appealing	16

Notwithstanding these specific responses, Quantum's conclusion is that the decline in subscriber and single ticket sales is a function of three factors: too much choice from competing comparable product; time and money pressures; and programming choices. More specifically, 40 percent of regular attendees who said that their attendance levels had declined stated it was "due to lack of appealing programming". For regular attendees, this specifically included the importance they attached to the actual performers, in comparison to occasional attendees who wanted some level of familiarity with the music or the storyline. In other words, in relation to programming, regular attendees want greater variety and novelty, whereas occasional attendees desire much greater familiarity with the specific opera. Regular attendees also wished to engage more with artists.

More specifically, the Quantum Research report noted that opera has seen the biggest decline in subscriptions in 2013, "likely due to the programming of *The Ring Cycle*," while noting also the decline in subscriptions in the prior year.

Of particular concern, the report indicated that subscribers (across artforms) who have allowed their subscription to lapse are unlikely to renew. This outcome is outlined in Exhibit 4.12.

Exhibit 4.12 Likelihood that lapsed subscribers will renew (percent of relevant respondents)

<i>Outcome</i>	<i>Percent</i>
Definitely will not	21
Probably will not	41
May or may not	29
Probably will	6
Definitely will	2

Looked at another way, subscribers are a valuable asset of a company that must be cultivated. They provide a readily accessible ongoing income stream provided they are nurtured and see value for the money they spend. However, once they lapse, the possibility of their renewing their subscription at a later date significantly diminishes. In addition, the Quantum Research report indicates the importance of taking such considerations into account in programming decisions.

4.1.5.2 Smaller subscription packages

While the Review has not had access to the size of subscription packages for all the major performing arts companies, for opera, the trend appears to be that subscribers are taking fewer performances on average in the packages they purchase. This might also reflect some companies offering fewer mainstage productions. Further analysis of this issue is included in Chapter 5.

This observation is consistent with the increasing financial pressures felt by subscribers as well as the diversity of choice that is available. The diversity of choice is described in greater detail in Chapter 4.4.

4.1.5.3 Late ticket sales

Data available from Opera Australia shows that, particularly in the summer season, on average, between a third and a half of all tickets purchased for each performance are sold in the last three weeks prior to the performance. During winter, perhaps reflecting slightly lower tourist traffic, that number decreases to below 30 percent.

Opera Australia's data is consistent with qualitative information available for all artforms from the Quantum Research report, which indicated that consumers were waiting longer in the hope of getting a discount on their tickets, knowing that lower venue utilisation means that a volume of tickets with acceptable seating was likely to become available. Quantum also observed that it reflects customers wanting to read reviews in advance of a performance because they recognise the diversity of choice that they have.

In summary, significant shifts are occurring in audience demand that are reflected not just in consumer purchasing patterns, but are also playing themselves out in increased price sensitivity. This, in turn, is putting downward pressure on attendances and the revenue generated by performing arts companies. The Major Opera Companies are not immune from these trends.

4.2 Changes in private sector support

Macroeconomic and socio-demographic factors, along with government policy, have shaped private sector support for arts companies both in Australia and in other countries.

Private sector support for the purpose of this Review is defined as corporate support, private philanthropy and fund-raising from events. The revenue impact of the latter is relatively low and is not commented on further.

4.2.1 Overview

Focussed efforts by all of Australia's major performing arts companies following the 1999 MPAI have resulted in significant growth in private sector income. According to research by the Australian Major Performing Arts Group (AMPAG), between 2001 and 2013, overall income from this source rose from \$30.3 million to \$71.3 million, at a compound average annual growth rate of 7.4 percent. Following the MPAI recommendations, the companies have built on governments' willingness to match private sector income generation up to a capped amount (which came to be known as the Reserves Incentive Scheme) to significantly strengthen their private sector support.

Each of these areas is discussed in turn.

4.2.2 Private philanthropy

The focussed efforts of the major performing arts companies in generating significantly increased private donations have been aided by their Deductible Gift Recipient status; the distribution of wealth in Australia; and other initiatives by Government.

Because the companies are not-for-profit entities and are listed on the Register of Cultural Organisations, donors receive a tax deduction for gifts to the companies.

Generous individuals who support the arts can benefit from this status. Australia, in common with many other developed countries, has a concentration of wealth. The top 10 percent of households earn 33 percent of income; while the richest 20 percent of households own 61 percent of Australia's wealth.

Government initiatives, such as those undertaken by the Australia Business Arts Foundation, now known as Creative Partnerships Australia, have supported the efforts of performing arts companies to reach private individuals as well as corporate sponsors.

The response by individual donors to initiatives by the major performing arts companies has been strong, with individual giving rising from \$7.7 million to \$39 million between 2001 and 2013.

Exhibit 4.13 outlines the rates of growth in private donations before, during and after the GFC. Very high rates of growth (25.8 percent per annum) were experienced prior to the GFC. These growth rates more than halved during the GFC years, but still remained strong. Immediately following the GFC, they have once again started to accelerate.

Exhibit 4.13 Private donation compound annual growth rates: pre & post GFC: all major performing arts companies 2004 to 2013* (percent)

<i>Period</i>	<i>2004-2007</i>	<i>2007-2010</i>	<i>2010-2013</i>
All companies	25.8	11.5	15.8

* Based on AMPAG surveys.

Over the ten years outlined in Exhibit 4.13, the four Major Opera Companies represented between 14 and 27 percent of the total level of donations generated by the major performing arts companies.

Thus, in Australia, private donors have offered significant support to the major performing arts, even throughout the GFC.

4.2.3 Corporate support

In an increasingly challenged business environment, corporates have found it increasingly difficult to provide support for the arts, unless there is a strong business case. While some businesses see the wider benefits arising from sponsorship of the arts, others need to justify to their shareholders why sponsoring an arts company will help generate additional revenue; improve a company's brand image; or generate greater employee satisfaction. The challenges created for business by the GFC, while more muted in Australia, have nonetheless amplified that challenge.

The nature of that challenge can be seen in the extent of corporate support for the major performing arts companies. In the period from 2004 to 2013, overall corporate support grew from \$25.6 to \$29.7 million, a growth rate of only 1.7 percent. This is well below the rate of inflation.

During this period, Western Australia and Queensland were somewhat insulated from the GFC by the recent mining boom. Despite the performing arts organisations in those states being smaller organisations, corporates provided sponsorship that grew from \$4.9 million in 2004 to \$10.2 million in 2013, a compound average annual growth rate of 8.5 percent. This meant that Queensland and Western Australia's share of corporate sponsorship grew from 19 percent to 34 percent of the overall amount of sponsorship for the major performing arts. (The generous support Andrew and Nicola Forrest provided for Western Australia's four major arts companies is included in private donations, not in corporate sponsorship, further reinforcing this trend).

The four Major Opera Companies represent between 13 and 20 percent of the total level of corporate support generated by the major performing arts companies over the past seven years.

Thus, corporate support has not been as important a source of income growth for the performing arts companies as have donations from individuals.

4.2.4 International comparisons

The relative importance of private sector and corporate sponsorship differs by country.

The USA has a long and proud history of philanthropy, where affluent families support the arts. For instance, in 2014, 33.5 percent of the income for The Met was generated from contributions and bequests. If net assets released from restrictions are included, that percent rises to 46 percent. This compares with Opera Australia, where (including the Capital Fund) private and corporate support for 2013 represented 13 percent of income. In 2014, this fell to around 7 percent. Despite the importance Americans attach to support for the arts, arts organisations in the USA were significantly adversely impacted by the GFC. Exhibit 4.14 shows the rates of growth before, during and after the GFC.

Exhibit 4.14 USA Private sector giving to the arts pre- and post-GFC 2004 to 2012 (cagr)

<i>2004-2007</i>	<i>2007-2010</i>	<i>2010-2012</i>
10.82	-5.18	6.68

Thus, in the wake of the GFC, Americans reduced their support for the arts by just over 5 percent per annum. While the level of support has recovered after the GFC, the rate of growth is lower than it was prior to the GFC.

As seen in Exhibit 4.13, Australian arts companies, in contrast, have fared relatively well with the rate of growth they have experienced before, during and after the GFC. However, the absolute level of support in the USA is significantly greater than in Australia.

In the UK, the GFC also had an adverse impact on the level of private sector support for arts organisations. In the period from 2004 to 2007, according to research by Arts and Business UK, private sector support was rising at an annual growth rate of 10.9 percent, not dissimilar to the USA, but lower than in Australia. However, during the GFC, the level of private sector support was static. Incomplete data and changes in the data set mean that the Review Panel is unable to comment on the outcome after the GFC.

In summary, private sector support, particularly from individuals, has become an increasingly important and relatively resilient element of income for Australian arts organisations. It is also important to Australia's opera companies. While the impact of the GFC was felt on philanthropy in Australia, it appears to have been less severe than in other countries.

4.3 Shifts in Government funding

Over the period from 2004 to 2014, total Federal and State Government funding for the Major Opera Companies has increased from \$25.8 million to \$36.8 million, an increase of 3.6 percent per annum. Total funding comprises core and project funding for the major performing arts companies, including the Major Opera Companies.

The largest proportion of total funding comes from the Federal Government, with its share ranging between 60 and 70 percent over the period 2004 to 2014, dependent

on the level of project funding, which has predominantly been provided by various State Governments.

The Federal Government is the largest provider of core funding for the Major Opera Companies, with its share consistently being around 68 percent. This reflects the fact that the Federal Government provides around 80 percent of the core funding for Opera Australia, which is Australia's largest opera company.

As can be seen in Exhibit 4.15, Federal and State Government funding for each of the Major Opera Companies has increased before (2004-2007), during (2007-2010) and after the GFC (2010-2014).

Exhibit 4.15 Federal and State Government funding by Major Opera Company 2004 to 2014*
(\$million, cagr)

<i>Company</i>	<i>2004</i>	<i>2007</i>	<i>2010</i>	<i>2014</i>	<i>cagr 2004-2014</i>
Opera Australia					
- Core	17.2	20.8	22.5	24.1	3.46
- Project	0.4	0.5	0.7	3.3	22.33
- Total	17.6	21.3	23.2	27.4	4.54
Opera Queensland					
- Core	2.3	2.4	2.9	3.1	3.24
- Project	0.2	0.2	0.3	0.5	12.59
- Total	2.4	2.6	3.2	3.7	4.16
State Opera of South Australia*					
- Core	2.1	2.2	2.8	3.0	3.63
- Project	1.7	-	0.2	0.2	-20.8
- Total	3.7	2.2	3.0	3.1	-1.72
West Australian Opera					
- Core	1.6	1.7	2.1	2.3	3.94
- Project	0.5	0.3	-	0.2	-7.57
- Total	2.1	2.0	2.1	2.5	2.11
All Major Opera Companies					
- Core	23.1	27.0	30.3	32.5	3.49
- Project	2.7	1.0	1.2	4.3	4.47
- Total	25.8	28.0	31.5	36.8	3.60

* Funding for SOSA is shown for 2003-04, 2006-07, 2009-10, and 2013-14. Higher project funding in 2003-04 was for *The Ring*.

Ongoing support by the Federal and State Governments through the GFC, and subsequently, has provided an underlying stability for the companies, notwithstanding the volatility in audience demand outlined in Chapter 4.1.2.

This differs from the UK, where significant reductions in the level of Government funding have occurred. More specifically, in 2011-12, the budget for Arts Council England was cut by 30 percent, although funding for the Council's regularly funded organisations could not be reduced by more than 15 percent. Core funding to opera companies dropped by 7 percent that year. For the next three years from 2015-16, core funding for the opera companies will be held at a constant level, which is less than half a percent increase on funding allocated to the same companies in 2014-15. In January 2014, the UK Government announced details of a new tax relief to support orchestras, modelled on the existing UK tax relief for theatre including opera. This provides tax deductions or tax credits to UK companies presenting and touring orchestras.

In the USA, Government direct funding is low to minimal, thereby increasing the vulnerability of the opera companies to volatility in audience attendances and private sector support. Government support is largely indirect, coming through tax breaks for philanthropic donations.

In Australia, in keeping with the 1999 MPAI recommendations, the Federal Government has largely maintained a commitment to providing core rather than project funding. Over the past decade, the Federal proportion of core to total funding has always been above 92 percent and has averaged 95 percent of its total funding. This approach is consistent with reducing the volatility of funding, particularly for those artforms with high fixed costs and long lead times.

The situation in relation to the States is different. Because of some States' desire to attract visitors and residents to their state, and to meet the needs of regional communities, they have periodically increased the level of project funding. This has particularly occurred since 2011. In 2012 the States' proportion of core to total funding reduced to 66 percent and averaged 69 percent between 2012 and 2014. This reflected the States' specific project commitments made by the Queensland, NSW and Victorian Governments.

In summary, the Federal and State Governments have provided ongoing and stable base government support for the Major Opera Companies, which has provided a measure of security during and after the GFC. This has been at variance from the approach adopted in the UK.

4.4 Growth in diversity of supply

The Major Opera Companies face competition from performing arts productions that are broadly competitive with live opera, including from musicals, symphony concerts as well as from similar product in theatre and festivals. These productions are being offered in both live venues and through digital media.

Consumers are offered a wide and diverse range of major performing arts in state arts centres and privately owned venues. In addition to live performances, the evolution of digital technology is offering a greater supply of high quality performances from the best performing arts venues around the world through a growing variety of channels.

This is consistent with the Quantum Research report which concluded that the consumer of performing arts had "too much choice" and that "essentially organisations are now being forced to compete for the same attendees".

4.4.1 Venues

Venues provide a diverse array of performing arts offerings, with opera being among them.

This diversity of supply is significantly driven by the availability of theatres in which performances can be presented.

Many venues are state funded arts centres, which seek to offer audiences a vibrant range of arts offerings. One of the key objectives of a relevant State Government in supporting the venue is to make their state an attractive place to live, work and visit.

Exhibit 4.16 outlines the major state owned venues, the number of productions presented there, along with the number of performances that occur.

Exhibit 4.16 Major state performing arts venues in Australia in 2013-14 (number)

<i>City</i>	<i>Arts centre</i>	<i>Number of theatres</i>	<i>Seating capacity*</i>	<i>Productions</i>	<i>Performances</i>
Adelaide	Adelaide Festival Centre	4	3,910	237	792
Brisbane	Queensland Performing Arts Centre	4	4,732	233	1,200
Melbourne	Arts Centre Melbourne	4	5,805	424	1,126
Perth	Perth Theatre Trust	4	4,665	537	1,121
Sydney	Sydney Opera House	5	5,408	420	1,738
Total		21	24,520	1,851	5,977

* Excludes outdoor areas.

Each capital city also has privately operated venues which supplement the performance spaces in the state arts centres. In aggregate across Australian capital cities there are about 20 larger capacity venues with 30,000 available seats each day and night for presentations of live performing arts. On an annualised basis, there are 7.7 million seats available for presentation of the performing arts assuming one production per day.

4.4.1.1 Self-presenting by venues

With a significant number of excess available nights, some venues offer productions and festivals where they assume the financial responsibility for the success or failure of the venture. Some such productions are operatic in nature or involve opera singers.

Sydney Opera House

In 2013-14, 436,016 people attended Sydney Opera House's own programme of performances, Sydney Opera House Presents. In that year, 788 performances were presented as part of the programme, including 144 musical events with an audience of 107,159; and 43 international presentations with an audience of 27,271. The productions included *La Soiree*, which drew 34,200 people to 80 cabaret performances, *The Jerusalem Project*, *The Illusionists 2.0*, *iTMOi*, *Am I*, the Brodsky Quartet's Shostakovich cycle and the Royal Concertgebouw Orchestra.

Arts Centre Melbourne

In 2013-14, Arts Centre Melbourne presented a range of international, family and new works. International programming focused on partnerships with Asian artists and companies (*Cho Cho*, and *The Lab* – a development laboratory bringing together 30 artists from Australia, Cambodia, Japan, India, Indonesia, Hong Kong and Korea). The Arts Centre's Australian and international family and youth programmes were attended by over 107,000 people. New works funded by the Arts Centre were *Dead Symphony* by composer Saskia Moore, *In Spite of Myself* performed by Nicola Gunn, and *5x5x5*, which featured five composers presenting works at five sites around Melbourne. Arts Centre Melbourne also presented Philip Glass's *Einstein on the Beach* in 2013.

Adelaide Festival Centre

Adelaide Festival Centre's own programming of theatre, dance, music and festivals presented 187 events with 612 performances throughout the financial year, encompassing music, theatre, dance, exhibitions, forums and workshops. The programme featured artists and companies from around Australia and across the globe including the UK, Spain, Russia, the United States, New Zealand, Italy, Netherlands, Malaysia, Spain, Brazil, France, South Africa and China.

A key initiative of the Adelaide Festival Centre is the OzAsia Festival. The focus of the 2013 OzAsia Festival was Malaysia and in 2014 it was Shandong. Total attendances for 2013 were over 36,000.

Queensland Performing Arts Centre

The Queensland Performing Arts Centre presents three major curated programmes on a regular basis. *Clancestry: A Celebration of Country* was presented in 2013-14 for a second year and was attended by more than 17,000 people. This event focuses on the arts and cultural practices of Aboriginal and Torres Strait Islander peoples, and in 2014 included people from the South Pacific Islands. The Centre's biennial *Out of the Box* festival comprised over 400 performances for children, with the festival attracting more than 103,000 attendances. Another key programme curated by the Centre is its International Series of performances. The third presentation in the Series, following on from the Staatsoper Hamburg and Bolshoi Ballet seasons, is American Ballet Theatre. The International Series is presented in partnership with Tourism and Events Queensland and incorporates performances as well as opportunities for visiting artists to work with local artists.

Thus, venue entrepreneuring offers consumers a wide variety of choice.

4.4.1.2 Musicals offered at venues

Music theatre/musicals are an artform that has evolved from opera and operetta as popular entertainment. As a similar artform, musicals compete with opera for the consumer spend within a competitive entertainment market. Consumers in each city are offered a range of musicals. Queensland Performing Arts Centre reports in its 2013-2014 Annual Report that "major musicals have proven highly popular at QPAC and research indicates that most first time visitors to QPAC come to see a major musical". More specifically, the Brisbane season of *The Lion King* ran for 18 weeks, the longest running show at the venue in over ten years. This indicates that venues are seeking to attract new visitors by offering attractive programming, including of musicals.

Exhibit 4.17 Selected major musicals offered in each capital city in 2014

<i>Adelaide</i>
<i>South Pacific</i> (Opera Australia)
<i>Rocky Horror Show</i>
<i>Grease</i>

<i>Brisbane</i>
<i>Chitty Chitty Bang Bang</i>
<i>Grease</i>
<i>Rocky Horror Show</i>
<i>King and I</i> (Opera Australia)
<i>The Lion King</i>

<i>Melbourne</i>
<i>King and I</i> (Opera Australia)
<i>Once</i> (with Melbourne Theatre Company)
<i>Wicked</i>
<i>Les Misérables</i>
<i>Grease</i>
<i>King Kong</i>

<i>Perth</i>
<i>All Out of Love</i>
<i>Grease</i>

<i>Sydney</i>
<i>King and I</i> (Opera Australia)
<i>Strictly Ballroom</i>
<i>Dirty Dancing</i>
<i>Wicked</i>
<i>The Lion King</i>

4.4.1.3 Opera offered at venues

Each of the major performing arts venues offers opera within its annual programme of productions. Typically, a close relationship exists between the venue and the resident opera company forming the core of the opera offered at the venue. Additionally, the venue may offer opera performed by opera companies other than the Major Opera Companies. This occurred at the Sydney Opera House where it hosted the Sydney Symphony Orchestra's presentation of *Elektra* in 2014, or at Arts Centre Melbourne when it hosts performances by Victorian Opera.

4.4.1.4 Concerts offered at venues

Australia's symphony orchestras periodically perform opera in concert or concert works featuring notable opera singers at one of the major performing arts venues. These concerts may feature Australian or international singers and they provide audiences with an alternative classical vocal experience to the Major Opera Companies. Examples are the Queensland Symphony Orchestra's upcoming presentation of Mahler's *Rückert Lieder*, the West Australian Symphony Orchestra's

Carmina Burana at the Perth Concert Hall, Melbourne Symphony Orchestra's *An Evening with Renée Fleming*, and Adelaide Symphony Orchestra's *Symphony and Song* concert at the Adelaide Festival Centre.

4.4.1.5 *Commercial producers and presenters*

Commercial producers and presenters deliver performing arts productions at major venues on a for-profit basis. A number of Australian producers and presenters have offered a range of productions involving opera companies and singers. These are generally concert performances, rather than fully staged operas, allowing them to be presented at major venues, outdoor sites, or in regional performance spaces. Such concerts often feature well-known artists who are well known to audiences.

Thus, a wide diversity of performing arts products is offered at venues to audiences who might also be attracted to attend a Major Opera Company's performances.

4.4.2 **Festivals**

Major cities are increasingly hosting major festivals which include a range of live performing arts. These festivals are designed to attract local residents and visitors.

In Australia, Adelaide pioneered hosting a major performing arts festival, with the first being held in 1960. From 2012, the Festival has been presented annually and in 2014, it ran for nearly three weeks. 150 performances were offered across 50 events including 14 in theatre, three in dance as well as 19 musical events. Other cities now also host major festivals.

4.4.2.1 *Opera and operatic events at festivals*

Major arts festivals often include one or more operas or operatic events.

These are usually new or innovative works, produced in association with international or local opera companies. They are sometimes performed by smaller opera companies or Major Opera Companies, as demonstrated in Exhibit 4.18.

Exhibit 4.18 Opera and operatic events offered at festivals in 2010 to 2015

South Australia

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Adelaide Festival	2010	<i>Le Grand Macabre</i>	SINGular Productions, SOSA co-production, Théâtre Royal de la Monnaie, Teatro dell'Opera di Roma, English National Opera, Gran Teatro de Liceu
Adelaide Festival	2012	<i>MASS (Bernstein)</i>	Adelaide Festival of Arts Production in association with SOSA
Adelaide Festival	2015	<i>Marilyn Forever</i>	Aventa Ensemble

Queensland

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Brisbane Festival	2011	<i>Maria De Buenos Aires</i>	SOSA and Leigh Warren Dancers co-production
Brisbane Festival	2011	<i>Opera under the Stars - La traviata</i>	OQ and Queensland Symphony Orchestra
Brisbane Festival	2012	<i>L'Orfeo</i>	Australian Brandenburg Orchestra
Brisbane Festival	2012	<i>The Rake's Progress</i>	Griffith University Conservatorium
Brisbane Festival	2012	<i>Bluebeard's Castle</i>	Griffith University Conservatorium and the Queensland Symphony Orchestra
Brisbane Festival	2013	Opera on the Riverstage	OQ and Queensland Symphony Orchestra
Brisbane Festival	2014	<i>The Perfect American</i>	OQ, Griffith University, Teatro Real Madrid, English National Opera, Improbable
Brisbane Festival	2014	<i>Floods</i>	Griffith University Conservatorium
Brisbane Festival	2015	<i>Macbeth</i>	Third World Bunfight, Brett Bailey, No Borders Orchestra
Brisbane Festival	2015	Renée Fleming In Recital	Presented by QPAC, Brisbane Festival, Sydney Opera House, Arts Centre Melbourne and Melbourne Symphony Orchestra
Bleach Festival	2014	Opera on the Beach: <i>The Magic Flute</i>	Opera Australia
Brisbane Baroque	2015	<i>Faramondo</i>	In collaboration with the Göttingen International Handel Festival

Victoria

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Melbourne Festival	2011	<i>Assembly</i>	Chunky Move and Victorian Opera
Melbourne Festival	2011	<i>The Magic Flute</i>	Isango Ensemble
Melbourne Festival	2012	<i>After Life</i>	Dutch National Opera
Melbourne Festival	2012	<i>Minotaur Trilogy</i>	Chamber Made Opera
Melbourne Festival	2015	<i>The Rabbits</i>	OA and Barking Gecko Theatre Company co-production in association with WAO, commissioned by Melbourne Festival and Perth International Arts Festival
Melbourne Festival	2015	<i>Fly Away Peter</i>	Sydney Chamber Opera

Western Australia

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Perth International Arts Festival	2010	<i>Peter Grimes</i>	OA, Houston Grand Opera, WAO, Perth International Arts Festival,
Perth International Arts Festival	2012	<i>Elektra</i>	Co-Production of WAO, ThinIce, Perth International Arts Festival and OA
Perth International Arts Festival	2012	<i>A Magic Flute</i>	CICT, Théâtre des Bouffes du Nord, Arts Projects Australia
Perth International Arts Festival	2014	<i>Otello</i>	Co-production of WAO, Cape Town Opera, OQ, New Zealand Opera, SOSA and Victorian Opera
Perth International Arts Festival	2015	<i>The Rabbits</i>	OA and Barking Gecko Theatre Company co-production in association with WAO commissioned by Melbourne Festival and Perth International Arts Festival
Perth International Arts Festival	2015	<i>Madama Butterfly</i>	Co-production between the Metropolitan Opera, English National Opera, the Lithuanian Opera, in association with WAO

New South Wales

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Sydney Festival	2010	Oedipus Rex/Symphony of Psalms	Sydney Symphony, Sydney Philharmonia Choirs, Los Angeles Philharmonic
Sydney Festival	2010	<i>Candide</i> : Opera in the Domain	OA
Sydney Festival	2012	<i>Assembly</i>	Chunky Move, Victorian Opera
Sydney Festival	2013	<i>A Masked Ball</i>	OA and La Fura del Baus (Spain)
Sydney Festival	2013	<i>Semele Walk</i>	Kunstsfestspiele Herrenhausen Germany
Sydney Festival	2014	<i>The Turk in Italy</i>	OA
Sydney Festival	2014	<i>His Music Burns</i>	Sydney Chamber Opera
Sydney Festival	2014	<i>Dido and Aeneas</i>	Akademie Für Alte Musik Berlin Vocalconsort Berlin
Sydney Festival	2015	Opera in the Domain	OA

Tasmania

<i>Festival</i>	<i>Year</i>	<i>Offering</i>	<i>Partners/Creators</i>
Hobart Baroque	2013	<i>L'isola disabitata</i>	Co-production with the Royal Opera House (UK)
Hobart Baroque	2014	<i>Orlando</i>	From the Glimmerglass Festival (US)

Opera at these festivals competes for the discretionary spend of opera goers who also attend mainstage events offered by their home city opera company.

4.4.3 Digital productions

A vast array of supply has opened up with increased digital access. The initial availability of digital video discs has been followed by high definition (HD) broadcasting and more recently Internet access. This has allowed consumers access at home and in cinemas, as well as on personal digital devices via broadband Internet.

4.4.3.1 High definition cinema release

Australian consumers of major performing arts now have access to high quality theatre and opera productions broadcast in HD digital format at a significant number of cinemas throughout Australia.

The leading international major performing arts companies are motivated to exploit this channel as a way of expanding the reach of their company and developing new revenue streams in the face of declining audiences for live performances in their home city.

Using its status as a leading international opera company, The Met is a prime example of an opera company that has reached out to new audiences. It does this in movie theatres in the USA and throughout the world by transmitting live mainstage opera

using satellite and HD digital technology. In the 2012-13 fiscal year, The Met generated \$35 million from HD broadcasts and other media. In that financial year, its *Live in HD* season offered 12 cinema presentations in 64 countries and nearly 2,000 cinema theatres. Ten productions by The Met have been released into cinemas within Australia in each of the past nine years.

In the 2013-14 season, the Royal Opera House broadcast ten productions into over 1,500 cinemas in 44 countries.

Exhibit 4.19 details international opera, theatre and ballet companies that will distribute performances in Australian cinemas in 2015.

Exhibit 4.19 Cinema distribution in Australia of simulcast and recorded opera, theatre and ballet in 2015*

<i>Company</i>
The Metropolitan Opera
English National Opera
Royal Opera House
National Theatre Live
Bolshoi Ballet
Opéra National de Paris
Shakespeare's Globe

* Efforts to obtain specific data as to the number of screenings have been unsuccessful.

In addition, Opera Australia is using cinemas and other media to digitally deliver certain of its performances in Australia (as well as globally), thereby increasing competition for the Major Opera Companies in the less populous states.

4.4.3.2 Supply on personal digital devices

The advent of digital video players has enabled opera companies to film productions in digital format and sell DVDs to consumers. Technology has evolved and the emergence of YouTube has enabled video clips to be accessed through personal computers via the Internet.

This technology is advancing at a rapid rate, with its now being possible to download or stream a full opera performance and view it on an HD large format TV screen, a laptop computer, tablet or smart phone.

The Opera Platform, launched in May 2015, is an example of increased online access to opera productions. Supported by the European Commission, The Opera Platform aims to offer free content, including streaming of live performances from 15 participating opera companies.

Access to a large array of opera content from the best opera companies in the world enables consumers to see the very best production of an opera of their choosing.

Thus, opera delivered digitally by the world's leading opera houses is raising the bar on competition for Australia's Major Opera Companies.

4.4.4 Other opera companies

In addition to the Major Opera Companies, Australia is home to over 20 other opera companies presenting works in capital cities and regional areas. Collectively, these companies present a wide variety of repertoire in diverse venues and settings. They also make a substantial contribution to the development of artists at all stages of their careers.

These companies are listed by state in Exhibit 4.20.

Exhibit 4.20 Other Australian opera companies

<i>Opera Company</i>	<i>Home state</i>	<i>Indicative number of productions/performances and attendances per year, where available</i>
Canberra Opera	ACT	One production in each of 2011, 2012 and 2015
Harbour City Opera	NSW	Not publicly available
Opera in the Paddock / Opera North	NSW	Not publicly available
Pacific Opera	NSW	Not publicly available
Pinchgut Opera	NSW	2 productions (baroque opera)
Sydney Chamber Opera	NSW	2 to 3 productions (in conjunction with Sydney Festival)
Underground Opera	Queensland	Not publicly available
Co-Opera	South Australia	70 performances, 18,000-20,000 attendees at regional tours
IHOS Music Theatre and Opera (not currently operating in Australia)	Tasmania	Not publicly available
Chamber Made Opera	Victoria	Not publicly available
CitiOpera	Victoria	Not publicly available
Gilbert and Sullivan Opera	Victoria	Not publicly available
Gertrude Opera	Victoria	Not publicly available
Lyric Opera of Melbourne	Victoria	2 productions
Melbourne Opera	Victoria	4-5 productions
More than Opera	Victoria	Not publicly available
Short Black Opera	Victoria	Not publicly available
Victorian Opera	Victoria	40 mainstage performances, 25,000 mainstage attendances and 50,000 total attendances (2012)
Lark Chamber Opera	Western Australia	Not publicly available
OperaBox	Western Australia	1 production per year, averaging 3 performances in different venues
Lost and Found	Western Australia	3 productions since formation

The activities of a selection of these opera companies are described below.

4.4.4.1 Victorian Opera

Victorian Opera, founded in 2005, is committed to presenting a broad spectrum of opera each year and engaging a wide audience with accessible ticket pricing. The company also undertakes regional touring in Victoria and has travelled to Sydney with its production of *The Threepenny Opera* and to Wellington and Auckland in New Zealand with its production of *Xerxes* in 2011. Victorian Opera also has an active education programme and works collaboratively with the Victorian Youth Opera.

Victorian Opera presents at least one new Australian work each season. This has included works by Alan John, Andrew Ford, Iain Grandage and Gordon Kerry. In 2015, it presented *The Riders*, based on the novel by Tim Winton. Its diverse annual seasons also include new productions of the extended repertoire, concerts, community and family productions and cabaret / musical-style productions.

Exhibit 4.21 provides information on Victorian Opera's financial performance.

Exhibit 4.21 Victorian Opera financial performance 2011 to 2014 (\$000)

<i>Income</i>	2011	2012	2013	2014
Box office and performance income	1,141	1,071	1,259	1,122
Private sector support	901	1,118	823	788
Government funding	3,939	4,003	3,943	3,893
Total income	6,163	6,289	6,138	5,881
Net result	178	111	-85	52

In other words, Victorian Opera is a significant entity, with earned income of around \$2 million, which is higher than the threshold to be a major performing arts company. It also receives significant support from the Victorian Government.

The profile of performances by Victorian Opera is outlined in Exhibit 4.22.

Exhibit 4.22 Victorian Opera activities 2012 to 2014 (performance / activity numbers in brackets)

<i>Activity</i>	2012	2013	2014
Mainstage and concert performances	<i>Assembly</i> (6) <i>Cinderella</i> (7) <i>Rake's Progress</i> (6) <i>The Marriage of Figaro</i> (9) Morning Melodies (2) Gala Concert (1)	<i>Sleeping Beauty</i> (6) Opera on a White Night (1) <i>Nixon in China</i> (4) <i>Puss in Boots</i> (3) <i>Sunday in the Park with George</i> (8) <i>Maria de Buenos Aries</i> (5) <i>Rush Hour</i> (2) <i>The Magic Pudding – The Opera</i> (5)	<i>Games of Love and Chance</i> (1) <i>La traviata</i> (6) <i>Hansel and Gretel</i> (3) <i>Into the Woods</i> (8) <i>Norma</i> (1) <i>The Riders</i> (8) <i>The Play of Herod</i> (5) <i>The Big Sing</i> (1)
Mainstage and concert attendances	25,038 (31)	25,624 (34)	20,443 (33)
International and interstate attendances	3,557 (6)	-	3,068 (not available)
Regional tour attendances	402 (1)	3,047 (35)	1,044 (13)
Education attendances	5,737 (53)	3,766 (65)	2,770 (24)
Audience development participants	2,374 (19)	1,422 (18)	1,266 (15)
Artist development participants	-	143 (10)	87 (13)

Thus, Victorian Opera enriches the Australian opera landscape through the diversity of the works it presents.

4.4.4.2 *Pinchgut Opera*

Founded in 2000, Pinchgut Opera produces opera written prior to the nineteenth century. The company currently presents two new productions of baroque opera in Sydney each year. It is typically active in casting Australian artists who have worked internationally. In 2015, it is presenting four performances of Vivaldi's *Bajazet* and four performances of Grétry's *L'Amant Jaloux* in the Sydney City Recital Hall. As an indication of audience size, these eight performances would provide a total seating capacity of 10,000. Pinchgut has established its own recording label and has received project funding from the Australia Council for presentations at the Recital Hall in 2013 and 2014. Pinchgut Opera has recently announced a subscription association with Opera Australia for 2016.

4.4.4.3 *Short Black Opera*

Short Black Opera was founded by soprano Deborah Cheetham in 2008 and is based in Melbourne. The company aims to discover talented Indigenous singers; to assist them develop the skills and knowledge to embark on a career; and to provide them with professional performance opportunities. Primarily an artist development organisation, Short Black Opera has also presented *Pecan Summer*, Australia's first Indigenous opera. In 2010, it was presented on country in Mooroopna, Victoria; in 2011 at the Arts Centre Melbourne; and in 2012 in Perth at the State Theatre Centre. In 2014, Short Black received \$30,000 from the Australia Council to perform *Pecan Summer* in Adelaide.

4.4.4.4 *Chamber Made Opera*

Chamber Made Opera was founded in 1988 in Victoria. The company presents new Australian experimental work, including new works by Kate Neal, Erkki Veltheim and David Young.

In 2014, Chamber Made challenged itself with a three year project to re-imagine chamber opera in the digital era. It is working collaboratively with RMIT, Victoria University, Federation Square and the Australia Council on the *Agile Opera* project, which has received \$125,000 funding from the Australia Council. This *Agile Opera* project explored how the virtual platforms of the digital world might impact on the creation of opera and its mode of presentation and distribution. Chamber Made also receives support from the Victorian Government.

In February 2015, the company presented seven performances of *Captives of the City* at Arts Centre Melbourne. In July 2014, the company travelled to Ireland to present six performances, staged in a private home, of *Wake*, a collaborative work with a number of Irish artists.

4.4.4.5 *Co-Opera*

Established in South Australia in 1990, Co-Opera is a professional touring opera company performing in regional venues and in capital cities. Its core repertoire has been the classic operas of the eighteenth and nineteenth centuries. Additionally, it has presented musicals such as Cole Porter's *Kiss Me, Kate* with the assistance of the Federal Government through the Playing Australia funding programme. The company has presented over 70 performances around Australia per year, including in the Northern Territory and Western Australia. Co-Opera performs to audiences of

18,000-20,000 annually. Co-Opera has also undertaken international touring to Asia and Europe.

4.4.4.6 *Lyric Opera of Melbourne*

The Lyric Opera of Melbourne was founded in 2003. It produces innovative presentations of lesser known works and is committed to artist development. In 2014, it presented productions of Copland's *The Tender Land* and Massenet's *Werther*. That year, the company received two nominations for the prestigious Green Room Awards for *The Tender Land*. In 2015, Lyric Opera is presenting five performances of a comedy double, Ravel's *L'Heure Espagnol* and Puccini's *Gianni Schicchi* at the 255 seat 'Chapel off Chapel' theatre.

4.4.4.7 *Lost and Found Opera*

Lost and Found is based in Western Australia and is one of Australia's newest companies, established in 2013. The company's repertoire revives little-known and rarely performed operas from the twentieth century. In 2014, Lost and Found presented three performances of Ullmann and Kien's *The Emperor of Atlantis* at the Perth Hebrew Congregation Synagogue. Lost and Found has also presented operas by Poulenc and Heggie.

4.4.4.8 *Underground Opera*

Underground Opera is a professional company, formed in 2007, that performs in unusual places such as abandoned mines, hangars, barns and natural caves in Queensland and New South Wales. In 2014, Underground Opera presented 30 concerts in Brisbane's Spring Hill Reservoir (with capacity for 140 seats) which had been closed to access for 80 years. The company's repertoire is based on concerts of popular arias.

4.4.4.9 *IHOS Music Theatre and Opera*

Founded in 1990 in Tasmania, IHOS presents experimental work, often crossing artforms. *Kimisis – Falling Asleep*, a work by company founder Constantine Koukias, was presented at MONA FOMA in 2010 and the Darwin Festival. It has also been presented in Europe, with an Amsterdam premiere in 2014. In 1996, Associated Pulp and Paper Mills commissioned *Pulp*, an industrial opera, and in 2001 IHOS presented *Sea Chant – Settlers, Ships and Saw Horses*, a community opera telling the history of the east coast of Tasmania. It is not currently operating in Australia.

4.4.4.10 *Sydney Chamber Opera (SCO)*

Founded in 2010, SCO presents opera with a 21st century outlook for a younger audience. Its programme is a balance of commissioned work by Australian composers, international operas in their Australian premieres, song cycles and cantatas in unusual stagings.

SCO presents two to three productions in Sydney annually, including collaborating with the Sydney Festival. It also premieres contemporary works, such as *Fly Away Peter* in 2015, based on the novel by David Malouf. In 2015, SCO received \$50,000 annual programme funding and \$13,000 for new works from the Australia Council.

In summary, a diversity of supply of opera and other performing arts productions provide audiences with a richness of choice. Major performing arts companies, especially orchestras, offer concerts that involve opera singers. Venues, individual producers and production companies present a wealth of opera-related and other products. Festivals also offer a variety of opera-related product aimed at attracting local, interstate and international audiences. Global digital access exists to the best opera productions in the world. Other local companies enhance the array of choice. The consumer of opera and other performing arts has more choice than ever before. A response to the Quantum Research report summed it up: “There’s so much choice...., you could go to something every day if you wanted to!”.

4.5 Pressures on supply chain economics

The Major Opera Companies face demanding supply chain economics, which create challenging cost / revenue dynamics.

This chapter describes how the supply chain economics for opera companies operate as well as the associated economics.

More specifically, the following is outlined in Chapter 4.5.

- 4.5.1 High upfront production and staging costs;
- 4.5.2 High performance costs;
- 4.5.3 Demanding venue economics;
- 4.5.4 High fixed costs, low marginal costs of an additional seat sold;
- 4.5.5 High touring costs; and
- 4.5.6 Significant overhead costs.

Each of these issues is addressed in turn.

4.5.1 High upfront production and staging costs

Opera ranges from intimate to visually spectacular stage productions with elaborate sets and costumes, set to music performed by an orchestra requiring a significant level of rehearsal by the performers, orchestra and technical support crew. Other costs involved may include venue charges; box office fees; royalty payments for the use of scores and libretti still in copyright; as well as specialised technical and creative expertise throughout an opera’s development, manufacture, production and performance.

An opera company can operate as a repertory company or as a stagione company. Opera Australia is a repertory company, presenting two substantial mainstage opera seasons in both Sydney and Melbourne each year. During its mainstage season, it presents two or three different operas in repertory each week, while other works are rehearsed for future performances.

In contrast, Opera Queensland, SOSA and WAO operate on a stagione basis, engaging singers and artistic personnel required for the particular work being presented.

Whether a company operates in repertory or on a stagione basis can impact its operational costs. Repertory companies have different fixed costs compared to

stagione companies as they maintain permanent staff, including principal singers, choristers, manufacturing staff, and wigs and wardrobe, and they are also presenting more than one opera at a time.

Over time, audience sophistication has increased, creating greater expectations for the physical production values that will be seen on stage. It is unlikely that this pressure will abate.

These costs often challenge the financial capability of smaller opera companies at a time of increased audience expectation for the delivery of high quality productions. As a result, an incentive exists for smaller opera companies to share production costs. In part, historically within Australia, this has been encouraged through Opera Conference, which was established to share the costs of new productions so as to bring to audiences throughout Australia new operas or new productions of existing operas that would otherwise not be available. As an indication of the costs involved, Opera Conference’s 2014 budget for a new production is around \$1.05 million. Typically, one new production has been funded each year from a budget of approximately this size.

Opera Conference productions for the past six years are outlined in Exhibit 4.23.

Exhibit 4.23 Opera Conference funded productions 2009 to 2015

<i>Year</i>	<i>Operas produced</i>
2009	<i>Aida</i>
2010	<i>La fanciulla del west</i>
2011	<i>La sonnambula</i>
2012	<i>Salome</i>
2013	<i>La forza del destino</i>
2014	<i>The Divorce</i>
2015	<i>Faust</i>

The costs of an Opera Conference production do not include those associated with contracting performers, staging the production, venue costs and any other costs associated with rehearsals.

Opera Queensland, SOSA and WAO have created new productions by sharing up front production costs with other opera companies. For example, in 2013 WAO co-produced *Otello* with Opera Queensland, Cape Town Opera, New Zealand Opera, SOSA and Victorian Opera. In 2011, SOSA co-produced *Moby Dick* with Dallas Opera, San Francisco Opera, San Diego Opera and Calgary Opera.

Sharing costs helps mitigate the high upfront production costs.

4.5.2 High performance costs

The performance costs associated with staging opera are high, more so as audience expectations for the quality and scale of physical productions have increased.

An opera, by its very nature, has a score which dictates the basic numbers of singers and orchestral players required to deliver a performance of a work. As a consequence, there are limited opportunities to achieve productivity improvements.

In addition, the costs reflect the large number of performers and support staff required to stage a production.

4.5.2.1 Large number of highly skilled performers

A large number of performers with quite diverse skills are required to stage an opera. Exhibit 4.24 illustrates the type of skills and the potential number of performers involved. The actual number of performers required is variable as the number of performers is influenced by the scale of the opera being staged.

Exhibit 4.24 Performers required to stage a popular opera (number)

<i>Role</i>	<i>Indicative range in number of performers</i>
Principal singers	10 to 18
Chorus	60 to 70
Orchestra (including conductor)	12 for touring and up to 70 for mainstage productions. Australian Opera and Ballet Orchestra has 58 musicians, Orchestra Victoria has a similar number of musicians. For elaborate productions such as <i>The Ring</i> , The Melbourne Ring Orchestra had 135 musicians

Relative to other artforms, opera typically has the largest number of performers involved as is indicated in Exhibit 4.25.

Exhibit 4.25 Comparative number of performers* across performance art forms

<i>Artform</i>	<i>Approximate number of performers</i>
Symphony orchestra	47 Tasmanian Symphony Orchestra, 96 Sydney Symphony Orchestra
Chamber orchestra	15 Australian Chamber Orchestra, 53 Australian Brandenburg Orchestra
Theatre	4 to 20 depending on the production
Ballet	27 West Australian Ballet, 69 The Australian Ballet
Dance	16 Bangarra Dance Theatre and Sydney Dance Company
Musicals including orchestra	Similar cast size to opera, but often with a smaller orchestra or band

* Core members, not including guest artists.

Singers

Operatic singers have a unique gift of voice that is rare and to be treasured. The best opera singers, whether Australian or from overseas, perform in opera houses around the world. Because of the rarity of their skill, they command relatively high performance fees.

Scheduling a future opera production requires the artistic director to select principal singers with the appropriate vocal and performance skills, often two or more years ahead of a specific production. This necessitates the advance contracting of singers for an agreed fee for the production. Cancellation of a production can be costly and alternative performers with the right skill set might not be available.

Opera companies utilise a range of leading artists under a variety of contractual terms. Large opera companies often retain a core group of singers on salary, and supplement these core performers with contracted singers and opera stars depending on the requirements of the production and the appeal of the singers in attracting an audience.

To ensure the sustainability of a principal artist's voice in a major role and to deliver high quality performances across a season, opera singers need to rest their voices between performances. This is because singers typically perform without amplification and, dependent on the work, might need to sustain a demanding vocal performance for a relatively long duration. This typically means that a leading artist would only sing five times in a fortnight.

Opera companies have adopted varying approaches to address this issue.

The need to rest singer voices has consequences for the cost and staging of opera. Specifically, it can lead to what is known as dark nights in a theatre where, short of bumping in a new production, the venue cannot be utilised on consecutive nights. This potentially imposes an economic penalty on the opera company for venue hire, or on the venue itself.

To overcome dark nights, some opera companies double cast for a single production. More often, they alternate productions in repertory. This increases the cost of staging opera relative to other artforms, such as musicals where typically eight performances of the one production can be presented in a week. For opera productions presented in repertory, where two different productions are performed on alternate nights, the set must be changed over and stored, and the lights—which are an essential creative element of the production—changed and re-focused for each rehearsal and performance.

Musicians

Staging opera typically requires the support of a full orchestra skilled at performing operatic works. This can be provided either by having a dedicated orchestra or by working with the local state symphony orchestra. Opera Australia maintains a permanent orchestra (the AOBO) which supports the work of Opera Australia and The Australian Ballet when they perform in Sydney. When Opera Australia performs in Melbourne, it uses the services of Orchestra Victoria, which is owned by and also supports The Australian Ballet.

WAO, SOSA and Opera Queensland perform in conjunction with the local state symphony orchestras, which have an obligation to perform with the relevant opera company as a condition of the government funding each receives.

For some productions, including most recently Wagner's *Ring Cycle*, the core orchestra is supplemented by additional musicians. In 2013, the Melbourne Ring Orchestra had 135 players.

As with singers, there are occupational health and safety considerations in relation to orchestral players that have consequences for the cost and staging of opera and can result in requirements for players to have rest periods between performances. Particular issues that affect orchestral players are space and noise concerns in the orchestral pits of the venues and the repetitive nature of the activity.

As an indication of the cost of orchestral support, the following exhibit shows the costs of operating an orchestra in 2014.

Exhibit 4.26 Cost of orchestras in 2014 (\$million)

<i>Orchestra</i>	<i>Total expenditure</i>
Sydney Symphony	39.3
Melbourne Symphony	30.1
West Australian Symphony	18.8
Queensland Symphony	17.9
Adelaide Symphony	13.1
Tasmanian Symphony	10.8

The cost of orchestral support reported by Opera Australia for opera and ballet performances in Sydney in 2014 was \$10.4 million, which is at the low end of the costs of other orchestras.

4.5.2.2 Support staff

Compared with other performing artforms, staging an opera requires a significant number of personnel to develop the production and assist with the management of the venue; the installation of sets, the maintenance of the wigs and wardrobe and, for stage rehearsals and performances, facilitating costume and set changes.

Staff are also required to manage front-of-house venue services such as box office and ushering. Most venues provide these services as part of their contractual terms for hire.

Thus, a large number of staff are involved in the production of an opera.

4.5.2.3 Diverse skills required

The delivery of an opera requires a very wide range of skills. The variety of skills is significantly greater than that required for delivery of a symphony concert, a ballet, or for a musical. Exhibit 4.27 outlines those skills and indicates the number of people required to deliver an opera. The number of people required is variable and is influenced by the scale of the opera being staged.

Exhibit 4.27 Specific skills required to deliver opera successfully

<i>Skills required to stage opera successfully</i>	<i>Typical number of people with these skills involved in staging opera</i>
To select, cast and cost a work capable of fulfilling artistic and audience appeal for inclusion in the repertoire of a particular season	2 to 6
To ensure that the repertoire chosen is balanced in terms of audience appeal and artistic excellence	2 to 4
A conductor, director, designer, lighting designer, choreographer and a team of expert assistants to realise the project artistically	10 to 12
Scenic workshop, prop, wig and wardrobe manufacture to build and maintain the physical elements of the chosen work	40
Principal performers of quality capable of meeting the vocal requirements of the score and the demands of the drama	10 to 18
Chorus Master, choristers, dancers, actors, music staff, language coaches to fulfil the demands of the work and the vision of the conductor and director	60 to 70
Backstage staff: stagehands, electricians, prop staff, wigs and dressers, stage management to support and run the work onstage	30
Marketing, publicity, artistic administration, orchestra management to support production	12
Company office, to operate day to day running of operations, as a contact point for illnesses and substitutions and operating the daily rehearsal schedule	3
Total	169 to 195

4.5.3 Demanding venue economics

Another key supplier for the delivery of opera is the venue. The economics associated with the supply of the venue are demanding.

4.5.3.1 Large and specific venue design

Opera presented in its traditional form is a significant undertaking involving many people; the creation of the physical production; and a suitable venue in which to stage it. Mainstage opera presented by the Major Opera Companies needs to be in venues that have all of the elements required successfully to stage their productions.

Staging opera requires sets, props, wardrobe lighting and an orchestra. A venue must have a proscenium arch stage of significant size; an orchestra pit; scenic docks in which to store sets and props; and a sizeable backstage area with dressing rooms and facilities for wardrobe, makeup and wigs, warm up rooms with pianos and canteen facilities and offices for the administration directly involved in performances. These venues are typically quite large with a seating capacity of between 1,500 and 2,000 people.

Exhibit 4.28 lists the main venues used for opera in Australia, with the asterisked venues being those principally used by the four Major Opera Companies.

Exhibit 4.28 Venues utilised by Australian opera companies

<i>Sydney</i>
Sydney Opera House – Joan Sutherland Theatre*
Star City Lyric Theatre
Capitol Theatre
Sydney Opera House Concert Hall
City Recital Hall Angel Place
<i>Melbourne</i>
Arts Centre Melbourne – State Theatre*
Arts Centre Melbourne – Hamer Hall
Arts Centre Melbourne – Playhouse
Her Majesty's Theatre
Melbourne Recital Centre
Princess Theatre
<i>Adelaide</i>
Adelaide Festival Centre*
Her Majesty's Theatre
<i>Brisbane</i>
Griffith University Conservatorium of Music*
Queensland Performing Arts Centre – Lyric Theatre*
Queensland Performing Arts Centre – Concert Hall
Queensland Performing Arts Centre – Playhouse
<i>Perth</i>
His Majesty's Theatre*
Perth Concert Hall
Crown Theatre

* Indicates venues are those where the Major Opera Companies most perform.

4.5.3.2 Venue economics

These specialised, relatively large venues have significant operating costs, and operate with varying degrees of pressure from governments to provide an economic return on invested capital.

A variety of methods exist for negotiating hire rates, including block booking a number of days of occupation, or contracting a minimum number of days utilisation during a year. Opera Australia utilised the Joan Sutherland Theatre for 120 mainstage opera performances and 71 performances of musicals in 2014. Opera Australia benefits from reduced rates at the Sydney Opera House as a result of its special role at the Opera House and its long period of contractual utilisation. The Lyric at QPAC, His Majesty's Theatre in Perth and the Adelaide Festival Centre also have, to varying degrees, special arrangements with their respective Major Opera Companies, even though stresses might sometimes exist in those relationships. Inevitably there is an association in the public's mind between the Major Opera Companies and their respective venues.

Venue charges comprise not only the venue hire fee, but also charges for backstage and front-of-house labour, ticketing and consumables such as electricity. Each

company has a different arrangement for the supply of venue labour. The individual hiring and labour arrangements between the Major Opera Companies and the venues mean that the overall charge that each Company pays during a year also varies.

Exhibit 4.29 demonstrates that for the Major Opera Companies the average venue hire cost per occupied seat across a full annual programme of performance and events is between \$18 and \$61.

Exhibit 4.29 Major Opera Companies' indicative venue costs in 2014 (\$000, number)*

<i>Company</i>	<i>Cost \$000</i>	<i>Number of performances</i>	<i>Average cost per performance \$000</i>	<i>Cost per attendee \$</i>
Opera Australia**	9,910	464	21	18
Opera Queensland***	207	26	8	17
SOSA****	744	17	44	61
WAO	576	15	38	45

* Does not include free events or regional events and tours.

** Includes venue costs incurred in 2014 for mainstage opera, concerts, musicals and events. Excludes crewing costs.

*** Only includes mainstage season and Brisbane performances of *Abandon*.

**** Does not include SOSA's Summer Showcase or CSO Shell Proms.

4.5.3.3 *Inherent Government venue hire subsidy*

The venues used by the Major Opera Companies are mainly State arts centres that are financially supported by State governments. It is likely that, without these subsidies, the venue charges would be higher, imposing additional costs not just on the Major Opera Companies, but also on other performing arts companies, including commercial producers.

The financial performance of selected venues is outlined in Exhibit 4.30.

Exhibit 4.30 Financial performance of major venue management organisations in 2013-14 (\$million)

<i>Venue</i>	<i>Revenue 2013-2014 incl. government grants</i>	<i>Government operating funding</i>	<i>Profit (loss) from operations 2013-14 excluding depreciation</i>
Sydney Opera House Trust	169.4	13.6	38.7
Arts Centre Melbourne	73.1	14.5	3.0
Adelaide Festival Centre	40.5	16.5	0.2
Queensland Performing Arts Centre	47.3	9.1	0.8
Perth Theatre Trust	30.0	14.5	2.0
Total	360.2	68.2	44.7

4.5.3.4 *Financial pressures on venues*

Efficiently managed venues seek to maximise their utilisation. They strive to encourage a range of performing arts organisations, including festivals and entrepreneurs, to utilise their venue. Opera is a fundamentally challenging business

proposition for venues, not only because of the limitations it places on utilising the venue on dark nights, but also because, in the case of the Major Opera Companies, the venues must contain their hire charges to some degree because of the nature of the relationship with each company. If an opera company does not have the audience or financial capacity to commit to a rental contract, often a year or more in advance, the venue will seek alternative productions. An example of this is the relationship between the Adelaide Festival Centre, which is being refurbished, and SOSA which is seeking an alternative venue for its productions. The Sydney Opera House is also going to have maintenance work undertaken for seven months in 2017, which means that Opera Australia must secure an alternative venue or venues for its Sydney mainstage performances. Another example is Opera Queensland which is performing only one of its mainstage operas in the Lyric Theatre.

Venues also have an incentive to maximise spare capacity by self-entrepreneurship. This is discussed in more depth in Chapter 4.4.

For the venue, this offers the prospect of an additional financial contribution to fixed costs, albeit at some entrepreneurial risk.

4.5.3.5 Pressure on venues to maximise utilisation

Leaving a theatre unutilised to rehearse and rest singer voices imposes a significant cost on the occupying Major Opera Company or the venue. This primarily occurs in relation to the Major Opera Companies in the less populous states. The venue cost per performance potentially more than doubles as a result of dark nights. This cost is either embedded in contractual terms with the hiring opera company or the implicit cost is borne by the venue. Alternatively, other uses could be found for the venue on the dark nights. An example of this occurring was the Adelaide Festival Centre's programming of a comedy performance on each of the dark nights during a SOSA opera season.

Thus, venues have significant pressures on them that are associated with the use of the venue by the Major Opera Companies.

4.5.4 High fixed costs, low marginal costs

Once the decision has been made to stage an opera and the physical production is designed and manufactured, the costs of delivery are substantially fixed. Management has little flexibility to reduce costs in the face of lower than expected box office sales.

From a management perspective, there are few incremental costs associated with having an extra attendee at a performance. On the other hand, there is a high incremental financial contribution associated with selling an additional seat. These economics are similar to other high fixed cost service businesses which do well once they reach a breakeven point. Examples of such businesses are airlines, cruise lines, passenger rail services, cinema and other performing arts organisations.

In the case of opera, a run of performances ideally needs to be long enough to enable word-of-mouth to attract a larger single ticket audience. Opera performances run over a two week period or less, as may be the case for companies based in the less populous states, may not be able to capitalise on the additional sales generated by positive word-of-mouth.

These economics encourage performing arts companies to spend on advertising and promotion, recognising that further advertising may produce additional ticket revenue greater than the cost of advertising and promotion.

Importantly, these economics place a high value on certainty of revenue. Despite low incremental costs, management needs to carefully manage discounting because this potentially can undermine overall revenue and delay ticket sales. Subscription sales are a key way performing arts companies seek to manage the economic risk of high fixed costs and low incremental cost per seat.

Illustrative overall costs are outlined in Exhibit 4.31.

Exhibit 4.31 Illustrative composition of opera costs

<i>Expense category</i>	<i>Typical proportion of total costs of an opera company (percent)</i>	<i>Nature of the cost</i>
Wages and Salaries		
- Performers	20	Substantially fixed with some opportunity to variabilise through contract performers
- Orchestra	15	Substantially fixed with some opportunity to variabilise through contract and casual performers
- Production and technical	10	Substantially fixed once design and manufacture is completed
- Managerial including administration and marketing	5	Substantially fixed
Marketing	10	Discretionary
Venue hire	10	Fixed, can be reduced through contract terms and venue utilisation (seats sold)
Production staging	10	Fixed related to the number of productions and performances
Travel and touring	10	Discretionary driven by decision to tour
Infrastructure cost including depreciation	10	Fixed with limited opportunity to reduce

4.5.5 Significant touring costs

Touring is expensive, but is, nonetheless, important to the companies.

Opera Australia provides an annual schedule of productions and performances in Melbourne where it also maintains a significant permanent physical presence. Additionally Opera Australia took two productions to Brisbane in 2012.

The Major Opera Companies also tour with simplified productions in their home state or interstate. For instance, Opera Australia receives government funding for national touring to regional areas. In 2014, Opera Australia toured its regional production of *The Magic Flute* within Victoria, NSW, the ACT and Tasmania.

There are significant incremental costs associated with touring mainstage opera as can be seen in Exhibit 4.32.

Exhibit 4.32 Costs associated with touring an opera production

<i>Costs associated with touring opera</i>	<i>Nature of the costs</i>	<i>Cost driver</i>
Relocate sets, and wardrobe	Packing sets and wardrobe, trucking costs to venue	Size of production, number of trucks and days required
Travel costs of performers (including musicians if required)	Air and ground transportation of personnel	Number of performers and negotiated class of travel Availability of performers at the destination
Travel costs of support crew	Air and ground transportation of personnel	Number of crew and negotiated class of travel Availability of support crew at the destination venue
Accommodation of performers and support crew	Number of nights and negotiated standard of accommodation	Number of people to be accommodated
Away from home allowances for staff	Additional payments to staff for living away from home	Number of staff, award or contractual conditions
Venue hire (if applicable) and local support staff	Hire of a suitable venue and support staff (backstage, front of house, ticketing and venue management)	Size and availability of venue Staff availability Scale of production
Marketing	Local advertising and promotion	Commercial advertising and promotion to obtain the required level of public awareness leading to ticket sales

These costs are significant. The main rationale (short of a requirement from government) for an opera company to tour would be to increase its contribution to the sunk costs of producing the opera and the company's overall ongoing fixed costs. It may also take many years to build an audience away from its home state to support touring activity. It is for this reason that very few of the world's leading opera companies tour.

Touring costs for Opera Australia are reported as over \$6.8 million, which primarily supports delivery of a programme of opera productions in Melbourne, as well as its annual regional tour.

4.5.6 Significant overhead costs

Large performing arts companies, including the Major Opera Companies have significant ongoing fixed costs associated with managing and leading their artistic activities and administration; as well as organising the offices and infrastructure associated with their operations.

There are specific overhead costs associated with opera that are not applicable to other performing arts companies. Specifically, the warehousing and maintenance of sets and costumes of prior productions is a significant fixed cost. The sets from prior productions are often used in a revival or are rented to other opera companies.

These costs reflect the size of the company; the complexity of its repertoire; as well as the form of its offering, be it mainstage opera or large or special events. It may also reflect the company's financial health, which may cause reductions in overhead levels. Nonetheless, there appears to be a minimum level of management overhead to sustain a full production opera company. Analysis of the state Major Opera Companies suggests an absolute minimum level of management overhead to sustain a full production opera company is around \$1 million.

Exhibit 4.33 Administrative and overhead costs of Major Opera Companies in 2014*
(\$million, percent)

<i>Company</i>	<i>Administration FTE (percent of total)</i>	<i>Overhead costs \$million</i>	<i>Percent of total costs</i>	<i>Percent of revenue excluding government support</i>
Opera Australia**	69.0 (13%)	20.3	19	26
Opera Queensland	10.6 (31%)	2.1	31	70
State Opera of South Australia	4.5 (14%)	1.0	18	34
West Australian Opera	8.0 (40%)	1.5***	24	48

* SOSA 2013-14 financial year.

** Includes infrastructure costs as well as core labour.

*** Excludes revaluation of investments.

In summary, the economics of producing and staging opera are characterised by high upfront costs to prepare an opera for staging and the need to contractually commit to suitable venues and specifically skilled performers up to two years ahead of a production. Once "built", the presentation of an opera on stage is characterised by high fixed costs associated with labour and venue hire, with management's having limited ability to reduce these costs, especially once the opera is in production. Costs of presenting an opera are higher than other performing arts due to the large number of people required to deliver opera and the diverse and specific skills needed. The incremental cost associated with an extra attendee is very low, providing an incentive for management to encourage revenue from subscribers and to spend on promotion and advertising in an effort to maximise ticket sales and venue utilisation.

Chapter 5: Companies' responses to evolving dynamics

Introduction

The four Major Opera Companies have responded in many and varied ways to the significant challenges facing not just them, but the performing arts more generally. They have adopted considered responses to the sector's challenges which have included increased volatility in demand in the wake of the GFC; higher consumer expectations; diverse competitors; as well as the inflexibility created by their own supply chain economics, including long lead times and high fixed costs.

The Major Opera Companies have formulated responses to those challenges which have been strategic as well as operational, reflecting each company's specific circumstances. Those responses include varying their programming mix; delivering their programmes in new and innovative ways; increasing on-stage physical production values; diversifying the range of artists used; and changing the geographic focus of where programmes are delivered. On the operational side, focussed marketing has reached out to new audiences; and cost efficiencies have been sought, including through the sharing of resources. Further, additional sources of revenue have been sought from corporations, individual donors, and governments, at the same time as the companies have sought to maintain and defend existing revenue streams.

This chapter elaborates on those responses by the companies. The responses are dealt with under the following three broad categories:

- 5.1 Diversifying their strategic approaches;
- 5.2 Increasing and defending private sector and government revenue sources; and
- 5.3 Improving operational effectiveness and efficiency.

5.1 Diversifying their strategic approaches

The companies have responded to reducing audience demand for opera and increasing upward pressure on costs with bold strategic initiatives that have changed what is delivered on stage; where it is delivered; how it is delivered; and by whom it is delivered. The responses have varied significantly by company, in part reflecting the relative size of the Major Opera Companies.

More specifically, Chapter 5.1 addresses the following:

- 5.1.1 Changes to what programmes are delivered;
- 5.1.2 Changes to where programmes are delivered;
- 5.1.3 Changes to how programmes are delivered; and
- 5.1.4 Changes to who is delivering the programmes.

5.1.1 Changes to what programmes are delivered

Historically, excluding SOSA, the Major Opera Companies have each year offered audiences a reasonably balanced repertoire of popular and less familiar operas of different national origins from different centuries. The objective in designing a balanced season is to reach new audiences and infrequent opera goers with popular operas such as *La bohème* or *La traviata*, while retaining frequent opera goers or subscribers with less familiar operas that they might not have seen previously. An operetta with popular appeal was often also included in the repertoire choice, even though some sold at a lower price point. At the same time, offering a new production with a different interpretation of a popular opera would enhance the appeal for a more frequent opera goer. An example of a balance of popular and less popular works that permeated such an opera season can be seen in Exhibit 5.1, which was for the Opera Australia Sydney season, in 2006, prior to the GFC.

Exhibit 5.1 Balanced opera season by category of work: Opera Australia Sydney 2006 (number)*

<i>Popular</i>	<i>Performances</i>	<i>Less familiar</i>	<i>Performances</i>	<i>Unfamiliar</i>	<i>Performances.</i>
<i>Madama Butterfly</i>	22	<i>Falstaff</i>	9	<i>The Rake's Progress</i>	6
<i>The Magic Flute</i>	17	<i>The Elixir of Love</i>	9	<i>Batavia</i>	4
<i>Turandot</i>	18	<i>Lakmé</i>	10		
<i>Pirates of Penzance</i>	31	<i>La Clemenza di Tito</i>	7		
<i>Rigoletto</i>	15	<i>Jenufa</i>	7		
		<i>Julius Caesar</i>	7		

* Bold type indicates new production.

Balance within an opera season is also achieved through programming works from different time periods. Exhibit 5.2 below demonstrates the mix of works according to their century of first performance for Opera Australia's 2006 Sydney season.

Exhibit 5.2 Balanced opera season by century of origin: Opera Australia Sydney 2006

<i>18th century</i>	<i>19th century</i>	<i>20th century</i>	<i>21st century</i>
<i>Julius Caesar</i>	<i>Falstaff</i>	<i>Jenufa</i>	<i>Batavia</i>
<i>La Clemenza di Tito</i>	<i>Lakmé</i>	<i>Madama Butterfly</i>	
<i>The Magic Flute</i>	<i>Pirates of Penzance</i>	<i>The Rake's Progress</i>	
	<i>Rigoletto</i>	<i>Turandot</i>	
	<i>The Elixir of Love</i>		

Presenting works from different countries is another way to balance an opera repertoire. Exhibit 5.3 shows the balance of countries of origin in Opera Australia's 2006 Sydney season. While Italy is the predominant country of origin, a diversity of other countries of origin exists.

Exhibit 5.3 Balanced opera season by country of origin: Opera Australia Sydney 2006

<i>Country of origin of composer</i>	<i>Opera</i>	<i>Percentage of repertoire</i>
Italy	<i>Falstaff</i> <i>Madama Butterfly</i> <i>Rigoletto</i> <i>The Elixir of Love</i> <i>Turandot</i>	39
Austria	<i>La Clemenza di Tito</i> <i>The Magic Flute</i>	15
UK	<i>Julius Caesar</i> <i>Pirates of Penzance</i>	15
Australia	<i>Batavia</i>	8
Czech Republic	<i>Jenufa</i>	8
France	<i>Lakmé</i>	8
Russia	<i>The Rake's Progress</i>	8

In the pre-2009 environment, such an approach was financially responsible, with Opera Australia generating a surplus of close to \$2.6 million in 2006.

The weaker economics of shorter runs of less popular operas were balanced with the better returns generated from longer runs of more popular operas. Exhibit 5.4—which reflects 2009 cost allocations by production (the earliest timeframe readily available to the Review)—provides a perspective on the relative financial attractiveness of operas in each category. Particularly in the case of Opera Australia, the needs of one-off opera goers were met, while the appeal for more seasoned subscribers was enhanced by the variety of choice.

Exhibit 5.4 Average audience and variable contribution per production by repertoire type 2009 (number, \$000)

<i>Company</i>	<i>Popular - Average audience size</i>	<i>Popular - Contribution \$000</i>	<i>Less familiar - Average audience size</i>	<i>Less familiar - Contribution \$000</i>	<i>Unfamiliar - Average audience size</i>	<i>Unfamiliar - Contribution \$000</i>
Opera Australia (Sydney)*	29,227	1,923	9,000	112	5,167	-307
Opera Queensland	9,128	-488	4,675	-434	-	-
West Australian Opera	5,681	-324	5,125	-530	-	-

* Before the allocation of ensemble and chorus costs which are classified as semi-fixed costs. Orchestral costs are not included for any of the companies to allow greater comparability.

A balanced repertoire approach also provided more variety of work for singers with diverse voice types, as well as giving musicians, technicians and other staff a greater selection of artistic challenges. Opera Australia's 2006 Sydney season of 13 operas illustrates this point. A rich, dramatic voice was required for the specialist dramatic soprano title role in *Turandot* as well as for the leading roles in *Rigoletto*, *Madama Butterfly* and *Jenufa* and two roles in *Falstaff*. Singers with strong dramatic talent were showcased in *Jenufa*, *Rake's Progress* and *Batavia*, while those with energy, charm and clear diction featured in *The Pirates of Penzance* as well as in *The Magic Flute*, *Falstaff*, *Turandot* and *Rake's Progress*. Coloratura sopranos starred in

demanding roles in *Julius Caesar*, *The Magic Flute*, *Rigoletto*, *Lakmé* and *Rake's Progress*, whereas *Julius Caesar* required three counter-tenors.

Opera Queensland and WAO followed a somewhat similar approach, balancing their programme within the constraints of typically offering three operas of short performance runs, as can be seen in Exhibit 5.5.

Exhibit 5.5 Offerings of Opera Queensland and WAO 2006 (number)

<i>Company</i>	<i>Popular</i>	<i>Performances</i>	<i>Less familiar</i>	<i>Performances</i>
Opera Queensland	<i>Die Fledermaus</i>	10	<i>Romeo and Juliet</i>	6
			<i>Lucia Di Lammermoor</i>	6
West Australian Opera	<i>Madama Butterfly</i>	6	<i>Nabucco</i>	5
			<i>Tristan and Isolde</i>	3

SOSA, on the other hand, proudly continues to characterise itself as a specialist company in recognition of its commitment to undertake niche programming. It has maintained a history of producing new work from Australia and overseas and has previously presented innovative works with the Adelaide Festival. SOSA has also staged a number of Wagner operas. It produced two *Ring Cycles* (*Der Ring des Nibelungen*): the first in 1998, using a Theatre du Châtelet production; the second in 2004, was a new SOSA production directed by Elke Neidhardt. In 2001, SOSA followed its presentation of the *Ring Cycle* with the first Australian staged production of Wagner's *Parsifal*. In 2008, in association with the Adelaide Festival, it staged the 2003 Argentinian opera *Ainadamar* composed by Osvaldo Golijov; while in 2009 it produced Wagner's *The Flying Dutchman*; in 2010, Ligeti's *Le Grand Macabre*; and in 2011, Jake Heggie's *Moby Dick*. In 2014, it staged the Philip Glass *Trilogy*. Between these signature productions, it presented a mix of popular and more challenging operas, helping generate higher box office revenue.

The drop in demand caused by the GFC accompanied by rising audience expectations, greater competition and significantly increased costs caused the companies to re-evaluate their historical approaches. That re-evaluation became more urgent given the long lead times and the high fixed costs associated with opera.

The four key strategic responses, which are discussed below, were to stage an increased proportion of more popular operas; to put on longer runs of musicals; to stage fewer mainstage opera productions; and to put on more innovative works.

5.1.1.1 Higher proportion of more popular operas

Opera Australia, and to a lesser extent WAO, responded to the challenging forces they faced by presenting a higher proportion of more popular operas. Opera Australia made this decision following the 2009 recommendations of LEK Consulting. In making this recommendation, LEK considered Opera Australia's overall financial situation; the economics of more popular versus less familiar operas; and the potential implications for different types of opera goers.

Exhibit 5.6 shows the shift that occurred in Opera Australia's and WAO's repertoire mix towards presenting more popular operas. This exhibit demonstrates that for Opera Australia, excluding 2013, the proportion of more popular operas increased,

while that for less popular operas declined. This trend has accelerated in 2015. Over the past three years, WAO also reduced the extent to which it offered less popular operas.

Exhibit 5.6 Opera Australia* and WAO productions by extent of popularity 2004 to 2015 (percent)

<i>Company</i>	<i>Category</i>	<i>2004</i>	<i>2007</i>	<i>2010</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Opera Australia	Popular	43	38	50	40	56	78
	Less familiar	50	54	33	50	44	22
	Unfamiliar	7	8	17	10	-	-
West Australian Opera	Popular	-	67	25	100	33	67
	Less familiar	75	-	50	-	67	33
	Unfamiliar	25	33	25	-	-	-

* Sydney season.

In addition, Opera Australia increased the extent to which it repeated popular operas, many of which were the same production. In the six years from 2010 to 2015, it repeated ten popular operas during its Sydney mainstage seasons. *La bohème* was put on in four of the six years, while *The Magic Flute*, *La traviata*, *Madama Butterfly*, *Tosca* and *The Marriage of Figaro* were repeated in three of the six years. Another four operas were repeated twice. As can be seen from Exhibit 5.7, this represented an increase in the intensity with which popular operas were repeated on the mainstage.

Exhibit 5.7 Opera Australia: repetition of popular operas in Sydney 2004 to 2015 (number)

<i>Number of times staged</i>	<i>2004-2009</i>	<i>2010-2015</i>
4 times	1	1
3 times	1	5
2 times	7	4

In addition, in the six years to 2015, Opera Australia has also staged popular operas in Sydney at HOSH and at its free annual outdoor concerts, Opera in the Domain. *La traviata* and *Madama Butterfly* have been performed at HOSH, and *La bohème* has been performed at the outdoor concert.

Repeating popular operas is not uncommon amongst opera companies internationally. Exhibit 5.8 shows the repetition of mainstage productions of popular operas by selected international opera companies between 2010 and 2015. However, on average, Opera Australia had a higher number of performances per staging than the other international opera companies.

Exhibit 5.8 International companies: repetition of mainstage productions of popular operas on the mainstage 2010 to 2015 (year of production / number of performances)

Madama Butterfly

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2011 (17) 2012 (12) 2015 (23)	2011 (7) 2012 (5) 2014 (14)		2011 (10) 2014 (8) 2015 (13)	2010 (6) 2011 (7) 2012 (6) 2013 (6) 2014 (3) 2015 (8)
Percentage of years staged	50	50	-	50	100
Average number of performances per staging	17.3	8.6	-	10.3	6

La bohème

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2011 (30) (New) 2013 (21) 2014 (7) 2015 (8)	2010 (19) 2011 (18) 2014 (26) 2015 (9)	2012 (11) 2015 (8)	2014 (29)	2010 (8) 2011 (7) 2012 (4) 2013 (7) 2014 (8)
Percentage of years staged	66.6	66.6	33.3	16.6	83.3
Average number of performances per staging	16.5	18	9.5	29	6.8

La traviata

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2010 (19) 2013 (10) 2015 (9)	2010 (8) 2010 (1) (New) 2011 (8) 2012 (9) 2013 (7) 2014 (6) 2015 (6)	2013 (8) 2014 (1)	2014 (20)	2010 (5) 2011 (6) (New) 2012 (8) 2013 (11) 2014 (8) 2015 (8)
Percentage of years staged	50	100	33.3	16.6	100
Average number of performances per staging	12.6	6.4	4.5	20	7.6

The Magic Flute

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2012 (28) (New) 2014 (25) 2015 (11)	2010 (10) 2011 (3) 2013 (7) 2014 (11)	2011 (7)	2014 (12) 2015 (20)	2010 (5) 2011 (13) 2012 (1) 2013 (10) (New) 2014 (6) 2015 (3)
Percentage of years staged	50	66.6	16.6	33.3	100
Average number of performances per staging	21.3	7.7	7	16	6.3

Tosca

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2010 (21) (New) 2013 (19) (New) 2015 (19)	2010 (8) 2011 (12) 2012 (6) 2013 (12) 2015 (13)	2011 (11) 2012 (9) 2015 (7)	2011 (11) 2012 (10) 2014 (20) (New)	2010 (9) 2011 (6) 2012 (11) 2013 (10) 2014 (9) 2015 (8)
Percentage of years staged	50	83.3	50	50	100
Average number of performances per staging	19.6	10.2	9	13.6	8.8

The Marriage of Figaro

	<i>Opera Australia (Sydney Season)</i>	<i>The Metropolitan Opera</i>	<i>Teatro alla Scala</i>	<i>Opéra National de Paris</i>	<i>Wiener Staatsoper</i>
Year staged and performed	2010 (22) 2012 (12) (New) 2015 (15) (New)	2012 (5) 2014 (16) (New)	2012 (8)	2010 (11) 2011 (10) 2012 (14)	2010 (4) 2011 (7) 2012 (10) 2013 (3) 2014 (7) 2015 (3)
Percentage of years staged	50	33.3	16.6	50	100
Average number of performances per staging	16.3	10.5	8	11.6	5.6

Opera Australia has undoubtedly made this choice because popular operas are more attractive financially than less familiar operas. Exhibit 5.9 shows recent examples of the relative attractiveness of more popular operas over time.

Exhibit 5.9 Opera Australia: recent examples of economics of different types of operas in Sydney (\$million)

<i>Production</i>	<i>Year</i>	<i>Type</i>	<i>Box office</i>	<i>Variable cost*</i>	<i>Contribution</i>
<i>La bohème</i>	2013	Popular	3.8	2.2	1.6
<i>Carmen</i>	2014	Popular	3.6	2.2	1.4
<i>The Magic Flute</i>	2014	Popular	3.2	2.1	1.1
<i>Don Pasquale</i>	2013	Less familiar	1.2	1.0	0.2
<i>A Turk in Italy</i>	2014	Less familiar	1.2	1.0	0.2
<i>The Elixir of Love</i>	2014	Less familiar	0.9	0.9	0
<i>Eugene Onegin</i>	2014	Less familiar	1.3	1.3	0

* Does not include semi-fixed costs such as venue rental, ensemble, chorus, orchestra, and backstage labour.

From this perspective, Opera Australia’s response has been understandable.

5.1.1.2 Increased inclusion of musicals

Another strategic response by Opera Australia to increased pressures arising from the GFC was to diversify into a related artform that offered the prospect of generating additional revenue and contribution.

Historically, Opera Australia has periodically offered a limited number of performances of operettas and musicals as part of its mainstage seasons. Exhibit 5.10 outlines the profile of such productions and performances from 2004 to 2011, including the percent they represented of total mainstage productions and performances. This shows that throughout this period, apart from the offering of *My Fair Lady* in 2008, musicals represented approximately 15 to 30 percent of the total number of performances.

Exhibit 5.10 Opera Australia: operetta and musical offerings 2004 to 2011 (number, percent)

<i>Year</i>	<i>Productions</i>	<i>Percent of mainstage productions</i>	<i>Performances</i>	<i>Percent of mainstage performances</i>
2004	2	13	71	31
2005	2	13	56	25
2006	1	6	31	14
2007	3	20	54	24
2008*	1	7	106	37
2009	2	13	48	21
2010	3	23	46	21
2011	2	13	32	15

* 2008 includes 73 performances of *My Fair Lady* that were not part of the subscription season.

From 2012, Opera Australia became more focussed on offering long-runs of musicals.

Over the past three years, Opera Australia has presented *South Pacific* and *The King and I*. In 2015, it is presenting *Anything Goes*. The Gordon Frost Organisation, a commercial producer with a track record of presenting musicals in Australia and overseas has been involved in these productions in various capacities. These productions have been presented at diverse venues throughout Australia and have attracted significant attendances. Exhibit 5.11 outlines the number of performances of musicals Opera Australia has offered in different capital cities of Australia from 2012 to 2014.

Exhibit 5.11 Opera Australia: performances of musicals 2012 to 2015 (number)

<i>Location</i>	<i>2012</i>	<i>2013</i>	<i>2014*</i>	<i>2015</i>
Sydney	38	65	71	67
Melbourne	85	-	96	63
Brisbane	6	32	56	27
Adelaide	-	3	30	-
Perth	-	33	-	-
Total	129	133	253	157

* *King and I* in all cities other than Adelaide, where *South Pacific* was staged.

As can be seen in Exhibit 5.12, musicals as a percent of total performances, attendances and box office revenue significantly increased, reaching around 50 percent of performances, attendances and box office in 2014.

Exhibit 5.12 Opera Australia: performances, attendances and revenue from musicals 2012 to 2014 (percent of each total)*

<i>Year</i>	<i>Performances</i>	<i>Paid attendance</i>	<i>Box office and performance income</i>
2012	33	34	29
2013	38	38	29
2014	51	51	48

* As percentage of mainstage, regional, concerts and HOSH. Excludes schools.

A positive contribution has been achieved by musicals to date, notwithstanding that the physical production costs for a musical are typically up to eight times higher than for a mainstage opera on a per production basis. However, the total direct costs on a per performance basis tell a different story. In 2014, the total direct costs per production for a musical were around 55 percent lower than for a mainstage opera. In large measure, this reflects the extended runs of musicals.

Opera Australia has mitigated some of the risk associated with these higher overall costs through its arrangements with the Gordon Frost Organisation, which results in the costs and risks being shared.

Thus, Opera Australia has significantly increased the number of performances of musicals in response to external pressures arising in the wake of the GFC.

5.1.1.3 Less mainstage

A third strategic response by Opera Australia as well as by Opera Queensland and SOSA has been to reduce the number of mainstage opera productions and performances.

From 2004 to 2009, for its mainstage Sydney season, Opera Australia presented either 13 or 14 productions. Since 2009, this number has varied between 9 and 12. The number of performances has also reduced from 163 to 120 in 2015, a decrease of 26 percent. The profile of productions and performances can be seen in Exhibit 5.13. A similar trend can be seen in Melbourne, where the number of performances has reduced by 48 percent from 2009 to 2015.

Exhibit 5.13 Opera Australia: mainstage opera* Sydney and Melbourne seasons: stagings¹⁰, productions and performances 2004 to 2015 (number)

Year	Sydney productions	Sydney performances**	Melbourne productions	Melbourne performances	Total stagings	Total productions***
2004	14	164	7	62	21	15
2005	13	161	7	64	20	15
2006	13	162	7	63	20	16
2007	13	160	7	63	20	15
2008	14	152	7	62	21	14
2009	13	163	7	64	20	15
2010	12	165	7	51	19	13
2011	12	161	7	55	19	15
2012	10	131	7	60	17	13
2013	10	111	7	31	17	16
2014	9	120	7	52	16	12
2015	9	122	5	33	14	11

* Excludes long-run musicals.

** Includes 30 December and New Year's Eve mainstage performances in 2012 to 2015 of productions subsequently staged as part of the following Summer Seasons. However, these performances are counted as 'productions' and 'stagings' only in the year in which they formed part of the Summer Season.

*** Opera productions performed in both Sydney and Melbourne in the same year are only counted once in the total.

Opera Australia's response reflects the background of the challenging cost-revenue dynamics of staging mainstage opera. This can be seen in Exhibit 5.14.

Exhibit 5.14 Opera Australia: average deficit per staging for mainstage opera 2009 to 2014 (\$million)*

Year	Total direct costs	Total box office revenue	Contribution	Stagings of productions	Average deficit per staging
2009	46.0	32.8	-13.2	20	-0.658
2010	43.2	31.8	-11.4	19	-0.600
2011	44.0	33.7	-10.3	19	-0.541
2012	43.8	30.9	-12.9	17	-0.759
2013	50.7	28.9	-21.8	17	-1.282
2014	42.5	24.9	-17.6	16	-1.099

* Excludes the Brisbane season in 2012. 2013 contribution is greater than other years due to the staging of *The Ring*, which attracted significant private sector income.

Thus, by putting on fewer mainstage productions, Opera Australia has sought to mitigate the impact of the deteriorating economics of mainstage productions.

Opera Queensland has also faced significant cost-revenue pressures and has, as a consequence, decreased its mainstage productions at QPAC's Lyric Theatre. Instead, it has chosen to put on smaller presentations in the Concert Hall. In addition, it has put on smaller productions in the Conservatorium, which it can also tour within Queensland. The extent to which this shift has occurred is seen in Exhibit 5.15.

¹⁰ See Glossary.

Exhibit 5.15 Opera Queensland: productions by venue 2009 to 2014 (number)

Year	QPAC Lyric Theatre	QPAC Concert Hall	Conservatorium of Music
2009	2	-	1
2010	2	-	1
2011	2	-	1
2012	1	1	1
2013	1	1	1
2014	1	1	1

Thus, since 2012, Opera Queensland has only presented one mainstage production each year at the Lyric. This decision was taken in the face of declining utilisation at the large Lyric Theatre, which caused a marked deterioration in Opera Queensland's economics, despite costs being controlled.

Exhibit 5.16 Opera Queensland: profile of performances, utilisation, costs and contribution at Lyric Theatre 2009 to 2014 (number, percent, \$000)

Year	Production	Number of performances	Utilisation percent	Total cost \$000	Contribution \$000
2009	<i>La traviata</i>	6	80	1,404	-549
2009	<i>Rigoletto</i>	6	72	1,281	-503
2010	<i>Aida</i>	6	89	1,554	-526
2011	<i>Tosca</i>	7	60	1,300	-589
2012	<i>Carmen</i>	6	78	1,730	-617
2013	<i>Otello</i>	5	39	1,548	-1,116
2014	<i>Rigoletto</i>	6	36	1,228	-747

Thus, weakening utilisation became a trigger for Opera Queensland to reduce its number of large mainstage productions.

5.1.1.4 Commitment to innovation

Another response has been to maintain or increase the commitment to staging innovative works. The Major Opera Companies recognise that, despite the challenging economics of producing mainstage new works, revitalisation of the artform is essential.

For SOSA, this has been consistent with its longer term vision of being a specialist company that performs new works or productions that are not often seen in Australia. Since 2009, SOSA has performed *The Shouting Fence*; Jake Heggie's opera, *Moby Dick*; the rock opera, *Next to Normal*; the world premiere of a new Australian opera for families, *Ode to Nonsense*; and Philip Glass's *Trilogy*.

WAO, Opera Queensland and Opera Australia have also, to varying degrees, demonstrated a commitment to presenting such works.

In the same time frame, WAO has staged—within the Perth International Arts Festival—*A Flowering Tree*, *Elektra* and *The Rabbits* (along with Opera Australia and Barking Gecko Theatre Company).

Opera Queensland has increasingly adopted a similar approach. In conjunction with the Queensland Music Festival, it presented *Dirty Apple* in 2009; and in 2014 it staged

Abandon with Dance North; and Philip Glass's *The Perfect American* as part of the Brisbane Festival.

Opera Australia has changed the nature of its commitment to innovative approaches. In 2010, it staged the Australian mainstage opera *Bliss* which was composed by Brett Dean, based on the novel by Peter Carey. In 2012, Opera Australia collaborated with the local Indigenous community to present *Yarrabah! The Musical* which told the community's history in song. Further, in 2013 Opera Australia worked with Central Australian Stolen Generations and Families Corporation to develop and present *Bungalow Song* at the Mbantua Festival that year. In 2015, Opera Australia collaborated with Barking Gecko Theatre Company to present *The Rabbits*, based on the novel by John Marsden and Shaun Tan. This production was presented in association with WAO and was staged as part of the Perth International Arts Festival.

The challenging economics of staging innovative and festival operas are outlined in Exhibit 5.17.

Exhibit 5.17 Economics of selected innovative operas (\$000)

<i>Opera</i>	<i>Staged by</i>	<i>Year</i>	<i>Revenue</i>	<i>Variable Costs*</i>	<i>Contribution / Deficit</i>
<i>Yarrabah!</i>	Opera Australia	2012		345	-345
<i>The Rabbits</i>	Opera Australia in association with West Australian Opera	2015	234	640	-406
<i>The Perfect American</i>	Opera Queensland	2014	366	875	-509
<i>Glass Trilogy</i>	State Opera of South Australia	2014	380	1,603	-1,223
<i>Elektra</i>	West Australian Opera	2012	280	1,398	-1,118

* Variable costs are the total direct costs associated with the production, regardless of the year in which they were incurred. Does not include any semi-fixed costs with regards to Opera Australia.

Thus, each of the Major Opera Companies has diversified its strategic focus in an effort to overcome the significant external pressures they are facing.

5.1.2 Changes to where programmes are delivered

As discussed in Chapter 4.1.4.1, consumers increasingly want new experiences. Recognising this phenomenon, state governments are using cultural tourism as a way of attracting domestic and international tourists. They also wish to make their state more attractive as a place to live and work, with a view to attracting high value professionals who can enhance their state's economic development.

For a number of the Major Opera Companies, these developments have shaped where opera is delivered, including at major events, touring interstate; at festivals and in touring to the regions.

5.1.2.1 Events

Opera Australia has sought to capture changed consumer sentiment by working with the NSW, Victorian and Queensland Governments to create events with appeal to new and diverse audiences.

The two most ambitious projects have been HOSH and *The Ring Cycle* in Melbourne. In addition, Opera Australia toured to Brisbane in 2012.

HOSH

HOSH has been offered in each of the past four years, attracting significant audiences as can be seen in Exhibit 5.18.

Exhibit 5.18 HOSH: performances and attendees 2012 to 2015 (number)

Year	Opera	Performances	Attendees
2012	<i>La traviata</i>	17	38,119
2013	<i>Carmen</i>	20	37,950
2014	<i>Madama Butterfly</i>	20	39,208
2015	<i>Aida</i>	25	55,011

This initiative has been financially supported not just by the NSW Government, but also by the generous contribution of Dr Haruhisa Handa, a significant international philanthropist who earned his Master's Degree in Creative Arts from the West Australian Academy of Performing Arts.

Until 2014, HOSH did not break even financially from Opera Australia's perspective, although the production of *Aida* in 2015 has seen the strongest ticket sales of all the productions and is likely to produce a positive financial result. In addition, Opera Australia has managed to reduce the direct costs of staging HOSH over time and increase box office. It also raises revenue from food and beverage sales at HOSH. So far, HOSH would not be viable without significant additional direct support from philanthropy and government.

It has, however, created significant other benefits. From Opera Australia's perspective, new attendees have been generated. 61 and 45 percent of attendees at the 2012 and 2013 HOSH productions were new attendees. 17 and 16 percent respectively of those new attendees from NSW have subsequently attended an Opera Australia performance.

NSW has also benefitted. In 2014, the NSW Government announced that HOSH had attracted more than 11,000 overseas and interstate visitors and had generated \$20 million for the NSW economy. Such benefits came through flights, use of airport facilities, local transport, accommodation and restaurant meals and other activities.

2013 Wagner's Ring Cycle in Melbourne

The Ring Cycle was offered by Opera Australia in Melbourne in 2013. The four operas in the cycle were each performed three times, with each cycle being sold out. In total 22,000 tickets were sold.

The staging of *The Ring* received extensive financial support from the Victorian Government, as well as from Maureen and Tony Wheeler. Without their support, *The Ring* could not have been staged in Melbourne. Additional support was also received from the City of Melbourne. Without those sources of support, a deficit of close to \$9 million would have been incurred.

Including that support, *The Ring* came relatively close to breaking even.

However, other benefits were generated for Victoria with over 2,000 visitors coming from interstate and in excess of 200 visitors from overseas. Each visitor typically

stayed for over nine days and spent significant additional expenditure on travel, accommodation and meals. This generated significant additional economic benefits for Victoria.

5.1.2.2 *Interstate Touring: 2012 Brisbane QPAC performances*

At the invitation of Arts Queensland, Opera Australia presented two productions at QPAC's Lyric Theatre in 2012. Baz Luhrmann's acclaimed production of Benjamin Britten's *A Midsummer Night's Dream* was performed four times; and Julie Taymor's production of Mozart's *The Magic Flute* six times.

After factoring in the significant financial support received from the Federal and Queensland Governments, Opera Australia incurred a moderate overall loss on its season in Brisbane.

Thus, the increased focus on events represented a logical response, particularly by Opera Australia in response to consumers' increased desire for a unique experience.

5.1.2.3 *Festivals*

Festivals are another opportunity for operas to be staged.

Working with festivals has allowed the Major Opera Companies to produce more innovative work at a lower cost, tailored to an audience who value greater innovation.

WAO has a long history of co-operation with the Perth International Arts Festival. Since 2009, Opera Queensland has worked with the Brisbane Festival and the Queensland Music Festival. Opera Australia has also participated in the Perth International Arts Festival and the Mbantua Festival. Historically, SOSA has staged many innovative works with the Adelaide Festival, although not since 2012 when it presented the Australian premiere of Bernstein's *MASS*.

Chapter 5.1.1.5 provides more detail on these collaborations and the innovative work that has resulted.

5.1.2.4 *Regional touring and presentations*

Overall, the Major Opera Companies have maintained their commitment to regional touring and presentations, despite the external financial pressures they have faced.

Exhibit 5.19 outlines the number of toured productions, performances and attendees for each company from 2012 to 2014.

**Exhibit 5.19 Extent of regional touring by the Major Opera Companies 2012 to 2014
(number)***

Number of productions

<i>Company</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Opera Australia**	2	2	2
Opera Queensland	3	5	3
State Opera of South Australia	2	2	-
West Australian Opera	1	1	1
Total	8	10	6

Number of performances

Company	2012	2013	2014
Opera Australia**	36	30	36
Opera Queensland	8	21	10
State Opera of South Australia	4	4	-
West Australian Opera	1	1	1
Total	49	56	47

Number of attendees

Company	2012	2013	2014
Opera Australia**	17,584	9,070	23,507
Opera Queensland	5,620	5,155	8,863
State Opera of South Australia	4,513	1,791	-
West Australian Opera	1,110	214	416
Total	28,817	16,230	32,786

* Includes paid and free attendance.

** The South Australian tour of the Oz Opera production of *Don Giovanni* is shown as Opera Australia.

Opera Australia, therefore, accounts for between 54 and 77 percent of performances and between 56 and 72 percent of regional attendees. Further analysis of the Major Opera Companies' regional performances is provided in Chapter 6.3.5.

5.1.3 Changes to how programmes are delivered

Significant changes have also occurred in how programmes are delivered. More specifically, physical production values have increased; collaboration through Opera Conference is under pressure; increased international co-productions are occurring; and digital delivery is becoming increasingly significant. Each of these points is discussed in turn.

5.1.3.1 Increased physical production values on stage

As elaborated on in Chapter 4.1.4, increasingly audience expectations are that they will see world class performances on stage. This includes physical production values, particularly the sets as well as costumes.

Such expectations arise not just from Australian audiences being able to see live performances at The Met or The Royal Opera House, but from being able to see almost real time performances of such productions digitally delivered into cinemas. Moreover, the elaborate sets and costumes for the somewhat akin artform of musicals as well as spectaculars such as HOSH have raised the bar on expectations.

Exhibit 5.20 tracks the production costs for the same popular opera productions over time and shows the variability in production costs, on a per performance basis, for repeated popular operas. Exhibit 5.20 shows that production costs per performance have not always reduced over time, even when the production being staged is a revival of an existing production.

Exhibit 5.20 Opera Australia: variable production costs for repeated popular operas staged in Sydney 2011 to 2014 (number, \$000, cagr)

<i>Opera</i>	<i>Year of production</i>	<i>Performances</i>	<i>Production costs (total)</i>	<i>Production costs (per performance)</i>	<i>cagr</i>
<i>La bohème</i>	2011 (new production)	30	604	20	10.99
	2013 (revival)*	21	538	26	
	2014 (revival)*	7	193	28	
<i>The Magic Flute</i>	2012 (new production)	28	637	23	-0.54
	2014 (revival)	25	563	23	
<i>Carmen</i>	2011 (revival)	22	500	23	-4.38
	2014 (revival)	22	438	20	
<i>La traviata</i>	2010 (revival)	19	180	9	20.06
	2013 (revival)	10	164	16	

* Excludes one NYE performance in the previous calendar year.

While the examples cited are from Opera Australia, the other Major Opera Companies face the same need to present world class physical production values on stage.

5.1.3.2 Collaboration through Opera Conference under pressure

The exogenous pressures facing the Major Opera Companies have also brought into question the historic collaboration that has occurred among the companies through the Opera Conference.

Background information is provided on Opera Conference as a precursor to discussing the tensions that have arisen.

The Opera Conference is a funding mechanism that, since 1994, has been designed to encourage collaboration among the companies and to assist with the expense of staging new opera productions.

As outlined in Chapter 3.3.1.2, the Federal and relevant State Governments provide an additional \$1.4 million in funding for the Opera Conference partnership per year, with the majority being provided by the Federal Government¹¹. The 2014 allocation of funds among the companies and the proportion contributed by each government is outlined in Exhibit 5.21.

A 1998 decision by the Opera Conference designated half of Opera Australia's funds for regional touring, through a vehicle originally known as Oz Opera, which was to be Opera Conference's regional touring vehicle. That apportionment of funds has not been maintained over time. In 2014, the amount of funds allocated for regional touring was just in excess of \$216,000; 34 per cent of Opera Australia's Opera Conference funding. In 2014, Opera Australia changed Oz Opera's name to Opera Australia Regional Tour.

The balancing amount of funds, therefore, allocated for new productions is approximately \$1.2 million.

¹¹ After the merger of the Victorian State Opera and Opera Australia in 1996, Opera Australia received the VSO's share of Opera Conference funding.

Exhibit 5.21 Opera Conference: allocation of funds in 2014 (\$000, percent)

<i>Company</i>	<i>Amount \$000</i>	<i>Federal %</i>	<i>NSW %</i>	<i>Vic %</i>	<i>Qld %</i>	<i>SA %</i>	<i>WA %</i>
Opera Australia	628	96	3	1			
Opera Queensland	272	81			19		
State Opera of South Australia	270	88				12	
West Australian Opera	272	80					20
Aggregate	1,442	89	1	0.5	3.5	2	4

Opera Conference funds are held in a central account which is managed by Opera Australia and independently audited and reported on annually as part of the grant acquittal process.

The initial investment in an Opera Conference production is met from the central account. This includes designer fees, manufacturing of sets and costumes, freight to each presenting partner and, where necessary, production refurbishment costs when a production returns to the stage after a period in storage. Additional costs, such as those incurred for singers, musicians and venue hire charges are met by the individual company staging the production.

Opera Australia oversees budgeting and is the primary company involved in the design realisation of productions, including the costing and manufacturing of sets, costumes and lighting. It receives a fee for these services.

Despite the longevity of Opera Conference, each of the Major Opera Companies raised with the Review Panel the sustainability of the current protocols that dictate its operation. Repertoire choice is the most contentious issue.

Opera Australia considers that Opera Conference productions should primarily be works that would be less likely to be seen. This is consistent with the recommendation of the 1999 MPAI. From Opera Australia's perspective, Opera Conference funding defrays the costs of staging less popular operas that appeal more to regular opera goers.

Some of the other Major Opera Companies argue against this approach, in large measure but not exclusively, because they find it difficult to stage less popular repertoire, despite the sharing of costs given smaller sized audiences and the challenges posed in the wake of the GFC.

The facts in relation to this issue are as follows.

Since 2001, Opera Conference has produced 12 new productions, with four of these being popular repertoire. The Major Opera Companies have staged Opera Conference productions 53 times in this period, including revivals of Opera Conference productions created prior to 2001.

The choice of repertoire has varied over time.

In broad terms, Opera Conference's decisions in relation to repertoire can be divided into three periods. From 1994 to 1999, six operas were produced. None of these fall into the category of being described as popular operas. From 2001 until 2008, seven operas were produced, with five being able to be categorised as popular. Since the

onset of the GFC, six operas have been commissioned, with most operas falling into what would be described as the less familiar category. One of those, *The Divorce*, is a proposed television opera series, with music by Elena Kats-Chernin and lyrics by Joanna Murray-Smith in conjunction with the ABC.

Examining which companies have taken up different types of Opera Conference productions in the 2001 to 2008 period as opposed to the 2009 to 2015 timeframe puts these opposing views into perspective.

Omitting *The Divorce*, the number of different types of operas taken up by each company for the two time periods is outlined in Exhibit 5.22. This exhibit shows that Opera Australia, for its Sydney and Melbourne seasons, was the largest user of Opera Conference productions. It used all productions. Opera Queensland and WAO, on the other hand, significantly reduced the extent of their use. SOSA, in keeping with its commitment to more challenging operas, has used all of the Opera Conference productions created since 2006.

Exhibit 5.22 Opera Conference productions staged by each Major Opera Company by type 2001 to 2008 and 2009 to 2015 (number)

<i>Company</i>	<i>Popular 2001- 2008</i>	<i>Less familiar 2001- 2008</i>	<i>Total 2001- 2008</i>	<i>Popular 2009- 2015</i>	<i>Less familiar 2009- 2015</i>	<i>Total 2009- 2015</i>
Opera Australia	5	6	11	2	9	11
Opera Queensland	3	3	6	1	1	2
SOSA	2	3	5	1	5	6
WAO	3	3	6	1	5	6
Total	13	15	28	5	18	25

The implications of this are that, to varying degrees, the three smaller companies while funding Opera Conference productions have not been able to take full advantage of the productions that were chosen.

Since Opera Conference funding represents a significantly higher proportion of government funding for the smaller companies (as described in Chapter 3.3.1.2, Exhibit 3.10), it is not surprising that the choice of repertoire has emerged for them as a significant issue.

This divergence in opinion is symptomatic of other issues that were raised with the Review Panel. This included a view that Opera Australia had a disproportionate influence in determining the repertoire choice; operas for the mainstage should not be the only operas that are chosen; all parties should not have to agree on which opera is chosen; and that it should be possible to apply the funds to co-operative ventures with other partners, including Victorian Opera and overseas opera companies.

All of these issues, however, stem from the stress the Major Opera Companies find themselves under and the fact that for all of them, Opera Conference funding is of significance in funding their productions.

5.1.3.3 More international partnerships

The increasingly adverse cost-revenue dynamics being experienced by the companies resulted in another significant strategic response by the Major Opera Companies, namely the use of international partnerships.

In the period since 2009, in total, the Major Opera Companies have either hired in or collaborated in fifteen such partnerships to put on mainstage productions, recognising that one co-production—*Otello*—was staged by SOSA, WAO and Opera Queensland in 2013 and 2014.

Exhibit 5.23 Profile of international partnerships by Major Opera Company 2009 to 2014 (number)

Year	Opera Australia	Opera Queensland	State Opera of South Australia	West Australian Opera	Partners	Total for year
2009	<i>The Capulets and the Montagues</i>				Opera North	1
2010						-
2011	<i>Macbeth</i>				Opera de Montreal	4
	<i>Partenope</i>				English National Opera	
	<i>The Merry Widow</i>				Opera North	
			<i>Moby Dick</i>		The Dallas Opera, San Francisco Opera, San Diego Opera, Calgary Opera	
2012	<i>Lucia di Lammermoor</i>				Houston Grand Opera, Teatro La Fenice	2
	<i>The Merry Widow</i>				Opera North	
2013	<i>A Masked Ball</i>				Teatro Colon, Theatre Royale de La Monnaie, Norwegian Opera & Ballet	3
		<i>Cinderella</i>			New Zealand Opera	
		<i>Otello</i>			WAO, SOSA, Victorian Opera, Cape Town Opera, New Zealand Opera	

<i>Year</i>	<i>Opera Australia</i>	<i>Opera Queensland</i>	<i>State Opera of South Australia</i>	<i>West Australian Opera</i>	<i>Partners</i>	<i>Total for year</i>
2014	<i>Eugene Onegin</i>				Royal Opera House, Fondazione Theatre Regio (Turin)	5
		<i>The Perfect American</i>			Teatro Real (Madrid), ENO	
			<i>La traviata</i>		New Zealand Opera, OQ	
			<i>Otello</i>	<i>Otello</i>	OQ, Victorian Opera, Cape Town Opera, New Zealand Opera	
Total	8	3	3	1		15

The number of international partnerships has increased, with around 50 percent occurring in the past two years. Over the past six years, Opera Australia has worked with eight international partners. In the past two years, however, the three smaller Major Opera Companies have increased their international partnerships. They have staged six such productions in that time, in contrast to two by Opera Australia, recognising that *Otello* was put on by each of Opera Queensland, SOSA and WAO.

This, to some extent, reflects the issues that have emerged within Opera Conference, as well as the Major Opera Companies from the less populous states seeking greater variety in creative direction, rather than simply buying in productions from Opera Australia.

5.1.3.4 Increased commitment to digital

The Major Opera Companies are seeking to utilise new digital technologies to reach and widen their audience. They are doing this by using digital technology in cinemas as well as YouTube.

In 2013 Opera Australia reached an audience of more than 190,000 people through cinema, domestic television screenings and recording sales.

Exhibit 5.24 provides information on how audiences are being reached through digital channels by Opera Australia.

Exhibit 5.24 How Opera Australia is reaching audiences through digital channels (number)

<i>Channel</i>	<i>Productions</i>	<i>Audience reach</i>
Television broadcast: Australia (2014)	3	3 broadcasts
Cinema: Australia / New Zealand (2014)	4	46 screenings
Cinema: Rest of world (2014)	5	506 screenings
YouTube channel*	n/a	1.87 million views

* YouTube information accessed 7 September 2015.

5.1.4 Changes to who is delivering the programme

Another strategic approach that Opera Australia, in particular, has adopted has been to use more non-Australian international singers to attract new and repeat opera goers.

This is occurring for a number of reasons. First, offering voices that have not previously been heard on stage is designed to increase interest with audiences. This might particularly be the case with operas that are being repeated. Second, according to Opera Australia, in some instances, Australian singers are not available with the vocal range and dramatic talents that fit the role. Third, with the financial pressure on opera companies around the world, more singers are available globally than has historically been the case.

Exhibit 5.25 Opera Australia: international artists 2009 to 2015 (number)

<i>Year</i>	<i>Principal singers</i>	<i>Directors</i>	<i>Conductors</i>
2009	10	1	8
2010	6	2	10
2011	8	3	9
2012	11	2	8
2013	19	3	8
2014	19	4	6
2015	19	3	8

Thus, while the number of directors and conductors has not significantly increased, there has been a significant increase in the number of international singers.

In summary, the Major Opera Companies, especially Opera Australia have changed the nature of what they programme. They are doing more popular operas which are repeated more; more musicals; less mainstage operas and for some companies, they are showing an increased commitment to innovation. They have also changed where the programme is delivered, presenting significant events such as HOSH as well as with festivals; at the same time as sustaining regional touring. How programmes are delivered has also changed. There has been more emphasis on greater physical production values; more tension within Opera Conference particularly about repertoire choice; and more international partnerships. Finally, operas are being staged with more international singers.

5.2 Increasing and defending other revenue sources

Each of the Major Opera Companies has worked to supplement box office and core funding by raising private sector support from corporates and through philanthropy. The companies have also sought to enhance funds received from governments by pursuing project funding for events and other activities.

5.2.1 Increasing private sector income

The Major Opera Companies, along with the other major performing arts companies, have long recognised the need to raise additional private sector support.

Raising additional revenue from such sources assists the companies to fulfil their artistic ambitions, while helping cover the rising costs caused by the sector's evolving dynamics.

Over the past five years, as a group, the Major Opera Companies have been committed to increasing their private sector income. They have applied significant resources to that activity and have become more sophisticated in the way they go about attracting private sector financial support.

As a consequence, private sector income has increased at a compound annual growth rate of over 6 per cent, although no growth occurred between 2009 and 2010, reflecting the impact of the GFC.

Growth rates in private sector income, however, varied widely by company as can also be seen in Exhibit 5.26, with Opera Australia experiencing the highest rate of growth, particularly since 2012.

Exhibit 5.26 Private sector annual income 2009 to 2014 (\$million, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia	4.88	4.67	5.32	7.64	10.99	7.27	8.29
Opera Australia (Capital Fund)	0.23	0.26	0.45	0.92	1.78	0.63	22.26
Opera Queensland	0.90	0.86	0.87	0.87	0.78	0.96	1.26
State Opera of South Australia	0.28	0.28	0.36	0.30	0.29	0.38	6.68
West Australian Opera	1.57	1.70	2.47	1.62	1.61	1.34	-3.14
Total	7.85	7.77	9.47	11.34	15.44	10.57	6.13

The importance of private sector income to each company's economics differs widely, as can be seen in Exhibit 5.27. In the case of WAO and Opera Queensland, private sector income contributes a significant 23.7 and 14.2 percent respectively of their overall revenue. On the other hand, at around 7 percent, it is significantly lower for Opera Australia, even though in 2013 it rose to 11.3 percent as result of funding for *The Ring*. On average, SOSA's proportion of private sector funding is slightly lower than Opera Australia's.

Exhibit 5.27 Private sector income as a proportion of total revenue 2009 to 2014 (percent)

<i>Company</i>	2009	2010	2011	2012	2013	2014
Opera Australia (excluding the Capital Fund)	7.1	7.1	7.9	7.7	11.3	6.8
Opera Queensland	13.7	13.1	14.4	13.9	13.8	14.2
State Opera of South Australia	5.7	5.7	6.5	5.9	5.7	6.3
West Australian Opera	26.2	28.7	40.6	25.8	29.6	23.7

Private sector support comes from the corporate sector as well as from individual giving. The profile of each is discussed in the next two sections.

5.2.1.1 Corporate sector support

Support for the arts from the corporate sector usually comes in the form of sponsorship that is designed to improve a company's brand image, drive sales, or lift staff engagement. It can also be a way a company strives to embed itself in its community, while building its image as a good corporate citizen.

Arts organisations that excel at corporate sponsorship strive to understand the company's reason for sponsoring the arts, offering benefits that fit their needs. Relationships such as that which Opera Australia has established with Mazda and WAO has maintained with Wesfarmers Arts are based on strong understanding and respect with a mutual benefit in mind.

Overall, corporate support for the Major Opera Companies represents around half of their total private sector income, although it has been as low as 30.8 percent. WAO and Opera Queensland attracted a higher proportion of corporate, rather than individual giving (with the exception of WAO's higher private donation in 2011), with Opera Australia being more reliant on individual giving, which was particularly evident in 2013. The relative significance of corporate support for WAO and Opera Queensland may, to some extent, reflect the presence until recently of the mining boom in those states, with other states being more impacted by the GFC.

Exhibit 5.28 Corporate support as a proportion of total private sector income 2009 to 2014 (percent)

<i>Company</i>	2009	2010	2011	2012	2013	2014
Opera Australia (excluding the Capital Fund)	42.9	40.4	37.7	49.4	26.4	39.7
Opera Queensland	65.1	73.0	79.7	71.7	62.9	41.6
State Opera of South Australia	32	45.0	52.3	48.3	51.7	46.8
West Australian Opera	86.5	90.6	51.7	93.0	75.6	94.9
Total	52.3	53.1	44.8	53.8	30.8	44.7

Overall, as can be seen in Exhibit 5.29, over the past five years, the Major Opera Companies have increased corporate support by a compound annual growth rate of 2.8 per cent. That growth has chiefly occurred since 2012. Between 2009 and 2011, it only increased marginally.

Opera Australia generates more corporate sector support than other companies, although given its relative size, WAO has been very successful, despite finding it difficult to grow it further.

Exhibit 5.29 Corporate support including sponsorship in-kind 2009 to 2014 (\$million, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia (excluding the Capital Fund)	2.1	1.9	2.0	3.8	2.9	2.9	6.67
Opera Queensland	0.6	0.7	0.8	0.6	0.5	0.4	-7.79
State Opera of South Australia	0.1	0.1	0.2	0.1	0.2	0.2	14.87
West Australian Opera	1.3	1.4	1.3	1.5	1.2	1.2	-1.59
Total	4.1	4.1	4.3	6.1	4.8	4.7	2.77

5.2.1.2 Support from individual donors

Generous private donors have long been critical to the growth of private philanthropy in the arts. Organisations such as Creative Partnerships Australia have highlighted the significance of such giving, while government tax incentives have encouraged such behaviour.

Private philanthropy to the Major Opera Companies has increased by a compound annual growth rate of over 8 percent over the past five years, with this outcome, to a large degree, due to Opera Australia's success in raising additional support. Dr Haruhisa Handa, in providing support for HOSH, was a significant contributor towards this outcome. In addition, Opera Australia was generously supported in 2013 by Maureen and Tony Wheeler for the specific purpose of staging *The Ring Cycle* in Melbourne.

Exhibit 5.30 Private philanthropy 2009 to 2014 (\$million, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia	2.8	2.7	3.4	3.8	8.1	4.4	9.46
Opera Australia (Capital Fund)	0.2	0.3	0.4	0.9	1.8	0.6	24.57
Opera Queensland	0.3	0.2	0.2	0.2	0.3	0.3	0.0
State Opera of South Australia	0.2	0.1	0.1	0.2	0.1	0.2	0.0
West Australian Opera	0.2	0.2	1.2	0.1	0.4	0.1	-12.94
Total	3.7	3.5	5.3	5.2	10.7	5.6	8.64

What is clear, however, is that much of the additional private sector support has been tied to the need to undertake additional activities, while recognising that such additional activity is integral to the company's strategy. The underlying level of private sector income that supports the companies' activities, particularly mainstage opera, has actually declined. This has significant implications for the companies.

One recent example of significant individual philanthropic support for mainstage opera is the funding Susan and Isaac Wakil have provided to Opera Australia to increase access to performances by providing discounted tickets to people yet to experience an opera in either Sydney or Melbourne.

5.2.2 Generating additional project funding

To varying degrees, the Major Opera Companies have also been focussed on seeking additional project grants from governments to help support their activities. Such project funding is usually tied to undertaking additional activities. These take various forms.

For instance, Opera Australia received an Australia Council project grant of \$567,000 over three years from 2012 to 2014 for its community choirs initiative in Western Sydney. The company also received a one-off grant of \$2 million in 2013 from the Victorian Government and a further \$300,000 from the City of Melbourne to support its production of *The Ring Cycle*. In addition, Opera Australia has received significant support from the NSW Government through Destination NSW for HOSH. The NSW Government also provides \$65,000 each year for Opera Australia's schools touring programme.

Such programmes are replicated to varying degrees with the other Major Opera Companies. From 2012 to 2014, Opera Queensland received project funding of nearly \$800,000 from the Queensland Government for its regional touring programme. This is important if opera is to reach beyond Brisbane, given Queensland's significant population dispersion.

In 2013, SOSA received a \$60,000 project grant from the Federal Government, for the development of a new opera *Cloudstreet* based on the novel by Tim Winton.

In 2013, WAO received a project grant from the City of Perth to support its Opera in the Park free performance.

Thus, tapping additional sources of project funding has been important to the Major Opera Companies, but this has often required the companies to undertake additional activities.

5.2.3 Meeting Government priorities

In addition to tapping new sources of government project funding, the Major Opera Companies recognise the need to meet Governments' expectations in relation to other obligations. These obligations were embedded in the revised Framework for all major performing arts companies, following the 2011 Cultural Ministers Council.

5.2.3.1 Regional Access

Governments expect that the Major Opera Companies will provide access to performances outside their home cities.

Opera Australia receives funding both from Playing Australia and from Opera Conference to develop and tour an opera production to regional centres each year. For example, in 2014 it toured its production of Mozart's *The Magic Flute* to 26 regional venues across NSW, Victoria, Tasmania and the ACT. The total cost of the tour is estimated at \$1.9 million with \$0.7 million recovered largely from fees from presenting venues. This gap is not completely covered by the regional touring grants from government. Therefore, the expectation from government that Opera Australia tours regionally puts a degree of financial pressure on the company.

In 2014, Opera Queensland undertook a tour of eight regional centres in Queensland of its new production of *La bohème*, as part of its Project Puccini initiative. Nearly 8,000 people attended with a total box office of \$165,000 and an average ticket price of \$20.00. The tour was supported by a project grant of \$400,000 from the Queensland Government. Opera Queensland reported to the Review that the total cost of the tour was over \$900,000. This leaves a significant shortfall which has exacerbated Opera Queensland's financial difficulties.

In addition, both Opera Australia and Opera Queensland work with community or school choirs as a key element of their regional tours to increase audience engagement and community appreciation of opera as an artform.

In 2013, SOSA presented Opera Australia's production of *Don Giovanni* in three regional centres in South Australia with over 420 tickets sold. The cost of the tour to SOSA was nearly \$70,000 with around \$14,500 earned in ticket sales.

In recent years, WAO has undertaken regional presentations in specific locations, but has not delivered a broader regional touring programme.

5.2.3.2 Education programmes

Education programmes are important to the companies to grow future audiences. For their part, Governments seek educational outcomes to advance the well-being and development of children. Education programmes can also be the recipient of targeted philanthropic support. Despite financial pressures, the companies, therefore, continue their efforts to deliver education programmes.

Data made available to the Review shows that both Opera Australia and Opera Queensland incur significant costs in delivering their education programmes. In 2013, Opera Australia's school tours in NSW and Victoria cost over \$950,000. In 2012, Opera Queensland's education programme cost over \$350,000.

Both companies have indicated that they are not able to recover the full costs of these programmes from payments from schools or from government project grants.

SOSA has only a limited education programme and WAO delivered its 2013 school programmes at a cost of \$40,000.

In summary, education programmes are placing significant financial pressure on at least two of the four Major Opera Companies.

5.2.3.3 Community obligations

Governments expect that the Major Opera Companies deliver initiatives to ensure access to people in the community who cannot for one reason or another attend mainstage performances. It also matters to the companies that they continually strive to reach new sections of the community in an effort to grow paid attendances as well as being seen as good corporate citizens.

For example, in 2014 Opera Australia conducted its community choir programmes in NSW and Queensland. The cost of providing these programmes was approximately \$168,000.

Thus, in summary, the companies have sought to garner additional private sector income; greater government project funding; and shore up their base funding by ensuring all community obligations are met. Such activities are in addition to their mainstage opera activities and have added to the financial pressures facing the companies.

5.3 Improving operational effectiveness and efficiency

The Major Opera Companies are seeking to improve operational effectiveness and efficiency through better marketing; sharing the costs of producing a new opera; and containing, as much as possible, operating cost growth.

5.3.1 Improving marketing

Given the high fixed costs of staging opera, significant financial benefits accrue to the companies by selling an incremental ticket.

For that reason, to improve utilisation, most Major Opera Companies are spending more on marketing and advertising to support their major activities.

Opera Australia's marketing expenditure to directly support its activities increased by 115 percent from 2011 to 2014, on account of the increased scale of its activities, namely the introduction of Broadway musicals and HOSH in 2012. Over the same period, its marketing expenditure on mainstage opera seasons in Sydney and Melbourne fell by 8 percent.

Overall, the Major Opera Companies' direct marketing spend has increased at a compound annual growth rate of approximately 16 percent between 2009 and 2014. As shown in Exhibit 5.31, all companies except for Opera Queensland have increased their direct expenditure on marketing and advertising to support their major activities.

Exhibit 5.31 Total expenditure on direct marketing 2009 to 2014 (\$'000, cagr)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Opera Australia	5,075	4,797	5,313	8,572	6,210	11,446	17.7
Opera Queensland	615	610	595	509	463	218	-18.7
State Opera of South Australia	234	261	274	251	274	381	10.2
West Australian Opera	n/a	n/a	450	402	411	505	3.9
Total*	5,924	5,668	6,632	9,734	7,358	12,550	

* Totals for 2009 and 2010 do not include costs incurred by WAO due to data limitations.

Digital technologies are important mechanisms for public engagement and the marketing of activities. The Internet and the emergence of social media have provided new avenues for the Major Opera Companies to engage with the public and promote their activities. As outlined in Chapters 2.3.4 and Chapter 4.1.4.3, the Major Opera Companies have digital engagement strategies. They utilise digital tools, such as Facebook, Twitter and YouTube, as well as electronic newsletters, to promote their activities and reach audiences.

5.3.2 Achieving operating cost efficiencies

As demonstrated in Chapter 4 the costs of an opera company are significant relative to other performing arts, and are largely fixed or semi-fixed in nature. Managements' response to these challenging economics is to share or contain ongoing costs as much as possible, and to make costs vary with the number of productions or performances staged.

5.3.2.1 Reducing production costs by sharing the cost of new builds and utilising existing productions

Costs can be reduced by hiring in or sharing productions. This approach means that companies share the costs of developing sets and costumes. There are three main ways this occurs: by hiring from Opera Australia; by using Opera Conference productions; or through international partnerships.

Exhibit 5.32 outlines the source of productions for each of the Major Opera Companies since 2009.

Exhibit 5.32 Major Opera Companies: source of production 2009 to 2014 (number)

<i>Source of production</i>	<i>Opera Australia*</i>	<i>Opera Queensland</i>	<i>State Opera of South Australia</i>	<i>West Australian Opera</i>	<i>Total</i>
New production by company	16	5	4	-	25
Co-production with international partners	7	1	1		9
Co-production with Australian partners	-	-	-	1	1
Co-production with Australian and international partners	1	1	2	2	6
Opera Conference production	11	2	5	5	23
International hire	1	2	-	-	3
Domestic hire	2	5	8	8	23
Revival	46	1	-	3	50
Total	84	17	20	19	140

* Productions are only counted only once in each year they are staged, even if they are staged in both Sydney and Melbourne in the same year.

Opera Australia

Opera Australia is a major source of productions, not just for itself, but for the other Major Opera Companies. WAO, in particular, has been a major hirer of Opera Australia productions, as has SOSA when it is not staging niche operas. Recently, Opera Queensland has been less inclined to hire Opera Australia productions.

Opera Conference

As described in Chapter 5.1.3.2, Opera Conference has been a significant source of productions for all of the Major Opera Companies. Historically, Opera Conference has helped significantly to defray expenses for all of the Major Opera Companies. However, despite Opera Conference production builds continuing at the same rate as historically, they are not being used as much by the smaller companies.

The extent to which they have been used since 2009 is outlined in Exhibit 5.33.

Exhibit 5.33 Extent to which new Opera Conference builds since 2009 have been staged 2009 to 2015 (year)

<i>Production</i>	<i>Opera Australia</i>	<i>Opera Queensland</i>	<i>State Opera of South Australia</i>	<i>West Australian Opera</i>
<i>La fanciulla del West</i>	2010	2011	2009	2009
<i>La sonnambula</i>	2010	-	2011	2010
<i>Salome</i>	2012	-	2013	-
<i>La forza del destino</i>	2013	-	2013	-
<i>Faust</i>	2015	-	2015	2015

This largely reflects the need for variety in repertoire among the companies, particularly as audiences travel more to attend opera performances. The extent to which interstate visitors attend Opera Australia performances, for instance, was outlined in Chapter 2.4.2.2. It also reflects repertoire choice and the fact that Opera

Conference productions are built for the mainstage, rather than for venues such as the Conservatorium Theatre where Opera Queensland is increasingly staging its productions.

International Partnerships

As described in Chapter 5.1.3.3, international partnerships are important not just for Opera Australia, but have become increasingly important for the other Major Opera Companies and indeed for opera companies globally. Exhibit 5.32 provides a perspective on the increasing role they have played since 2009. As demonstrated in Chapter 6.1, co-productions with international partners have generally resulted in higher deficits on a per production basis than productions from other sources, which must be taken into account in programming.

Non-Opera Australia: own productions

As can be identified from Exhibit 5.32, Opera Queensland, in particular, is undertaking more of its own productions. These productions are typically staged in the Conservatorium Theatre, with a view to subsequently touring them within Queensland. Exhibit 5.34 provides a profile of those productions since 2009 and of their relative economics. Other companies have undertaken such productions to a more limited extent.

Exhibit 5.34 Own productions: Opera Queensland and SOSA 2009 to 2014 (number, \$000)

Opera Queensland

Year	Production	Origin	Performances	Box office \$000	Cost \$000	Contribution	Contribution per performance
2009	<i>Fidelio</i>	New Production	10	286	759	-473	-47
2010	<i>The Merry Widow</i>	New Production	10	338	1,110	-772	-77
2012	<i>Mikado</i>	New Production	10	348	1,061	-713	-71
	<i>Macbeth in Concert</i>	New Concert	2	136	339	-203	-102
2013	<i>Cinderella</i>	Co-Production	10	327	1,088	-761	-76
	<i>Otello</i>	Co-Production	5	432	1,548	-1,116	-223
2014	<i>La bohème</i>	New Production	12	390	1,009	-619	-52

State Opera of South Australia

Year	Production	Origin	Performances	Box office \$000	Cost \$000	Contribution	Contribution per performance
2009	<i>The Flying Dutchman</i>	New Production	4	523	1,181	-658	-165
2011	<i>Moby Dick</i>	Co-Production	4	457	1,764	-1,307	-327
2014	<i>Glass Trilogy</i>	New Production	12	380	1,603	-1,223	102
	<i>Otello</i>	Co-Production	4	360	1,151	-791	-198
	<i>La traviata</i>	Co-Production	4	561	969	-408	-102

5.3.2.2 Containing costs of delivering the programme

A range of measures are being undertaken by the Major Opera Companies, particularly by Opera Australia, to contain costs. The key initiatives are described in the following section.

Ensemble

Opera Australia is the only company within the scope of the Review to maintain an ongoing ensemble of singers. The company has reduced the cost of maintaining the ensemble over the past five years. This has been achieved by reducing its size and variabilising its costs. Overall costs have reduced from \$2.1 million in 2009 to \$1.8 million in 2014, a compound annual decline of 3.6 percent per year.

Exhibit 5.35 Trend in Opera Australia ensemble labour costs 2009 to 2014 (\$million, cagr)

	2009	2010	2011	2012	2013	2014	cagr
Opera Australia ensemble	2.14	1.97	1.92	1.79	1.41	1.78	-3.62

Chorus

Opera Australia is the only company within the scope of the Review to maintain a permanent chorus of singers. The company has reduced the costs of maintaining the chorus over time, with the compound annual growth rate being -2.6 per cent over the past 5 years. The trend in relation to those costs is described in Exhibit 5.36.

Exhibit 5.36 Trend in Opera Australia chorus labour costs 2009 to 2014 (\$million, cagr)

	2009	2010	2011	2012	2013	2014	cagr
Opera Australia chorus	3.39	2.99	3.22	2.95	2.45	2.98	-2.55

Orchestras

The costs associated with an orchestra for any opera production are significant.

Opera Australia is the only opera company within the scope of the Review to maintain its own orchestra. The other Major Opera Companies have access to the orchestra in their State as a condition of the orchestra's government funding. In other words, within

the terms of their funding agreements, they do not pay for orchestral support, other than for augmentation and respite, which are repertoire specific.

Opera Australia has successfully contained the cost of its orchestra over time, with the compound annual growth rate for the past five years being 2 percent.

Exhibit 5.37 Trend in Opera Australia orchestra labour costs 2009 to 2014 (\$million, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia	6.97	7.17	7.23	7.19	7.01	7.70	2.01

The mix of performers in the AOBO has progressively changed from a substantially salaried orchestra to a mix of employment types, including contract and casual players. Opera Australia is managing the costs of the orchestra by maintaining a smaller number of permanent musicians than in the past.

Exhibit 5.38 Trend in permanent musicians in AOBO 2009 to 2014 (number)

<i>Musicians</i>	2009	2010	2011	2012	2013	2014
Permanent players	64	63	60	60	58	57

The AOBO performs for 48 weeks each year in Sydney. It performs with Opera Australia for 34 of those weeks and with the Australian Ballet for another 14 weeks.

The utilisation of the AOBO by Opera Australia in Sydney over the last five years is set out in Exhibit 5.39. Reflecting the changing nature of Opera Australia's performances, the AOBO is performing more frequently now than in the past, with fewer mainstage opera performances and an increasing number of performances for musicals.

Exhibit 5.39 Utilisation of the AOBO by Opera Australia by performances 2009 to 2014 (number)

<i>Activity</i>	2009	2010	2011	2012	2013	2014
Summer mainstage opera	63	64	63	67	61	70
Winter mainstage opera	93	101	98	64	50	50
Total mainstage opera	156	165	161	131	111	120
Concerts	11	9	3	4	3	6
Musicals	-	-	-	38	65	71
Total performances	167	174	164	173	179	197

Venues

Opera Australia is successfully utilising all of its available performance nights with its programme of mainstage opera, musicals and concerts. However, the company will need to respond with alternative arrangements when the Sydney Opera House closes for maintenance works in 2017.

In recent years, Opera Queensland has performed only one mainstage opera in the Lyric, with another in the smaller Conservatorium Theatre, as well as more recently performing in the Concert Hall. In 2015, *Candide* was presented in the QPAC Playhouse.

SOSA is attempting to find a venue in Adelaide other than the Festival Theatre in response to both the temporary closure of the Festival Theatre for refurbishment and SOSA's experiencing smaller audiences. This is posing particular challenges for SOSA, which need to be addressed.

5.3.2.3 Improving overheads

Overhead costs have been a significant challenge for Opera Australia and Opera Queensland. Opera Australia's overheads increased significantly due to higher labour costs between 2009 and 2014, while Opera Queensland's have been consistently higher than SOSA and WAO.

Exhibit 5.40 Trend in overhead costs 2009 to 2014 (\$million, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia	17.5	16.5	17.9	19.4	19.5	20.3	3.01
Opera Queensland	2.2	2.2	2.8	2.6	2.1	2.1	-0.93
State Opera of South Australia	0.9	0.9	1.0	0.9	0.9	1.0	2.13
West Australian Opera*	n/a	n/a	1.6	1.4	1.4	1.5	n/a**

* Excludes revaluation of investments.

** Cagr for WAO not shown due to reduced time scale of data.

Looked at as a proportion of the companies' overall costs, the Major Opera Companies are operating with overhead costs in 2014 of between 17 and 31 as a percent of total expenditure.

Exhibit 5.41 Overhead costs as a proportion of total expenditure 2009 to 2014 (percent)

<i>Company</i>	2009	2011	2013	2014
Opera Australia	25	27	20	19
Opera Queensland	32	41	33	31
State Opera of South Australia	21	21	18	17
West Australian Opera	n/a	29	26	24

SOSA and WAO have contained their overheads costs. By way of example, SOSA has a management structure of 4.5 FTE who have become multi-skilled over a long period of time. In the case of SOSA the Artistic Director is also the Chief Executive. Opera Queensland's overheads are high relative to comparable sized companies.

In summary, in response to the increasingly challenging dynamics of the performing arts industry, the Major Opera Companies are each attempting to find a sustainable strategic position. Opera Australia is diversifying its programme, while the other opera companies are seeking to find a viable niche as either a specialist producer or by focusing on a specific geographic area. There is a greater commitment to marketing to fill seats using traditional advertising and social media.

The need for cost control is universal, but there are varied approaches as to how to lower the costs of new productions. The companies are all seeking to increase the level of private philanthropy with varying degrees of success relative to each other and other competing artforms. All companies are meeting community obligations and providing education programmes on which their continuing Federal and State government core funding is somewhat dependent. These community and education obligations are provided at some expense financially and artistically.

Chapter 6: Companies' performance

While the Major Opera Companies make a significant contribution to Australia's national life, in the wake of the GFC, they—along with the other major performing arts companies—faced volatility in audience demand. Other significant external pressures they faced included a digital revolution and changing audience expectations for the nature of performances they anticipated seeing on stage. The Major Opera Companies responded strategically by reshaping what, where, how and who delivered their programmes; seeking out new sources of private sector support and government funding; and working to improve operations. These were considered and understandable responses.

Those responses, however, had intended and some unintended consequences from an artistic, access and financial perspective. It is those outcomes which are the subject of this chapter.

Artistic vibrancy, building audiences and financial viability are inextricably intertwined. When these three elements operate well together, a virtuous cycle of success is created for a performing arts company.

This cycle of success is created in the following way: “The primary driver is selecting an artistic programme that meets audience expectations with a viable cost structure. This underpins the production and presentation of quality performances. By putting on quality performances, there is the potential to attract larger audiences, which in turn results in increased income from the box office and facilitates increased income from the private sector. Success in this area results in the generation of an operating surplus which then provides the basis for the repetition of a cycle of success”¹². Exhibit 6.1 graphically depicts how such a cycle operates.

¹² *Major Performing Arts Inquiry Discussion Paper*, p. 115, citing *Managing for the Future* report, Major Organisations Fund, Australia Council, 1998, p.6.

Exhibit 6.1 Cycle of success¹³



A company under significant financial pressure may not have the resources or skills to invest in artistic success and audience development. Alternatively, it may take strategic decisions that, while addressing short-term issues, may create unintended longer term problems that constrain its ability over time to sustain a cycle of success.

This chapter analyses the impact of evolving industry dynamics (discussed in Chapter 4) and the Major Opera Companies' strategic and operational responses (discussed in Chapter 5) on the companies' financial and artistic performance, as well as on access. Financial performance is examined first because it is the key factor that can inhibit the cycle of success as it relates to both artistic performance and access.

More specifically, this chapter makes the following key observations:

- 6.1 The Major Opera Companies are under significant financial pressure;
- 6.2 The Major Opera Companies are under significant artistic pressure; and
- 6.3 Access is an increasing challenge for the Major Opera Companies.

¹³ Ibid.

6.1 The companies are under significant financial pressure

In the wake of the GFC and the increasing external pressures facing the sector, each of the Major Opera Companies responded with different combinations of the strategic and operating approaches defined in Chapter 5. As a result, their overall responses diverged as did their financial outcomes.

This chapter primarily looks at the financial situation of the Major Opera Companies prior to core government funding, the significance of which is acknowledged. Equally, it is recognised that within the Australian context, without government funding, the companies would not be financially viable. This reflects the extent of market failure in the arts more broadly, and opera specifically, as well as the intent of government policy to provide access to the artform to as broad an audience as possible.

Opera Australia is significantly larger in size and complexity than the other three companies. Because of the companies' divergent strategic and operational responses and their varying sizes, their financial performance is discussed individually.

6.1.1 Opera Australia

Opera Australia has adopted a bold, multi-pronged approach to the exogenous factors it has faced. Pulling together the threads from Chapter 5, its strategic response can be summarised as follows:

- It has changed the mix of **what** programmes it delivers by:
 - Reducing the number of mainstage opera productions in Sydney and performances in both Sydney and Melbourne;
 - Offering a higher proportion of more popular operas; and
 - Significantly increasing the number and proportion of musicals.
- It has changed the mix of **where** programmes are delivered by:
 - Increasing its commitment to events such as HOSH and *The Ring*;
 - Offering mainstage productions in Brisbane on one occasion;
 - Offering musicals in most capital cities; and
 - Maintaining its regional and educational programmes.
- It has changed the mix of **how** programmes are delivered by:
 - Increasing its investment in physical production values;
 - Using Opera Conference as a key vehicle for delivering new productions of more challenging repertoire; and
 - Using more international partnerships to deliver new productions.
- It has changed the mix of **who** delivers its programme by increasing the proportion of non-Australian international singers.
- It has increased private sector support largely, but not exclusively, through support for specific events.
- It has received increased government support over and above core government funding by gaining project funding for specific events.

On an operational front, Opera Australia has taken the following initiatives:

- It has significantly increased its marketing spend to reach diverse audiences; and
- It has sought to contain the cost of programme delivery by:
 - Reducing the ensemble size and fixed cost;
 - Reducing the chorus size and fixed cost;
 - Reducing the orchestral size and cost, while increasing the orchestra's utilisation; and
 - Containing overhead costs as a percent of total revenue, although the costs themselves have increased.

These strategic responses have had significant implications for Opera Australia's financial performance. Revenue has significantly increased. However, so too have costs. The consequence is that while Opera Australia has a sound consolidated balance sheet because of its investment in property and the activities of the Capital Fund, its financial performance at an operational level is under stress.

6.1.1.1 Overall, operating costs are rising faster than revenue

Overall, Opera Australia is increasingly experiencing financial stress at an operational level before the activities of the Capital Fund are taken into account.

Since 2009, Opera Australia has produced the following operating (as opposed to consolidated) results.

Exhibit 6.2 Opera Australia: Operating results 2009 to 2014 (\$000, cagr)

	2009	2010	2011	2012	2013	2014	cagr
Box office and performance income	36,723	34,148	35,503	54,854	51,677	67,432	12.92
Private sector income	4,881	4,668	5,325	7,635	10,988	7,267	8.29
Government funding	23,873	23,213	23,519	30,297	29,527	27,448	2.83
Other income*	3,398	3,584	3,439	6,351	5,362	4,097	3.81
Total income	68,875	65,613	67,784	99,137	97,554	106,242	9.06
Total expenditure	69,782	66,113	67,305	98,472	99,924	108,227	9.17
Net surplus / deficit	-908	-500	480	665	-2,370	-1,985	-

* Includes commercial income, annual transfer from Capital Fund, interest income.

** Totals may not tally to net surplus/deficit due to rounding.

At an operating level, Opera Australia has incurred a cumulative deficit of \$4.6 million over the past six years. Deficits were incurred in four of the six years, with a combined deficit of \$4.4 million in the past two years.

Fundamentally, the deficits have occurred because expenditure has risen faster than revenue. Notwithstanding that box office and performance income, and private sector income, rose at a significant compound average annual growth rate of 12.9 percent and 8.3 percent respectively and overall income increased by 9 percent per annum, expenditure rose somewhat faster at 9.2 percent per annum. That disparity in relative growth rates is the reason for the operating deficits in 2013 and 2014.

Opera Australia also has a Capital Fund that helps it build reserves. While Opera Australia receives an operating grant from the Capital Fund which is typically around \$400,000 a year, it is not readily able to access the funds generated by the Capital Fund. This is designed to ensure the company responsibly builds its reserves over time in the interest of ensuring its ongoing financial viability.

The Capital Fund result reflects both specified philanthropic support, as well as investment returns. Exhibit 6.3 outlines Opera Australia's results on a consolidated basis, including the Capital Fund. When these results are consolidated, they show a better overall result, with Opera Australia making a surplus in three of the six years.

Exhibit 6.3 Opera Australia: consolidated result including Capital Fund 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Operating surplus / deficit	-908	-500	480	665	-2,370	-1,985
Capital Fund	1,744	276	-636	1,410	2,838	1,067
Consolidated result	836	-225	-156	2,075	468	-918

The surplus generated, even on a consolidated basis, however, represents only 1 to 2 percent of Opera Australia's overall revenue. Even on this basis, the extent of the ongoing underlying operational deficit is challenging.

To understand the reasons for the underlying deficits, Opera Australia's financial performance can be disaggregated and looked at by key activities, or line of business as it is also called for the purpose of this Review. Examining Opera Australia's activities in this way allows the financial results to be more closely related to its strategic and operational responses.

More specifically, the lines of business activity that will be examined are mainstage, musicals, events, concerts, along with regional touring, and education and community activities. To assist with assessing Opera Australia's economics, as well as the other Major Opera Companies later in this chapter, the contribution each activity makes to overheads is examined. Contribution is calculated by analysing the difference between box office revenue (and in some instances, other performance income) generated by the activity less the specific direct costs associated with that activity.

For the purpose of the contribution analysis, government funding and private sector support have not been taken into account, even if they are provided for a specific activity. The Panel has conducted the analysis in this way to assess as accurately as possible any shortfall associated with the different activities of the Major Opera Companies. Direct costs have both a variable and a semi-fixed component which, in the case of Opera Australia's mainstage, includes semi-fixed costs such as chorus, ensemble, orchestra and some backstage labour.

The outcome of analysing expenditure incurred on each activity by Opera Australia in 2014 is outlined in Exhibit 6.4.

Exhibit 6.4 Opera Australia: contribution analysis by activity in 2014 (\$000)

	Mainstage	Musicals	Events (incl. HOSH)	Concerts	Regional tour	Schools	Community	Total
Contribution	-17,581	4,732	-4,386	1,198	-1,209	-489	-980	-18,715

The first area discussed is Opera Australia’s mainstage activities, which have been significantly reshaped over the past six years.

6.1.1.2 Mainstage revenue has decreased at a faster rate than costs have declined

The most significant factor contributing to Opera Australia’s operating deficit has been the deteriorating financial results for mainstage opera performances. This includes the mainstage performances that Opera Australia stages as part of its regular seasons in Sydney and Melbourne. The operating deficit also includes the impact in 2012 of the Brisbane season of two opera productions as well as the staging of *The Ring* in Melbourne in 2013. It does not, however, take account of the Government or sponsorship income associated specifically with these events. Exhibit 6.5 outlines the mainstage results from 2009 to 2014.

Exhibit 6.5 Opera Australia: mainstage variable cost–revenue dynamics 2009 to 2014 (\$million, cagr)*

	2009	2010	2011	2012**	2013***	2014	cagr
Box office and performance income	32.8	31.8	33.7	31.9	28.9	24.9	-5.36
Variable mainstage costs	27.7	25.4	25.7	28.4	35.4	23.9	
Box office less variable costs	5.1	6.4	8.0	3.5	-6.4	1.0	
Semi-fixed mainstage costs	18.2	17.8	18.3	18.6	15.4	18.6	
Total direct mainstage costs	46.0	43.2	44.0	47.0	50.7	42.5	-1.57
Contribution to overhead costs	-13.2	-11.4	-10.3	-15.1	-21.8	-17.6	
Cost to income ratio (percent)	140	136	131	147	175	171	

* Does not include musicals. Includes all costs incurred for mainstage activity in each financial year.

** 2012 includes the Brisbane mainstage season.

*** 2013 includes *The Ring*.

The mainstage contribution to overheads has, therefore, declined significantly, with the cost to income ratio increasing from 140 percent to 171 percent, following the more dramatic increase in 2013 associated with the production of *The Ring*.

The factors that affected these results overall and for specific years are outlined below.

Impact of Brisbane Season (2012) and The Ring (2013)

The 2012 visit of Opera Australia to Brisbane with mainstage productions of *A Midsummer Night’s Dream* and *The Magic Flute* produced a deficit, even though project financing from the Federal and Queensland Governments (not included in the contribution analysis) offset this deficit. Box office generated from the two productions was \$1 million, with direct costs of \$3.2 million, thereby producing a negative contribution of \$2.2 million before taking Government support into account.

The Ring Cycle, whether it be a new or existing production, is very expensive to commission, rehearse and stage. Because of its sheer scale, it also impinges on an opera company’s other annual activities. In 2013, Opera Australia undertook this ambitious project with a new production of *The Ring* in Melbourne. In that year, *The Ring* made a negative variable contribution of \$8.9 million, which was significantly offset by contributions from Maureen and Tony Wheeler as well as by funding from the

Victorian Government (which are not counted in the figures included in Exhibit 6.5). The negative contribution to overheads significantly increases if the semi-fixed costs of the ensemble, chorus, orchestra and backstage and performance labour are included. It is recognised that a proportion of those costs would have been incurred regardless.

Lower mainstage box office

Lower box office revenue was a key factor in the deteriorating mainstage financial performance. As can be seen in Exhibit 6.6, it declined from \$32.7 million in 2009 to \$24.9 million in 2014, with a decline in every year except 2011 and 2014 in Sydney, and 2011 and 2013 in Melbourne.

Between 2009 and 2014, box office and mainstage paid attendances declined in Sydney and to a lesser extent in Melbourne. This can be seen in Exhibit 6.6.

Exhibit 6.6 Opera Australia: box office revenue and attendances Sydney and Melbourne mainstage 2009 to 2014 (number, \$000)*

Year	<i>Paid attendance Sydney</i>	<i>Box office \$000 Sydney</i>	<i>Paid attendance Melbourne</i>	<i>Box office \$000 Melbourne</i>
2009	190,244	25,128	70,237	7,587
2010	178,911	23,452	60,314	6,889
2011	180,536	25,762	70,530	7,930
2012	151,762	21,851	67,111	7,845
2013	122,271	17,797	45,845	10,457
2014	129,871	17,906	60,665	7,004

* Includes *The Ring* in 2013 and *A Little Night Music* in 2009 and 2010.

Between 2009 and 2014, Sydney mainstage opera box office declined by 29 percent, from \$25.1 million to \$17.9 million. At the same time, attendances decreased by 32 percent. In contrast, the box office revenue decline in Melbourne was only 8 percent, from \$7.6 million to \$7 million, although the percent reduction in attendances was 14 percent.

A number of key reasons exist for this significant decline in both mainstage box office revenue and attendances. They include the following:

- The impact of the reduced number of Sydney productions;
- The impact of the reduced number of Melbourne and Sydney performances;
- The impact of shifting to more popular and repeated operas; and
- The impact of the reduced subscriber base.

Each of these points is discussed below.

The impact of a reduced number of Sydney productions

One key reason for the decline in Sydney box office is the fewer mainstage opera productions, reducing from 13 to 12 in 2010; from 12 to 10 in 2012; and from 10 to 9 in 2014.

The following context can be provided for the reduced number of productions, recognising that—in each case—the decision would have been taken one to two years in advance given the lead times needed for scheduling opera. The background against which these decisions would have been taken is as follows:

- The decision in relation to the **2010** Sydney season (reducing the number of productions from 13 to 12) was taken at the height of the GFC as Opera Australia tried to balance supply and demand. Thus, falling demand caused by the GFC was the likely driver of this decision.
- The decision in relation to the **2012** Sydney season (reducing the number of productions from 12 to 10) would have been taken around 2010. Concerns about the GFC continued to exist, although the prior decision to reduce the number of productions from 13 to 12 would also have had an impact.
- The decision in relation to the **2014** season (reducing the number of productions from 10 to 9) would have been taken around 2012 as demand further declined, predominantly in response to the reduced number of productions.

Exhibit 6.7 provides further information for Sydney.

Exhibit 6.7 Opera Australia: profile of productions, performances and attendances: Sydney and Melbourne mainstage 2009 to 2014 (number)*

Sydney mainstage

Year	Productions	Performances	Average performances per production	Paid attendance
2009	13	163	12.5	190,244
2010	12	165	13.8	178,911
2011	12	161	13.4	180,536
2012	10	131	13.1	151,762
2013	10	111	11.1	122,271
2014	9	120	13.3	129,871

Melbourne mainstage

	Productions	Performances	Average performances per production	Paid attendance
2009	7	64	9.1	70,237
2010	7	51	7.3	60,314
2011	7	55	7.9	70,530
2012	7	60	8.6	67,111
2013	7	31	4.4	45,845
2014	7	52	7.4	60,665

* Includes *The Ring* in 2013 and the New Year's Eve performance of *La bohème* in 2012, 2013 and 2014.

In other words, the GFC triggered a chain of events to which Opera Australia responded as it tried to manage decreasing demand. In unprecedented circumstances, it took a course of action that, while financially responsible, might also have had the unintended consequence of causing demand to drop further. This action has had significant consequences. The reduction in the number of productions was a major factor contributing to a lower Sydney box office. The analysis in Exhibit 6.8 provides the underpinnings for this conclusion. Multiplying together the number of productions, the average number of performances per production, the average number of attendees per performance and the average ticket price, produces the total box office.

Exhibit 6.8 Opera Australia: sensitivity analysis to change in Sydney box office variables 2009 and 2014 (number, \$, \$million)

Year	Productions	Average of performances per production	Average of attendees per performance	Average ticket price \$	Total box office \$million
2009	13	12.5	1,167	132	25.1
2014	9	13.3	1,082	138	17.9

Based on that data, a sensitivity analysis can be undertaken to understand the impact on the box office of a change in each variable between 2009 and 2014. That analysis shows that, holding all other variables constant, the number of productions had the single greatest impact. Indeed, the revenue generated would have been \$25.2 million, similar to that for 2009 if the number of productions had been 13 in 2014, with other variables being equal. While such an analysis is based on the assumption that it would be possible to generate the same ticket price and attendances, it underscores the role that fewer productions played in reducing the overall Sydney box office.

The impact of the reduced number of Melbourne and Sydney performances

In Melbourne, in contrast, as shown in Exhibit 6.9 the number of productions was held constant. However, the number of performances per production was treated as a variable, particularly in 2013 when *The Ring* was staged, but also reflecting efforts to adjust to the imperfect information created by economic circumstances following the GFC.

Exhibit 6.9 Opera Australia: sensitivity analysis to change in Melbourne box office variables 2009 and 2014 (number, \$, \$million)

Year	Productions	Average of performances per production	Average of attendees per performance	Average ticket price \$	Total box office \$million
2009	7	9.1	1,097	108	7.6
2014	7	7.4	1,167	115	7.0

Undertaking a sensitivity analysis, the impact of reducing the number of performances did not have as great an impact on box office as reducing the number of productions. In Melbourne between 2009 and 2014, the average number of performances showed the greatest potential to generate additional revenue with the same sensitivity analysis as undertaken for Sydney. This was the case to a lesser extent in Sydney.

The impact of shifting to more popular and repeated operas

Another key factor influencing box office revenue has been the shift to a greater proportion of more popular operas that are frequently repeated, often for a large number of performances.

Staging popular operas is important to Opera Australia as it is to other major opera companies worldwide.

As can be seen in Exhibit 6.10, from 2009 to 2014 popular operas generated a disproportionate amount of revenue in both Sydney and Melbourne in most years, other than in 2013 when *The Ring* was staged in Melbourne.

Exhibit 6.10 Opera Australia: revenue and attendances from popular versus less familiar / unfamiliar operas 2009 to 2014 (\$000, '000)

Year	Popular productions Sydney mainstage box office \$000	Less / unfamiliar productions Sydney mainstage box office \$000	Popular productions Melbourne mainstage box office \$000	Less / unfamiliar productions Melbourne mainstage box office \$000
2009	15,241	9,887	4,657	2,930
2010	16,897	6,555	4,603	2,286
2011	20,367	5,395	5,765	2,165
2012	15,404	6,447	5,961	1,885
2013*	11,008	6,790	2,250	8,207
2014	13,520	4,387	4,509	2,495

Year	Popular productions Sydney mainstage attendance '000	Less / unfamiliar productions Sydney mainstage attendance '000	Popular productions Melbourne mainstage attendance '000	Less / unfamiliar productions Melbourne mainstage attendance '000
2009	117	73	45	26
2010	131	48	40	20
2011	142	38	52	19
2012	106	46	51	16
2013*	73	50	13	33
2014	99	31	39	22

* Includes *The Ring*.

Despite the importance of popular operas to Opera Australia's box office, the frequency of repeating popular operas has had an unintended consequence. Exhibit 6.11 demonstrates this point by examining those operas offered in 2013 and 2014 which were repeated any time since 2010 and which were revived, rather than being a new production. *The Magic Flute* and *La bohème* were repeated in 2015 and are scheduled again for 2016.

Exhibit 6.11 Opera Australia: profile of same production of same opera staged in Sydney in 2013 or 2014 that had been revived since 2010 (number, \$000, \$million)

Opera	Years staged	Performances	Average subscribers per performance	Average single tickets per performance	Average ticket price \$	Average box office per performance \$000	Total box office \$million
<i>The Magic Flute</i>	2012 (New)	28	247	983	136	167.0	4.67
	2014	25	196	890	119	128.8	3.22
<i>La bohème</i>	2011 (New)	30	249	929	143	168.7	5.06
	2013*	21	219	996	150	182.4	3.83
	2014*	7	220	947	143	167.1	1.17
<i>Carmen</i>	2011	22	384	999	152	210.0	4.62
	2014	22	248	958	134	161.8	3.56
<i>La traviata</i>	2010	19	395	945	147	197.3	3.75
	2013	10	466	875	150	200.7	2.01

* Excludes New Year's Eve performances of the production in the following year.

This analysis shows that, regardless of the popularity of the opera, attendances have come under pressure where an opera is repeated frequently. For instance, both subscriber and single ticket sales, along with ticket prices for *The Magic Flute* declined

between 2012 and 2014, with the result that overall revenue went down by \$1.45 million, with only three fewer performances being staged. Overall revenue for *Carmen* declined in 2014 against the 2011 outcome for the same number of performances. In the case of *La bohème*, single ticket sales and price held up, but subscribers at each performance declined. Thus, repeating an opera frequently, regardless of its popularity, appears to have adverse revenue consequences.

The impact of the reduced subscriber base

The significant decline in the number of subscribers has had an adverse impact on box office revenue. Exhibit 6.12 outlines the extent of that decline in both Sydney and Melbourne.

Exhibit 6.12 Opera Australia: subscriber profile 2009 to 2014 (number, '000, \$, \$000)

Sydney subscribers

Year	Performances	Subscriber attendance '000	Average ticket price \$	Box office \$000
2009	163	65	146.1	9,524
2010	165	66	133.8	8,860
2011	161	67	153.0	10,215
2012	131	53	152.0	8,004
2013	111	48	154.2	7,446
2014	120	44	159.7	7,017

*Melbourne subscribers***

Year	Performances	Subscriber attendance '000	Average ticket price \$	Box office \$000
2009	64	36	113.8	4,116
2010	51	32	128.3	4,132
2011	55	39	116.5	4,523
2012	60	35	122.8	4,336
2013	19	13	119.1	1,520
2014	52	31	119.4	3,752

* Does not include *The Ring* as it was not offered as part of the subscription package.

In Sydney, the 33 percent decline in subscriber attendances was partly offset by the increase in ticket prices, with box office declining by 26 percent overall. In Melbourne, on the other hand, subscriber attendances held up reasonably well until *The Ring* in 2013. While subscribers have returned in 2014, they have not recovered to the level of 2012, with an 11 percent decline between the two years, with prices also marginally reducing. It should, however, be observed that a 25 percent gap existed between the average price of a subscriber ticket in Sydney and that in Melbourne in 2014. This further reinforces the value of retaining a Sydney subscriber, more so when compared to the average price paid by a Sydney single ticket sale, which in 2014 was 21 percent below that of a subscriber.

Thus, revenue from mainstage opera has come under significant pressure. While the GFC acted as a catalyst to that decline, the trend is likely to have been exacerbated by the reduced number of productions in Sydney; fewer performances in Melbourne and Sydney; the repeating of popular operas; and the loss of subscribers, which will be discussed in more depth in Chapter 6.3.

Costs not adequately responsive to falling revenue

The overall cost position of mainstage opera for Opera Australia is complex. Overall costs have reduced. As can be seen in Exhibit 6.5, direct mainstage opera production costs decreased from \$46.0 million in 2009 to \$42.5 million in 2014 or by \$3.5 million.

However, over this period revenue fell by \$7.9 million and the number of productions as outlined in Exhibit 6.7 reduced from 13 to 9 in Sydney, while staying stable in Melbourne.

In these circumstances, it is relevant to look at both average direct variable and total direct costs per staging of a production and a performance. Exhibit 6.13 provides that data.

Exhibit 6.13 Opera Australia: total direct variable and total direct costs per staging of a mainstage production* and performance 2009 to 2014 (\$'000)

<i>Year</i>	<i>Total direct variable cost** per staging</i>	<i>Total direct variable cost** per performance</i>	<i>Total direct cost*** per staging</i>	<i>Total direct cost per performance</i>
2009	1,387	122	2,299	203
2010	1,337	118	2,272	200
2011	1,353	119	2,314	204
2012	1,480	132	2,575	230
2013	2,080	249	2,984	357
2014	1,492	139	2,656	247

* The number of productions includes each staging of a mainstage opera.

** Costs include the direct variable costs incurred for mainstage opera performances each calendar year in Sydney and Melbourne.

*** Total direct mainstage costs include direct variable costs and semi-fixed costs, including for the orchestra and chorus.

Costs per staging of a production and performance, therefore, reached a peak with the presentation of *The Ring* in 2013. However, the trend between 2009 and 2014 has been an inexorable overall per production increase of 7.6 percent in direct variable costs and 15.5 percent in total direct costs. Per performance costs rose by 13.9 percent in the case of direct variable costs and 22 percent for total direct costs.

The two highest areas of cost were labour and production costs, which in 2014 accounted for 69 percent of total direct variable mainstage costs.

However, given the significant level of semi-fixed direct costs per production (such as costs for the chorus and orchestra), the rise in average costs needs to be evaluated relative to the change in revenue per production and performance. This can be seen in Exhibit 6.14.

Exhibit 6.14 Opera Australia: cost-revenue dynamics per staging of a production and performance 2009 to 2014 (\$000)

Year	Box office* per staging of a production	Direct costs** per staging of a production	Deficit per staging of a production	Box office per performance	Direct costs per performance	Deficit per performance
2009	1,641	2,299	-658	145	202	-58
2010	1,672	2,272	-600	147	200	-53
2011	1,773	2,314	-541	156	204	-48
2012	1,816	2,575	-759	162	229	-68
2013	1,701	2,984	-1,282	204	358	-154
2014	1,557	2,656	-1,099	145	247	-102

* Includes box office and other mainstage performance income.

** Includes total direct variable costs and semi-fixed direct costs incurred in each year in Sydney and Melbourne.

This exhibit shows that notwithstanding the impact of *The Ring* in 2013, Opera Australia's cost-revenue dynamics on both a per production and per performance basis have shown an adverse trend. The deficit per production has risen by 67 percent and on a per performance basis by 76 percent. This trend is not sustainable.

Costs and revenues of productions vary depending on the source of a production. Exhibit 6.15 shows the variation between the costs and revenues for different types of productions, with new productions making the greatest negative contribution to the company's finances and revivals making the smallest.

Exhibit 6.15 Contribution made by Opera Australia's Sydney season mainstage opera productions by source 2009 to 2014 (number, \$000)

Source	Productions	Performances*	Box office**	Total costs	Contribution	Contribution per production
New production by company	12	170	25,865	40,820	-14,956	-1,246
New co-production with international partners	7	69	9,920	16,559	-6,639	-948
New co-production with Australian and international partners	1	6	657	1,471	-814	-814
Opera Conference (including revivals)	9	94	15,649	23,736	-8,08	-899
International hire	1	21	3,211	4,144	-933	-933
Domestic hire	2	13	1,660	3,204	-1,544	-772
Revival	35	478	74,935	97,221	-22,286	-637

* Includes New Year's Eve performances of productions presented in the subsequent Summer Season.

** Box office excludes any other performance income received.

Thus, the cost-revenue dynamics of Opera Australia's mainstage opera vary according to the source of the productions presented and have been adversely impacted over time because costs are not able to adjust fast enough in response to declining revenue. Indeed, per production and per performance costs increased in the face of declining audience numbers.

6.1.1.3 Musicals have made a contribution to overheads

While Opera Australia has reduced its number of productions and performances of mainstage opera, it has increased its commitment to musicals.

As described in Chapter 5.1.1, Opera Australia has traditionally regularly staged operettas and short runs of musicals. However, since 2012, it has redefined its strategy, offering long runs of *South Pacific* and *The King and I*. *Anything Goes* is being staged in 2015.

From a financial perspective, *South Pacific* and *The King and I* have made a contribution to overheads. The contribution is outlined in Exhibit 6.16.

Exhibit 6.16 Opera Australia: contribution of musicals 2012 to 2014 (\$million)

Year	Box office and other performance income	Expenditure on musicals incurred in financial year	Contribution
2012	16.30	14.02	2.28
2013	15.11	12.63	2.48
2014	32.31	27.58	4.73

In contrast to mainstage operas, these positive contributions have been generated by staging long runs of a single production in most capital cities. For instance, in 2014, 56 performances of *The King and I* were staged in Brisbane, 96 in Melbourne and 71 in Sydney. Ticket prices varied by city, although Sydney prices were 16 percent higher than in other cities.

While the upfront staging costs of musicals are typically significantly higher than for an opera, the long runs that can be achieved reduce the per performance cost. For instance, the average cost per performance for musicals in 2014 was \$109,000; whereas it was, on average, \$247,000 for a mainstage opera. In other words, the average cost per performance for a musical was 56 percent lower than for a mainstage opera. There are further cost efficiencies and practical advantages in undertaking a run of performances of amplified musicals, often with eight performances per week. Musicals can utilise the same cast performing twice on matinee days. This stands in contrast to repertory opera, where, without amplification, classical singers of major roles need to rest for two to three days between performances. This necessitates having two or three different operas in repertory in a given week, involving daily changeovers of elements such as the sets and lighting.

Notwithstanding these more attractive economics, the contribution generated from musicals is small relative to the risks associated with the higher upfront costs. It is recognised that both the risks and returns are shared with a commercial producer.

6.1.1.4 Events have not yet made a positive contribution

Opera Australia has diversified where it performs opera by staging events such as HOSH and Opera on the Beach at Coolangatta.

Specific additional project funding has been gained for HOSH through private philanthropy as well as support from Destination NSW, helping with the launch of the new HOSH initiative.

Without that support, between 2012 and 2014, HOSH would have made a negative contribution to overheads of over \$4 million in each year. However, at the time of finalising the Discussion Paper, the financial outcomes for HOSH were not known, even though a significant improvement had been achieved in audience and box office.

Exhibit 6.17 Profile of HOSH performances 2012 to 2015 (number, \$000)

Year	Opera	Performances	Attendees	Box office and other performance income \$000
2012	<i>La traviata</i>	17	38,119	6,899
2013	<i>Carmen</i>	20	37,950	7,365
2014	<i>Madama Butterfly</i>	20	39,208	6,751
2015	<i>Aida</i>	25	55,011	9,624

Ticket prices have averaged between \$152 for *Madama Butterfly* up to \$162 for *Carmen*. Average ticket prices for HOSH command between \$13 and \$19 more than average mainstage ticket prices, indicating the preparedness of attendees to pay for the unique experience offered by the event, not just the opera, but the spectacle of its being set against the backdrop of Sydney Harbour and its being a social occasion. Not counting musicals, since 2012 HOSH has attracted between 25 and 31 percent of the audiences that attend mainstage opera in Sydney.

Opera on the Beach

Opera on the Beach premiered with a presentation of *The Magic Flute* in 2014. It was presented as part of the Bleach Festival on the beach at Coolangatta. Exhibit 6.18 shows that over 7,000 people were attracted to the event, for a total box office of \$405,300, making a relatively small negative contribution to overheads before factoring in government project funding.

Exhibit 6.18 Profile of Opera on the Beach performances in 2014 (number, \$000)

Year	Opera	Performances	Attendees	Box office
2014	<i>The Magic Flute</i>	3	7,126	405

Thus, while events such as HOSH and Opera on the Beach are important in reaching new audiences (as will be discussed in Chapter 6.3), by 2014 they had not made a positive contribution to overheads. They might also have added complexity to the level of overheads that need to be supported.

6.1.1.5 Concerts make a positive contribution

Opera Australia puts on a variety of concerts, generally for a limited number of performances. Regular examples include the New Year's Eve Gala concert and Great Opera Hits. The profile of their offering is outlined in Exhibit 6.19.

Exhibit 6.19 Opera Australia: profile of concert offerings 2009 to 2014 (number, \$000)

Year	Performances	Paid attendance	Box office	Direct costs	Contribution
2009	8	12,268	879	686	193
2010	22	17,200	1,747	1,296	451
2011	8	6,003	914	501	413
2012	9	5,929	788	465	323
2013*	9	8,577	959	454	505
2014	16	21,239	2,923	1,725	1,198

* Does not include the 2013 productions of *An Evening with Mandy Patinkin* or the 2013 productions of *Great Operatic Choruses*.

The higher attendance numbers and revenue for 2014, which has generated the strongest positive contribution from 2009 to 2014, occurred because of the Jonas Kaufmann concerts.

Thus, concerts usually make a positive contribution to overheads.

6.1.1.6 Regional touring and education make a negative contribution

Opera Australia's regional touring programme, prior to sponsorship, support from Opera Conference and the Federal Government's Playing Australia programme, does not make a positive contribution to overheads.

Exhibit 6.20 outlines its profile.

Exhibit 6.20 Opera Australia: profile of regional touring 2009 to 2014 (number, \$000)*

Year	Performances	Attendees	Box office	Direct costs	Contribution
2009	29	14,795	520	1,490	-970
2010	40	17,078	743	1,857	-1,114
2011	23	10,429	359	1,206	-847
2012	34	11,084	598	1,659	-1,061
2013	26	7,230	391	1,400	-1,009
2014	33	15,179	658	1,867	-1,209

* Does not include the 2011 *Oz Opera Gala* production, the 2012 *Yarrabah the Musical*, and the 2013 *Bungalow Song* production.

However, the negative contribution has been offset in the past by sponsorship and throughout the period by funding from Opera Conference and Playing Australia.

The composition of that funding (which is not part of line of business contribution analysis) is outlined in Exhibit 6.21.

Exhibit 6.21 Opera Australia: sources of external funding for regional touring 2009 to 2014 (\$000)

Year	Sponsorship revenue	Opera Conference	Playing Australia and other government income	Total external funding	Net contribution after external funding
2009	120	192	508	820	-150
2010	120	217	563	900	-214
2011	120	205	447	772	-75
2012	120	220	599	939	-122
2013	-	220	528	748	-261
2014	96	247	547	890	-319

In addition to regional touring, Opera Australia has a commitment to a schools programme, and to various community initiatives (which include workshops), some of which arise from funding requirements following agreement to the new 2011 Framework. For example, Opera Australia operates an annual schools tour in NSW and Victoria which reaches some 75,000 school children. The company also stages a free outdoor performance in Sydney and Melbourne each year, with a combined audience of more than 20,000. To assist with its community initiatives, Opera Australia holds workshops, most recently for its Western Sydney community choirs and Auslan initiatives.

The revenue generated and costs incurred in these programmes are outlined in Exhibit 6.22.

Exhibit 6.22 Opera Australia: revenue and costs for schools and community programmes 2009 to 2014 (\$000)

Activity	2009	2010	2011	2012	2013	2014
<i>Schools</i>						
- Box office/fees	449	354	357	411	504	486
- Costs	1,064	1,128	1,125	834	950	975
- Contribution	-615	-774	-768	-423	-446	-489
<i>Community</i>						
- Costs	921	679	680	1,478	1,163	980
Total contribution	-1,536	-1,453	-1,448	-1,901	-1,609	-1,469

Opera Australia addresses a proportion of these negative contributions by attracting specific philanthropic, corporate and government support for these initiatives, but overall they make a negative contribution to the company's finances.

The targeted project funding, sponsorship and philanthropy provided for Opera Australia's schools and community programmes reduces the negative contribution these activities make to the company's finances, as shown in Exhibit 6.23.

Exhibit 6.23 Opera Australia: sources of external funding for schools and community activities 2009 to 2014 (\$000)

Year	Project funding	Sponsorship and donations	Total external funding	Net contribution after external funding
2009	54	235	289	-1,536
2010	98	275	373	-1,080
2011	75	333	408	-1,040
2012	265	71	336	-1,565
2013	265	42	307	-1,302
2014	232	747	979	-490

Overall, regional, schools and community activities have made the following overall net contribution before taking into account government funding, philanthropy or sponsorship.

Exhibit 6.24 Opera Australia: overall contribution from regional touring, schools and community projects 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Contribution	-2,506	-2,567	-2,295	-2,962	-2,618	-2,678

Thus, overall, as can be seen in Exhibit 6.25, Opera Australia makes a significant negative contribution to overheads before private sector income and Government funding is taken into account. As has been outlined above, this is occurring because Opera Australia's revenue from its major activities has not risen at the same rate as its growth in costs. The negative contribution made by mainstage opera, events, regional touring, schools programmes and community initiatives is only marginally offset by the positive contribution from musicals and concerts.

Exhibit 6.25 Opera Australia: overall contribution from all productions, schools and community activities 2009 to 2014 (\$million)*

	2009	2010	2011	2012	2013	2014
Contribution	-15.5	-13.5	-13.1	-20.3	-25.5	-18.7

* Includes all mainstage opera, events, concerts, musicals, regional, schools and community activities. 2009 excludes the presentation of *My Fair Lady* in Auckland. 2011 includes some expenditure on HOSH incurred in that year not reflected in previous exhibits. 2012 includes the mainstage season in Brisbane. 2013 includes *The Ring* in 2013, including the associated Ring Festival.

The result is that, not taking into account government funding or private sector support, the negative contribution to overheads of Opera Australia's activities has increased between 2009 and 2014, particularly in 2012 and 2013 when the company undertook significantly expanded and new activities.

6.1.1.7 Marketing expenditure has increased

Marketing expenditure is discussed separately. However, marketing costs have been included within the variable costs ascribed to each business activity. In other words, the contribution analysis is derived after the inclusion of direct marketing costs.

Overall, Opera Australia's direct marketing expenditure has increased from \$5.1 million to \$11.5 million from 2009 to 2014. Revenue from box office and performance income has also increased significantly over this period. As a percentage

of box office and performance revenue, marketing expenditure peaked in 2014, reflecting additional expenditure on musicals.

Exhibit 6.26 Opera Australia: direct marketing and ticketing expenditure incurred in financial years 2009 to 2014 (\$million, percent)

<i>Activity</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Mainstage	4.84	4.18	4.52	4.62*	3.11	4.16
Musicals	-	-	-	2.39	1.98	5.78
Events	-	-	0.55	1.24	0.93	1.14
Concerts	0.09	0.49	0.15	0.17	0.13	0.29
Regional, schools, community	0.15	0.14	0.09	0.16	0.08	0.09
Total	5.08	4.80	5.31	8.57	6.21	11.45
Box office and performance income from activities	34.66	34.61	35.32	56.89	53.25	68.45
Percentage of box office	15	14	15	15	12	17

* Includes marketing expenditure for the Brisbane mainstage season in 2012.

This increase in marketing expenditure reflects Opera Australia's increasingly diverse activities and its efforts to reach new audiences.

6.1.1.8 Overhead costs have increased

Opera Australia, as a repertory opera company, is uniquely the most complex of all Australia's major performing arts companies. That complexity is driven not just by the intricacy of staging mainstage opera, but also by Opera Australia's other activities. In 2014, in addition to mainstage opera, it offered over 250 performances of Broadway musicals in four different capital cities; it performed 40 concerts; and undertook 33 regional performances. It gave 20 performances for HOSH and was actively involved in creating community choirs and offering Auslan initiatives.

Moreover, Opera Australia administers a full-time orchestra in addition to its own administration; has a Young Artist's Development Program and maintains workshops of specialised staff involved in manufacturing scenery, costumes, props and wigs for its own productions, but also serves as a skills resource for other performing arts companies. This diversity of activity has increased over time and drives increased overhead costs.

Exhibit 6.27 outlines Opera Australia's overheads between 2009 and 2014.

Exhibit 6.27 Opera Australia: overheads 2009 to 2014 (\$million, cagr, percent)

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Overheads	17.5	16.5	17.9	19.4	19.5	20.3	3.01
Total operating revenue	68.9	65.6	67.8	99.1	97.6	106.2	9.06
Percent	25	25	26	20	20	19	-

Thus, overheads have increased by 3 percent per annum, but at a lesser rate than the growth in revenue. As a consequence, overheads as a percent of revenue have reduced. Nonetheless, the absolute level of overheads is both significant and high,

although as described in Chapter 5.3.2.3, it has declined as a proportion of total expenditure. The increase has primarily been driven by higher labour costs.

6.1.1.9 Private sector income has grown significantly

By 2014 versus 2009, Opera Australia had raised additional private sector funds of \$2.3 million to support its operations. Taking the Capital Fund into account, that amount increases to \$2.8 million.

As can be identified from Exhibit 6.28, in 2012, corporate support and donations from individuals contributed the same amount. However, over time, donations from individuals have been more important. That is reinforced when the amount contributed to the Capital Fund is included.

Exhibit 6.28 Opera Australia: private sector support 2009 to 2014 (\$million)

	2009	2010	2011	2012	2013	2014
Corporate sponsorship	2.1	2.0	2.0	3.8	2.9	2.9
Donations from individuals	2.8	2.7	3.4	3.8	8.1	4.4
Total private sector support from operations	4.9	4.7	5.3	7.6	11.0	7.3
Contributions to Capital Fund	0.2	0.3	0.4	0.9	1.8	0.6
Total private sector support	5.1	4.9	5.8	8.6	12.8	7.9

However, a level of support since 2012 has been tied to specific projects, including *The Ring* and HOSH, as well as to regional touring. That support is critical to those activities. However, if for the purpose of understanding the underlying trend, those amounts are excluded, donations from individuals in 2014 are below the 2009 level.

Thus, while private sector income has risen significantly, the increase has largely come from additional projects that have also added to cost, as well as to the Capital Fund if it is considered separately.

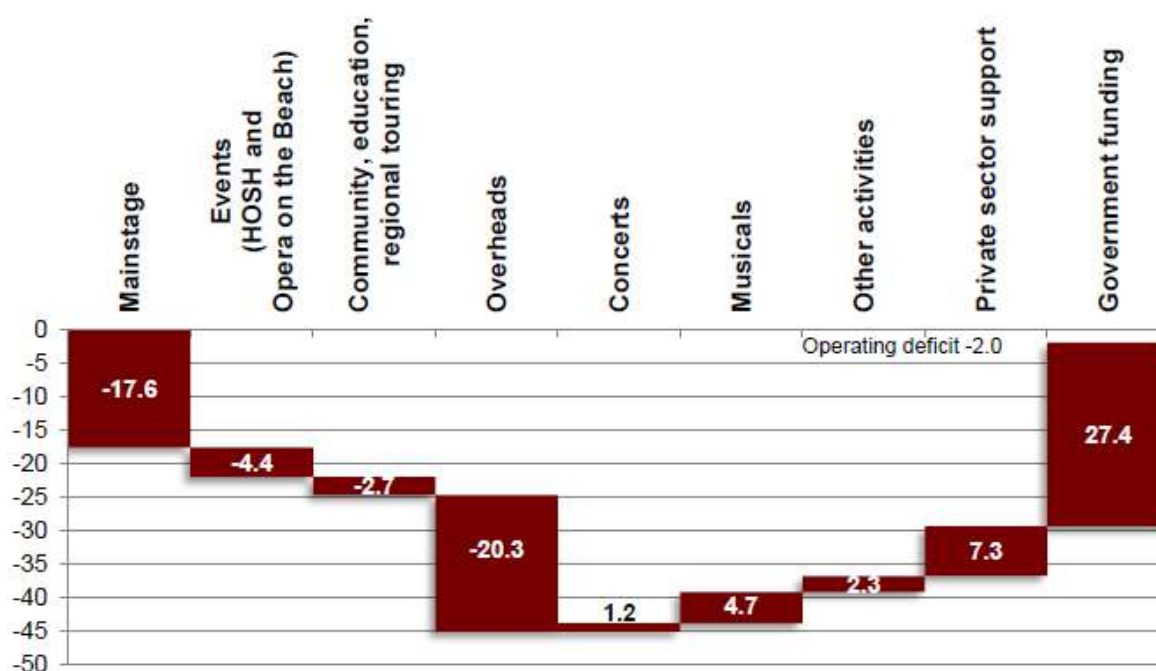
6.1.1.10 Government funding does not offset other negative contributions

With the exception of musicals and concerts, Opera Australia's business activities do not make a contribution to overheads. As described above, in many cases, the deficit has increased. In addition, overheads have increased as the business complexity has grown, particularly over the past several years as major events and musicals have been added.

Private sector income (excluding the Capital Fund) offsets the impact of the deficits from line of business activities and overheads. The other mitigating factor is government funding, both core and for specific projects.

Exhibit 6.29 provides a snapshot for 2014 of how those elements work together for Opera Australia in the context of its operating income and expenditure.

Exhibit 6.29 Opera Australia: contribution analysis (excluding Capital Fund) 2014 (\$million)



6.1.1.11 Opera Australia’s current position and cash have deteriorated

Opera Australia’s current position and cash flow situation is becoming increasingly critical. As one example of the stress it is experiencing, for the past two years it has received a cash advance from the Australia Council against its funding for the following year.

Another indicator of that stress is current assets less current liabilities. This can be looked at both without and with the Capital Fund assets (see Exhibits 6.30 and 6.31).

Exhibit 6.30 Opera Australia: current assets less current liabilities (without Capital Fund) 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Current assets (CA)	4,256	4,934	9,427	15,128	9,981	7,942
Current liabilities (CL)	23,972	24,045	28,057	34,141	31,642	32,087
CA minus CL	-19,716	-19,111	-18,630	-19,013	-21,661	-24,145

Since 2009, Opera Australia’s current asset less current liability position (without the Capital Fund assets) has significantly deteriorated.

Opera Australia’s Capital Fund is consolidated in its balance sheet, including Capital Fund Investments being treated as an “available for sale” current asset amounting to \$14.1 million in 2014. The Capital Fund is described as being controlled by the Board of Opera Australia, but only accessible through the provisions of the Opera Australia Capital Fund Trust Deed and the Reserve Incentive Scheme Deeds. This includes its having a separate Board.

Exhibit 6.31 outlines the situation, including the Capital Fund.

Exhibit 6.31 Opera Australia: current assets less current liabilities (including Capital Fund) 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Current assets (CA)	13,783	14,830	18,701	25,796	23,550	22,598
Current liabilities (CL)	23,971	24,137	28,164	34,232	31,795	32,261
CA minus CL	-10,188	-9,307	-9,463	-8,436	-8,245	-9,663

Including the Capital Fund, current assets less current liabilities, while still challenging, are relatively stable.

Another indicator of cash flow stress is the cash generated from operations after allowing for the investment in working capital as well as plant, property and equipment, which in the case of Opera Australia is predominantly in sets for specific productions. Those cash flows are shown in Exhibit 6.32, which show the impact of Opera Australia's losses; its increased use of working capital; as well as the impact of an increased investment in sets, which has risen steeply from 2012 to 2014.

Exhibit 6.32 Opera Australia: cash flow from operations 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
OA parent company operating surplus / deficit	-4,751	-371	296	525	-2,684	-1,961
Non-cash items	3,391	1,798	2,653	3,245	5,510	5,342
Use of working capital	-717	-147	-1,518	-5,711	-1,120	1,172
Gain on sale of assets	-	-	-	-	-132	4
Cash flow from operations	2,468	1,280	1,431	-1,941	1,574	4,557
Investment in sets and other plant, property and equipment	-2,333	-841	-2,605	-4,347	-5,898	-5,461
Cash generated after investment in sets and other plant, property and equipment	135	439	-1,174	-6,288	-4,324	-904

The strongly negative cash flows from 2009 to 2014 have meant that Opera Australia has sought assistance by obtaining advance funding from government agencies of \$3.2 million in both 2013 and 2014. The negative flow in 2012 was funded primarily through cash flow from advanced ticket sales, particularly for *The Ring*. In this context, subscribers and other advance ticket purchasers (such as for *The Ring*) play an important role in funding Opera Australia's operations.

Opera Australia also has available undrawn lines of credit including a bank overdraft facility of \$3 million and a bill draw down facility of \$3 million secured by a charge over freehold land and buildings. On occasions, it has drawn down on this facility to fund its cash needs.

Opera Australia's monthly cash flows provide a fourth indication of its challenging cash flow position. For sake of simplicity, a snapshot of the closing cash balances at the end of March, June, September and December from 2010 to 2014 shows the weakness of the company's cash position.

Exhibit 6.33 Opera Australia: closing quarterly cash balances: 2010 to 2014 (\$million)

Year	March	June	September	December
2010	7.7	5.5	4.6	0.7
2011	6.0	7.1	6.8	2.4
2012	9.2	12.0	10.7	8.2
2013	11.5	7.8	8.5	2.5
2014	2.7	2.0	6.3	1.7

Thus, Opera Australia is facing a weak cash flow situation, resulting both from operating deficits as well as from the heavy investment recently made in sets and productions.

6.1.1.12 Operating reserves are eroding

Another hallmark of an organisation's financial health is its reserves. In Opera Australia's case, its audited reserves are bolstered by the Capital Fund. However, the strength of the Capital Fund disguises the significant impact of the operating deficits it has incurred.

Exhibit 6.34 shows its Reserves reported in its annual accounts, but also the underlying equity position if the Capital Fund is excluded from the numbers.

Exhibit 6.34 Opera Australia's balance sheet: reconciliation from reported equity to operating equity 2012 to 2014 (\$000)

	2012	2013	2014
Reported equity	14,079	16,621	15,703
Capital Fund opening balance	4,510	5,920	8,758
Capital Fund income reported	1,410	2,838	1,067
Capital Fund reserves incentive fund	4,657	4,657	4,657
Total Capital Fund	10,577	13,415	14,482
Net operating equity (reported equity less total Capital Fund)	3,502	3,206	1,221

This analysis shows that the underlying net operating equity for Opera Australia has decreased to just over \$1 million. This offers very little underlying security in its equity backing for an organisation that has revenue and costs of over \$100 million.

Notwithstanding this difficult situation, Opera Australia not only has the Capital Fund to help it weather the vagaries of performance outcomes, but it also owns significant properties in Strawberry Hills, Alexandria and in Melbourne (the property in Southbank, Melbourne, is currently being put up for sale). These assets are valued in the published accounts at \$19.5 million. Revaluing these assets could increase the level of reserves. Selling these assets (dependent on the use to which the money was put) could improve the cash flow situation and/or strengthen the balance sheet.

In summary, Opera Australia is under increasing financial pressure. Mainstage opera is the major, but not the sole, source of this pressure. It arises from all of its other activities, excluding musicals and concerts, which make a relatively small contribution to overheads. Overheads are also increasing, against a background of increasing organisational complexity. These challenges at an operating level are leading to an erosion of its cash position and its reserves. While Opera Australia's consolidated

position is buffered by the Capital Fund and its property assets, the financial trend that is being exhibited is not sustainable.

6.1.2 Opera Queensland

Opera Queensland has faced significant financial pressures over a prolonged period. It has responded strategically to those pressures in a number of ways, which can be categorised as follows:

- It has changed the mix of what programmes it delivers by:
 - Reducing the number of mainstage opera productions;
 - Staging smaller productions which it can also tour throughout Queensland; and
 - Staging more concerts.
- It has changed the mix of where programmes are delivered by:
 - Increasingly shifting where it delivers its programmes from QPAC's Lyric Theatre and the Conservatorium of Music to also include the QPAC Concert Hall and Playhouse as well as non-traditional venues;
 - Putting on smaller works in conjunction with the Brisbane Festival and the Queensland Music Festival; and
 - Increasing its commitment to regional touring and community activities.
- It has changed the mix of how programmes are delivered by:
 - Reducing the number of hired Opera Australia productions;
 - Reducing the number of Opera Conference productions that it stages;
 - Increasingly using international partnerships for the productions it stages; and
 - Staging more of its own productions.

Opera Queensland has not reported a surplus for the last seven years. Continuing losses, although slowing, have eroded accumulated equity. Opera Queensland relies on Governments for prepayment of its core grant funding to remain in business. In that regard, its high level of overheads relative to comparably sized companies is an issue.

6.1.2.1 Cost containment initiatives do not adequately offset small revenue gains

Opera Queensland has consistently reported a loss in recent years, even though the level of loss has reduced. Overall income (including that from government) has grown slowly, while expenditure has marginally declined, but the outcome for the period 2009 to 2014 was still a loss. For the same period, income has grown at a compound annual growth rate of 0.50 percent whereas expenditure has declined at a rate of 0.34 percent.

From 2009 to 2013, Opera Queensland produced significant losses that averaged 9 percent of income. In 2014, Opera Queensland produced a much smaller loss, with a deficit equivalent to 1 percent of income.

Exhibit 6.35 Opera Queensland: overall income and expenditure 2009 to 2014 (\$000, cagr)

<i>Component</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Total income	6,550	6,556	6,016	6,232	5,613	6,714	0.50
Total expenditure	6,889	7,098	6,768	6,742	6,274	6,774	-0.34
Surplus / deficit	-338	-542	-752	-510	-661	-60	-
Surplus / deficit (% of income)	-5.16	-8.27	-12.5	-8.19	-11.77	-0.89	-

A more detailed analysis of income and expenditure shows the shifts that have occurred in the sources of income. Over the six-year period, the most significant changes have been the decline in average annual performance income of 5 percent and the increase in average annual government funding of 4.31 percent.

Exhibit 6.36 Opera Queensland: overall composition of income 2009 to 2014 (\$000)

<i>Component</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Performance income	2,507	2,352	1,770	1,866	1,270	1,940	-5.00
Private sector income	897	862	868	868	777	955	1.27
Government funding	2,970	3,153	3,222	3,384	3,439	3,667	4.31
Other income	177	189	156	115	127	152	-3.00
Total income	6,550	6,556	6,016	6,232	5,613	6,714	0.50
Total expenditure	6,889	7,098	6,768	6,742	6,274	6,774	-0.34
Net surplus / deficit	-338	-542	-752	-510	-661	-60	-

As can be seen in Exhibit 6.37, by examining the composition of revenue on a percentage basis, the sources of income have changed. In 2009 and 2010, performance income averaged 37 percent of total income. This reduced to around 30 percent across 2011 and 2012, before dropping to 23 percent in 2013, and then somewhat recovering to 29 percent in 2014, at a level similar to the 2011 and 2012 years.

Exhibit 6.37 Opera Queensland: share of income 2009 to 2014 (percent)

<i>Component</i>	2009	2010	2011	2012	2013	2014
Performance income	38	34	29	30	23	29
Private sector income	14	13	14	14	14	14
Government funding	45	48	54	54	61	55
Other income	3	5	3	2	2	2
Total	100	100	100	100	100	100

Examining performance income in greater depth shows a change in mix between income sourced from box office for mainstage productions and other performance income.

Exhibit 6.38 Opera Queensland: composition of performance income 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Mainstage box office income	1,919	1,831	1,410	1,611	996	1,243
Other performance income	588	521	360	255	274	697
Total performance income	2,507	2,352	1,770	1,866	1,270	1,940

Traditionally, Opera Queensland has produced three mainstage operas each year, with a reasonably consistent number of 22 performances each year from 2009 to 2012; 19 in 2012; 18 in 2013, but back to 22 in 2014.

From 2009 to 2011, there were two productions in the Lyric Theatre and one production at the Conservatorium. However from 2012 to 2014, there was one production in the Lyric Theatre, one at the Conservatorium and one at QPAC's Concert Hall.

Exhibit 6.39 Opera Queensland: mainstage productions and presentations 2009 to 2014 (venue* and number of performances shown in brackets)

2009	2010	2011
<i>Fidelio</i> (Con-10)	<i>Aida</i> (LT-6)	<i>Così fan tutte</i> (Con-10)
<i>La traviata</i> (LT-6)	<i>The Elixir of Love</i> (LT-6)	<i>The Girl of the Golden West</i> (LT-6)
<i>Rigoletto</i> (LT-6)	<i>The Merry Widow</i> (Con-10)	<i>Tosca</i> (LT-6)

2012	2013	2014
<i>The Mikado</i> (Con-10)	<i>St Matthew Passion</i> (CH-3)**	<i>La bohème</i> (Con-12)
<i>Carmen</i> (LT-7)	<i>Cinderella</i> (Con-10)	<i>The Perfect American</i> (CH-4)
<i>Macbeth in Concert</i> (CH-2)**	<i>Otello</i> (LT-5)	<i>Rigoletto</i> (LT-6)

* Venues: LT – Lyric Theatre; Con – Conservatorium; CH – Concert Hall.

** These presentations were not fully staged opera productions.

Mainstage opera box office has been highly volatile as shown in Exhibit 6.40. It was highest in 2009, before stepping down in 2011, recovering somewhat in 2012. However, 2013 saw a sharp drop, to a third below the average of 2011 and 2012. In 2014, the box office for mainstage improved, but only to just over 80 percent of the 2011 and 2012 average level.

Exhibit 6.40 Opera Queensland: mainstage box office income and attendance 2009 to 2014 (\$000, number, cagr)

	2009	2010	2011	2012	2013	2014	cagr
Mainstage box office \$000	1,919	1,831	1,410	1,611	996	1,243	-8.32
Paid attendance	22,931	21,333	16,283	18,100	10,724	11,963	-12.20

In contrast, in 2014, other performance income (see Exhibit 6.38) increased significantly, being at its highest level during the period 2009 to 2014. The 2014 increase in other performance income was due to more extensive regional touring.

The weaker box office result in 2013 particularly stands out. There appear to be a number of reasons. In terms of the programming, none of the more popular operas were staged. Further, the staging for *Otello* was considered particularly challenging. It has also been suggested that Opera Australia's tour to Brisbane the preceding year may have had a negative impact on the audience and subscriber base for Opera Queensland. However, in 2012 Opera Queensland's box office increased from the prior year by approximately \$200,000 and Opera Australia generated around \$1 million in box office revenue from its Brisbane season. In addition, in 2013 the company was adjusting to changes in management and artistic direction.

The lift in box office income from 2013 to 2014 reflects more popular programming. Nonetheless, box office did not recover to the same level as earlier years, despite there being a similar number of performances with a not dissimilar programming mix.

In addition, the number of paid attendees for mainstage performances has not recovered to earlier levels. The 2014 audience was 30 percent below the average for 2011 and 2012, and even more significantly, approximately 45 percent below the 2009 and 2010 average. Despite this significant and serious audience decline from 2009 to 2014, in 2014, Opera Queensland delivered a significant improvement in financial performance.

The improved 2014 financial outcome can be explained by a comparison with the average results for the 2011 and 2012 years, more so because expenditure levels are similar. To normalise the results, 2013 data (which reflected a particularly challenging year) has been excluded.

Exhibit 6.41 Opera Queensland: comparison of income and expenditure for 2014 compared to the average of 2011 and 2012 (\$000)

	2011	2012	2011-12 average	2014
Performance income	1,770	1,866	1,818	1,940
Private sector income	868	868	868	955
Government funding	3,222	3,384	3,303	3,667
Other income	156	115	136	152
Total income	6,016	6,232	6,124	6,714
Total expenditure	6,768	6,742	6,755	6,774
Net surplus / deficit	-752	-510	-631	-60

The income level in 2014 was \$0.6 million or 10 per cent higher relative to 2011-12. In real, rather than nominal terms, this is equivalent to a 3 percent increase, a positive trend.

The expenditure level between the two periods is similar, with an average of \$6.76 million in 2011-12 and \$6.77 million in 2014. In real, rather than nominal terms, this means that expenditure was lower in 2014 by approximately 5 percent, another positive trend.

Of the additional income of \$0.6 million, \$0.36 million or 62 percent came from increased government funding, 21 percent from performance income and 15 percent from private sector income. The primary reason for the increased government funding was due a lift in Queensland Government project funding for touring.

Exhibit 6.42 Opera Queensland: government funding for 2014 compared to the average of 2011 and 2012 (\$000)

	2011	2012	2011-12 average	2014	Difference 2014 vs 2011-12
State Government	2,635	2,772	2,704	3,001	297
Operational grant	2,305	2,351	2,328	2,448	120
Project funding - touring	80	165	123	400	277
Education department	103	105	104	-	-104
Opera Conference	47	51	49	53	4
Other	100	100	100	100	-
Federal Government	588	612	600	626	26
Operational grant	382	392	387	407	20
Opera Conference	206	210	208	219	11
Other	-	10	5	-	-5
Local Government	-	-	-	40	40
Total	3,222	3,384	3,303	3,667	364

Between 2011 and 2014, the Queensland Government's project funding for touring increased from \$80,000 to \$400,000. This was to support Opera Queensland's increased touring programme to regional areas, with the most significant initiative being Project Puccini in 2014. Increased government funding for touring also reflects the increase in performance income from non-mainstage activity in 2014 relative to prior periods.

Exhibit 6.43 demonstrates that none of Opera Queensland's main lines of business made a positive contribution to overheads. In 2014, mainstage opera accounted for 70 percent of the contribution deficit with regional tour representing another 28 percent of the negative contribution.

Exhibit 6.43 Opera Queensland: contribution analysis by activity for 2014 (\$000)

Activity	Mainstage	Regional tour	Non-core mainstage, schools, community	Total
Contribution	-1,868	-737	-67	-2,672

To understand Opera Queensland's financial position, the economics of mainstage productions must be analysed, before examining those of touring and other activities.

6.1.2.2 Mainstage production economics are challenging

From 2009 to 2014, Opera Queensland's mainstage productions have made a significantly negative contribution to overheads. As can be seen in Exhibit 6.44, 2013 represents a low point, with 2014 showing something of a recovery, although still not a surplus. This can be seen particularly with the increasing cost to income ratio.

Exhibit 6.44 Opera Queensland: mainstage economics 2009 to 2014* (\$000, percent)

	2009	2010	2011	2012	2013	2014
Box office and performance income	1,959	1,999	1,508	1,611	1,117	1,515
Production costs	3,686	4,056	3,475	3,354	3,444	3,383
Contribution	-1,727	-2,057	-1,967	-1,743	-2,327	-1,868
Cost to income ratio (percent)	188	203	230	208	308	223

* Includes *Macbeth in Concert* in 2012 and *St Matthew Passion* in 2013.

Following a particularly weak contribution from mainstage in 2013 due to a very low box office, the 2014 contribution of a negative \$1.9 million is closer to the 2011 result of a negative contribution of \$2.0 million.

The economics of Opera Queensland's mainstage opera productions can be better understood by considering the relative performance of popular and less familiar works. Opera Queensland typically performs two popular and one less familiar work each year. 2013 was a marked exception.

Exhibit 6.45 Opera Queensland: mix of mainstage productions 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Popular	2	2	1	2	-	2
Less familiar	1	1	2	1	3	1

The number of performances generally shows a related pattern between popular and less familiar works.

Exhibit 6.46 Opera Queensland: mix of mainstage performances 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Popular	12	16	6	17	-	18
Less familiar	10	6	16	2	18	4

The impact of the mix of popular versus less familiar works can be understood by examining the ratio of total costs to total box office for each category.

From 2009 to 2014, popular works had an average cost to income ratio just below 200 percent. In contrast, the less familiar works had an average cost to income ratio of around 265 percent.

Exhibit 6.47 Opera Queensland: cost to income ratio for mainstage productions 2009 to 2014 (\$000, percent)

Popular

	2009	2010	2011	2012	2013	2014
Box office	1,632	1,369	711	1,475	-	875
Direct production costs total	2,684	2,664	1,300	2,791	-	2,236
Cost to income ratio (percent)	164	195	183	189	n/a	256

Less familiar / unfamiliar

	2009	2010	2011	2012	2013	2014
Box office	286	462	699	136	996	368
Direct production costs total	759	1,144	1,923	339	3,174	875
Cost to income ratio (percent)	265	248	275	249	320	238

* Costs are direct production costs incurred for the productions staged in each year and income is box office only (excludes other performance income). For this reason, the cost to income ratio will not align with Exhibit 6.44, which takes into account all direct and indirect costs and all performance income related to mainstage activity across each year.

This analysis shows the increased cost to income ratio for more popular productions in 2014. While the number of performances might be an issue, the lack of box office generation (despite lower production costs) appears to be the major challenge.

Major problems exist with audience numbers and revenue

A more detailed analysis of the two categories of productions sheds light on the composition of revenue. Exhibit 6.48 and 6.49 consider the number of attendees, the percent of subscribers and the average ticket price for the two categories, on a per performance and per production basis.

Exhibit 6.48 Opera Queensland: composition of revenue per performance by category 2009 to 2014 (number, percent, \$)

Popular

	2009	2010	2011	2012	2013	2014
Average number of attendees	1,521	1,003	1,203	946	-	491
Average number of subscribers	617	450	512	374	-	250
Percent subscribers	41	45	43	39	-	51
Average ticket price	89	85	98	92	-	99

Less familiar / unfamiliar

	2009	2010	2011	2012	2013	2014
Average number of attendees	468	882	566	1,008	596	783
Average number of subscribers	360	604	383	341	330	262
Percent subscribers	77	69	68	34	55	33
Average ticket price	61	87	77	67	93	118

Exhibit 6.49 Opera Queensland: composition of revenue per production by category 2009 to 2014 (number, percent, \$)

Popular

	2009	2010	2011	2012	2013	2014
Average number of attendees	9,128	8,022	7,220	8,042	-	4,417
Average number of subscribers	3,702	3,600	3,074	3,175	-	2,249
Percent subscribers	41	45	43	39	-	51
Average ticket price	89	85	98	92	-	99

Less familiar / unfamiliar

	2009	2010	2011	2012	2013	2014
Average number of attendees	4,675	5,289	4,532	2,016	3,575	3,130
Average number of subscribers	3,596	3,624	3,064	681	1,981	1,048
Percent subscribers	77	69	68	34	55	33
Average ticket price	61	87	77	67	93	118

This analysis highlights the reduced number of attendees, even for popular works. The number of subscribers also shows a decline for both categories.

For example, in relation to popular works, the number of attendees per performance declined from 1,521 in 2009 to 491 in 2014, or on a per production basis, from 9,128 to 4,417. If this data is examined for 2014 versus 2011 or 2012, the decline in the average number of performances is from 1,075 to 491, a reduction of over 50 percent.

Examining average subscribers on a per performance basis, attendees declined from 617 in 2009 to 250 in 2014. On a per production basis, the numbers went from 3,702 to 2,249. Considering a more recent comparison, the average number of subscribers per production in 2011 and 2012 of 443 declined to 250—a reduction of over 40 percent.

The decline in both the overall audience and in the subscriber base over the last couple of years is, therefore, a significant issue, more so because it has led to poor venue utilisation and thus to venue changes.

Chapter 5.1.1.3 highlighted that Opera Queensland has reduced the number of productions staged in the 2,000 seat QPAC Lyric Theatre in favour of the 1,800 seat QPAC Concert Hall in 2012. The analysis below shows the very challenging economics of presenting even popular works in the Lyric Theatre given the decline in audiences. It has been suggested to the Panel that the acknowledged acoustic difficulties for opera in the Lyric Theatre might be a contributing factor in attracting audiences.

In the Lyric Theatre, as utilisation fell away for *Otello* in 2013 to below 40 percent, and remained low with *Rigoletto* in 2014, the negative contribution increased significantly to over \$1 million for *Otello* and over \$700,000 for *Rigoletto*. On average, for the last three years, the negative contribution has been around \$800,000.

Exhibit 6.50 Opera Queensland: profile of performances, utilisation, costs and contribution at Lyric Theatre 2009 to 2014 (number, percent, \$000)

Year	Production	Performances	Utilisation percent	Average ticket price \$	Box office \$000	Total cost \$000	Contribution \$000
2009	<i>La traviata</i>	6	80	89	855	1,404	-549
2009	<i>Rigoletto</i>	6	72	90	778	1,281	-503
2010	<i>Aida</i>	6	89	96	1,031	1,554	-524
2011	<i>Tosca</i>	6	60	98	711	1,300	-589
2012	<i>Carmen</i>	7	78	104	1,127	1,730	-603
2013	<i>Otello</i>	5	39	111	432	1,548	-1,116
2014	<i>Rigoletto</i>	6	36	111	485	1,228	-743

Productions staged in the 615 seat Conservatorium have shown a range of financial outcomes, with lower production costs helping alleviate the reduced potential capacity. This can be seen in Exhibit 6.51. Despite this, over the last three years, the negative contribution from productions in the Conservatorium has been around \$700,000. The benefit of lower production costs can be seen most directly in 2011 with *Così fan tutte*, where a production cost of half that incurred in more recent years, with an average utilisation level, led to a negative contribution of under \$300,000. However, this has not been the case with other productions.

Exhibit 6.51 Opera Queensland: profile of performances, utilisation, costs and contribution at the Conservatorium Theatre 2009 to 2014 (number, percent, \$000)

Year	Production	Performances	Utilisation percent	Average ticket price \$	Box office \$000	Total cost \$000	Contribution \$000
2009	<i>Fidelio</i>	10	76	61	286	759	-472
2010	<i>The Merry Widow</i>	10	87	64	338	1,110	-772
2011	<i>Così fan tutte</i>	10	76	63	295	576	-281
2012	<i>The Mikado</i>	10	85	66	348	1,061	-713
2013	<i>Cinderella</i>	10	64	83	327	1,088	-762
2014	<i>La bohème</i>	12	61	87	390	1,009	-619

Despite lower costs, the negative contribution in the Conservatorium is approximately the same as in The Lyric.

Performances in the Concert Hall over the last three years have produced an average negative contribution of over \$300,000. This can be seen in Exhibit 6.52. The dynamic in the first two years of a lower average ticket price, compared to Lyric Theatre performances, as well as a lower cost of production, reduced the negative contribution, in line with *Così fan tutte* at the Conservatorium.

Exhibit 6.52 Opera Queensland: profile of performances, utilisation, costs and contribution at Concert Hall 2012 to 2014 (number, percent, \$000)

Year	Production	Performances	Utilisation percent	Average ticket price \$	Box office \$000	Total cost \$000	Contribution \$000
2012	<i>Macbeth in Concert</i>	2	56	67	136	339	-203
2013	<i>St Matthew Passion</i>	3	54	82	237	538	-301
2014	<i>The Perfect American</i>	4	43	118	368	875	-506

From this contribution analysis by venue, the shift of a production to the Concert Hall has paid financial dividends and appears to have reduced the financial risk for the company over the three years, given the reduced cost exposure.

Nonetheless, a very fine balance clearly exists among between venue selection, ticket pricing, and production costs to engender a more positive audience experience and improved financial outcomes. Ticket prices for each theatre over the period can be seen in Exhibit 6.53.

Exhibit 6.53 Opera Queensland: average ticket price by venue 2009 to 2014 (\$)

Venue	2009	2010	2011	2012	2013	2014	Average
Lyric Theatre	89	96	98	104	111	111	98
Conservatorium	61	64	63	66	83	87	70
Concert Hall	n/a	n/a	n/a	67	82	118	92
Average	84	85	85	89	93	104	89

Thus, even though ticket prices in the Lyric Theatre are higher, they have not compensated for higher production costs and low utilisation. This demonstrates the criticality of Opera Queensland's rebuilding audiences and improving utilisation.

The balancing of venues, production levels and ticket pricing will continue to be a key performance factor for Opera Queensland.

The focus on new productions may be high risk

Against the backdrop of the deteriorating economic performance for Opera Queensland's mainstage productions, it is important to consider the source of these productions. Exhibit 6.54 shows the source of the three annual productions, and more specifically whether they were a new or an existing production.

Exhibit 6.54 Opera Queensland: source of production and presentation from 2009 to 2014 (number)

<i>Source</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
New production by company	1	1	-	2*	-	1
Co-production with international partners	-	-	-	-	1	-
Co-production with Australian and international partners	-	-	-	-	1	-
Opera Conference production	-	1	1	-	-	-
International hire	-	-	-	-	-	2
Domestic hire	2	1	1	1	-	-
Revival	-	-	1	-	-	-
Total	3	3	3	3	2**	3

* Includes the concert *Macbeth in Concert* in 2012.

** *St Matthew Passion* in 2013 was a semi-staged mainstage presentation based on a previous presentation and is excluded from this exhibit.

Historically, Opera Queensland has sourced one new production (including co-productions) each year with the other two productions, either being an Opera Conference production or a revived hire-in from Opera Australia.

The weak box office in 2013 (shown in Exhibit 6.40) may correlate with a strategy of presenting only new productions in this year.

It is worth noting that Opera Queensland has not staged an Opera Conference production since 2011, when it took *La Fanciulla del West*. This means that it is not obtaining any benefits from Opera Conference funding.

Analysis of the economics of productions by source suggests that the best box office result is produced from Opera Conference and Opera Australia hires. The 2013 international co-productions were expensive to produce and did not generate satisfactory box office results. Looking at the data in Exhibit 6.55, the best result is for concerts along with revivals. The worst financial results are for international co-productions.

Exhibit 6.55 Opera Queensland: average cost-revenue dynamics by source of production 2009 to 2014 (number, \$000)

<i>Source</i>	<i>Productions</i>	<i>Box office</i>	<i>Cost</i>	<i>Gap</i>
New opera production by company	4	341	985	-644
New concert	1	136	339	-203
Co-production with international partners	1	327	1,088	-762
Co-production with Australian and international partners	1	432	1,548	-1,116
Opera Conference	2	717	1,450	-733
International hire	2	427	1,051	-625
Domestic hire	5	786	1,372	-585
Revival	2	266	557	-291

Although Opera Queensland has significantly improved its overall financial performance in 2014, very significant challenges exist with its mainstage opera financial performance. This can be seen in Exhibit 6.56. The decline in audience has only been arrested to a small extent in 2014 after a very difficult 2013, with some improvement in the mainstage contribution to overhead costs.

Exhibit 6.56 Opera Queensland: mainstage paid attendance and contribution to overhead costs 2009 to 2014 (number, \$000)*

	2009	2010	2011	2012	2013	2014
Paid attendance	22,931	21,333	16,283	18,100	10,724	11,963
Contribution to overhead costs	-1,524	-1,977	-1,813	-1,519	-2,178	-1,868

* Contribution is calculated on direct production costs incurred for the productions staged in each year and box office only (excludes other performance income).

6.1.2.3 Non-mainstage programme depends on significant government and private sector support

Opera Queensland presents an extensive programme outside its mainstage activity, involving regional tours, schools programmes, concerts, and community events.

From 2009 to 2014, the cost of these activities ranged from \$0.5 million to \$1.2 million or between 8 and 18 percent of total company expenditure, with the average being 12 percent. 2014 constituted the highest percent (at 18 percent), reflecting the company's increased focus on regional touring. Exhibit 6.57 shows how that changed strategy has been reflected in higher regional and overall non-mainstage costs.

Exhibit 6.57 Opera Queensland: non-mainstage activity expenditure and share of total company expenditure 2009 to 2014 (\$000, percent)

Activity	2009	2010	2011	2012	2013	2014
Regional	112	420	129	360	368	923
Non-core mainstage, schools, community	829*	457	384	438	282	269
Non-mainstage expenditure	941	877	513	798	650	1,192
Total company expenditure	6,889	7,098	6,768	6,742	6,274	6,774
Share of total company expenditure (percent)	14	12	8	12	10	18

* Higher due to *Dirty Apple* development and performance.

Non-mainstage performances typically have low box office revenue although performance fees also contribute to total revenue, in some years being more significant than box office revenue. The cost to income ratio varies dramatically, although it is typically high as can be seen in Exhibit 6.58.

Exhibit 6.58 Opera Queensland: non-mainstage activity income and cost to income ratio 2009 to 2014 (\$000, percent)

	2009	2010	2011	2012	2013	2014
Box office	137	239	45	130	8	265
Performance fees, other income	379	104	214	119	114	123
Non-mainstage income (total)	516	343	259	249	122	388
Non-mainstage costs	941	877	531	798	650	1,192
Cost to income ratio (percent)	182	256	205	320	533	307

The scale and scope of Opera Queensland's non-mainstage activity in 2013 and 2014 has driven its cost to income ratio.

The scale in these two years is very different: 2013 had the smallest programme in the six year period analysed, while 2014 had the largest. In 2014, the major inclusion was Project Puccini, which saw *La bohème* performed in regional centres across the state.

Exhibit 6.59 Opera Queensland: non-mainstage activity in 2013 (\$000)

<i>Activity</i>	<i>Production / Activity</i>	<i>Box office</i>	<i>Performance fees, other income</i>	<i>Cost</i>	<i>Contribution (income - cost)</i>
Regional	<i>Waltzing our Matilda, Opera at Jimbour, Abandon</i>	8	66	368	-294
Schools	<i>Open Stage, Residencies</i>	-	-	141	-141
Community, non-core mainstage	<i>Opera on the Riverstage</i>	-	48	141	-93
Total	-	8	114	650	-528

Exhibit 6.60 Opera Queensland: non-mainstage activity in 2014 (\$000)

<i>Activity</i>	<i>Production / Activity</i>	<i>Box office</i>	<i>Performance fees, other income</i>	<i>Cost</i>	<i>Contribution (income - cost)</i>
Regional	<i>La bohème, Project Puccini, Opera in the Vineyard, Opera Acoustics</i>	165	21	923	-737
Schools	<i>Fizz!, Residencies</i>	88	-	158	-70
Community, non-core mainstage	<i>Abandon G20 participation, Opera Club, A Morning with Emily and Hayley</i>	12	102	111	3
Total	-	265	123	1,192	-804

This higher level of expenditure for non-mainstage activities, particularly touring, is to some extent offset by targeted private sector support and additional Government funding. In 2013, Opera Queensland generated an additional \$119,000 from private sources for non-mainstage activities, as well as \$232,000 from government, thus reducing the deficit from non-mainstage activities to \$177,000. In 2014, the situation further improved, as \$454,000 of private sector income was received for these activities, along with \$400,000 of government project funding. This resulted in a small surplus from these activities of \$50,000.

Therefore, understanding the financials of non-mainstage activity requires consideration of performance economics as well as specific funding support, whether from the government or private sector. Notwithstanding the improvement seen after taking into account private sector income and additional government funding, the

sustainability of the mix of regional touring versus mainstage activity needs to be monitored closely.

6.1.2.4 Overhead costs have reduced although careful management is required

In recent years, Opera Queensland has reduced its overhead costs. This is the case on both an absolute basis as well as a proportion of total expenditure. This can be seen in Exhibits 6.61 and 5.41.

Nonetheless, relative to comparable sized companies, Opera Queensland’s level of overheads is significantly higher.

Exhibit 6.61 Opera Queensland: overheads 2009 to 2014 (\$million)

	2009	2010	2011	2012	2013	2014
Overheads	2.23	2.15	2.76	2.58	2.14	2.09

6.1.2.5 Private sector support has increased in 2014

In 2014, Opera Queensland increased private sector support by 23 percent compared to 2013. Relative to the 2011-12 timeframe, the increase of 9 percent is positive. However, sponsorship in-kind makes up a significant portion of the total private sector income, being almost 40 percent in 2014 and averaging 45 percent over the six year period. While this is welcome, it is not in cash, and in general may not be targeted to the areas of greatest financial need.

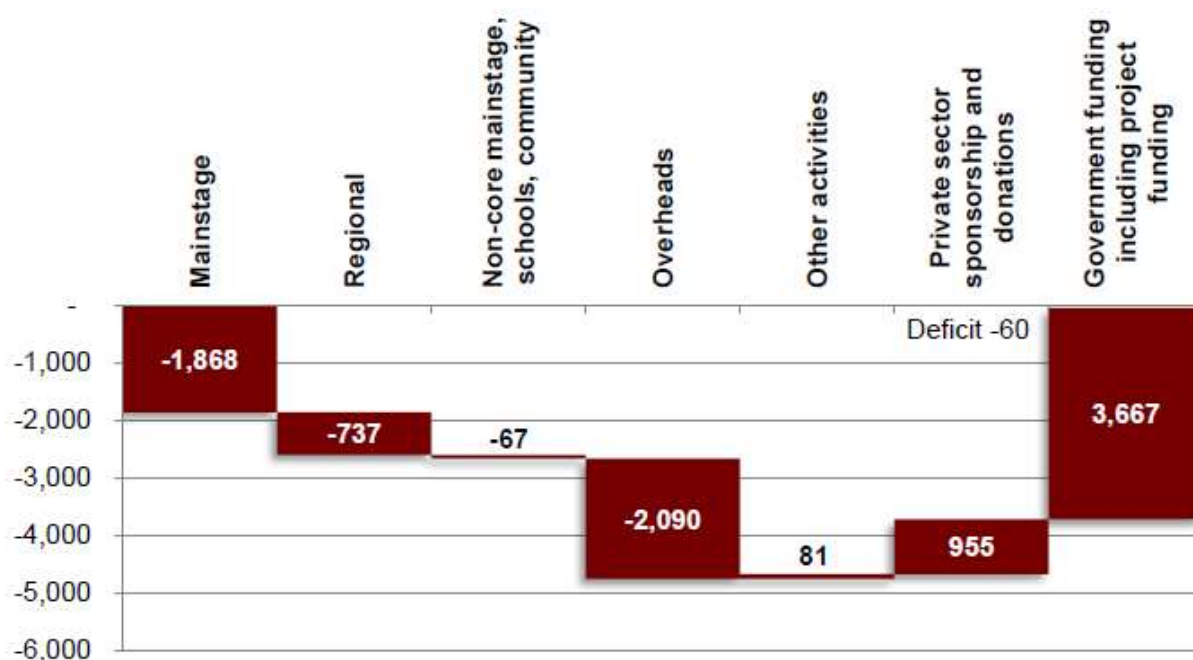
Exhibit 6.62 Opera Queensland: private sector support 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Donations	311	206	174	213	274	539
Cash sponsorship	218	237	276	234	138	50
Sponsorship in-kind	367	420	418	421	365	366
Total	897	862	868	868	777	955

6.1.2.6 Government funding almost offsets the negative contribution in 2014

In 2014, Opera Queensland almost achieved a breakeven position—with government funding coming close to bridging the negative contributions from other operational areas and overheads.

Exhibit 6.63 Opera Queensland: contribution analysis for 2014 (\$000)



6.1.2.7 Accumulated deficits have greatly weakened its financial position

With the announcement of its 2014 financial result of a deficit of \$60,000, Opera Queensland was able to report its best result since 2007.

During that time, Opera Queensland has consistently produced deficits. This has severely damaged the company’s balance sheet and reserves.

In 2013, the company’s liabilities exceeded its assets, producing a negative net asset position. This also translated into accumulated funds going negative in that year, despite a subordinated loan being in place. Therefore, reserves were fully used up by 2013. This situation marginally worsened in 2014 as a result of the deficit that was incurred. These outcomes can be seen in Exhibit 6.64.

Exhibit 6.64 Opera Queensland: accumulated funds 2011 to 2014 (\$000)

	2011	2012	2013	2014
Profit / loss for year	-752	-510	-661	-60
Net assets	1,136	626	-35	-95
Subordinated loan	200	200	200	200
Reserves	936	426	-235	-295
Accumulated funds - year end	1,136	626	-35	-95

6.1.2.8 Opera Queensland has a weak cash position and is reliant on Government support

Opera Queensland’s weak operating performance has led to a significant decline in its cash position.

Exhibit 6.65 Opera Queensland: cash at year end 2011 to 2014 (\$000)

	2011	2012	2013	2014
Cash at hand at 31 December	1,459	547	612	701

In addition, since 2012, the company's current liabilities have exceeded its current assets.

Exhibit 6.66 Opera Queensland: current position 2011 to 2014 (\$000)

	2011	2012	2013	2014
Current assets	1,692	752	968	1,010
Current liabilities	1,260	805	1,742	1,820
Net Current position	432	-53	-774	-810
Current ratio	1.3	0.9	0.6	0.6

In recent years, Opera Queensland has been assisted by grants received in advance to enable the company to meet its cash flow requirements. Without the ongoing support of government, the company is unlikely to have been able to meet its commitments when they fell due. This has been reflected in a going concern note in the annual accounts.

6.1.2.9 Overall, Opera Queensland's financial position is poor despite its improved 2014 result

In summary, the financial position of Opera Queensland remains very weak.

The improved financial performance, albeit still with a small loss, reflects an improvement in income and a reduction in expenditure versus previous years.

However, the underlying operating performance remains of concern. The economics of the mainstage programme are poor. Audiences, including subscribers need to be rebuilt to generate an improvement.

Non-mainstage activity has increased the negative contribution to overheads and is only viable because of additional government funding and the level of private sector support. This situation is exacerbated by Opera Queensland's high level of overheads.

However, given its deficits and strategic approach, Opera Queensland cannot continue without significant levels of government support, including it being provided cash advances unless the fundamentals that underpin its underlying situation are addressed.

6.1.3 SOSA

While facing box office pressures in the wake of the GFC, SOSA has stayed true to its strategic intent of being a specialist company that programmes niche repertoire. SOSA's stated strategic objective is to be one of Australia's most exciting and innovative performing arts companies. It seeks to achieve this objective by presenting "operatic works that are unique in Australia", that also "bring visitors to South Australia and generate significant interest and pride within the State". To this end, it strives to present what it terms "at least one specialist production presented annually", which might be on the mainstage or at another venue.

More specifically and using the strategic responses outlined in Chapter 5, SOSA has reacted to the external pressures it has faced as follows:

- It has changed the mix of **what** programmes it delivers by:
 - Continuing to offer a mix of more popular and more challenging operas; and
 - Undertaking its programme of innovative works at a more diverse set of venues;
- It has changed the mix of **where** programmes are delivered by:
 - Reducing its commitment to the Festival Centre; and
 - Marginally reducing its regional touring programme;
- It has changed the mix of **how** programmes are delivered by:
 - Remaining committed to using Opera Conference productions; and
 - Increasing the number of international hire-ins.

On an operational front, SOSA has taken the following initiatives:

- It has continued stringently to contain its overhead costs.

These strategic responses have had significant implications for SOSA's financial performance. However, its small surpluses and the extent to which costs are rising faster than revenue make it vulnerable.

6.1.3.1 SOSA is vulnerable to costs rising faster than revenue

Despite its commitment to staging more innovative, higher risk works, SOSA has exhibited financial prudence. Nonetheless, it remains financially vulnerable. This can be seen in its volatile earnings, which have generated a very small surplus in all but one year between 2008-9 and 2013-14. It is expected that SOSA will generate a more significant loss in 2014-15 following the staging of the *Glass Trilogy*.

While recognising that, unlike other Major Opera Companies, SOSA has a June rather than December year end, between 2008-09 and 2013-14, total expenditure grew at a marginally higher compound annual growth rate of 5.81 percent compared to income that grew at 4.63 percent per annum. Exhibit 6.67 provides an overview of SOSA's overall financial outcomes. The divergence in this trend is likely to be exacerbated if extended to 2014-15.

Exhibit 6.67 SOSA: overall income and expenditure 2008-09 to 2013-14 (\$million, cagr)

<i>Component</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>cagr</i>
Total income	4.79	4.92	5.43	5.08	5.07	6.00	4.63
Total expenditure	4.33	4.72	4.85	5.36	4.98	5.74	5.81
Surplus / deficit	0.46	0.20	0.58	-0.28	0.09	0.26	-10.74

As can be seen in Exhibit 6.68, Government funding and box office are the largest contributors to SOSA's revenue, typically constituting around 90 percent of income. Government funding represents between 52 percent and 60 percent of total revenue.

Exhibit 6.68 SOSA: overall composition of revenue 2008-09 to 2013-14 (\$000)

<i>Component</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Box office	1,713	1,542	2,043	1,741	1,643	2,319
Private sector	275	280	355	298	289	380
Government funding	2,625	2,962	2,835	2,873	2,953	3,145
Other income	172	136	199	167	185	156
Total income	4,785	4,920	5,432	5,079	5,070	6,000
Total expenditure	4,328	4,721	4,852	5,355	4,978	5,741
Net surplus / deficit	457	199	580	-276	92	259

SOSA undertakes a number of activities: mainstage opera; regional touring; concerts; schools and community activities. However, its commitment to mainstage opera typically represents over 96 percent of box office revenue and in 2013-14 was 70 percent of total costs. In 2013-14, its mainstage revenue was significantly greater, which, despite its tight management of overhead costs, demonstrates its earnings variability and financial vulnerability.

The way the economics of SOSA's mainstage and other activities interact is outlined in Exhibit 6.69.

Exhibit 6.69 SOSA: activity contributions to costs 2013-14 (\$000)

	<i>Mainstage</i>	<i>Regional, concerts, schools, community</i>	<i>Total</i>
Contribution	-2,246	-199	-2,445

6.1.3.2 SOSA's mainstage opera repertoire mix affects its cost-revenue dynamics

The economics of SOSA's mainstage are outlined in Exhibit 6.70. This exhibit shows that the negative contribution to overheads has increased between 2008-09 and 2013-14.

Exhibit 6.70 SOSA: mainstage economics 2008-09 to 2013-14 (\$000, percent)

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Box office	1,707	1,451	1,857	1,695	1,544	2,271
Production cost total (attributed mainstage costs)	2,767	3,200	2,878	3,834	3,358	4,025
Variable contribution	-1,060	-1,749	-1,021	-2,139	-1,814	-1,754
Other production costs	550	440	478	427	423	492
Contribution to overheads	-1,610	-2,189	-1,499	-2,566	-2,237	-2,246
Cost to income ratio (percent)	194	251	181	251	245	199

* Includes production costs mostly attributable to mainstage.

In line with SOSA's strategy, operas that are in the less familiar category represent around 50 percent of box office, but 59 percent of costs, contributing disproportionately to an increase in the negative contribution to overheads. The cost-revenue dynamics of popular operas versus those that are less familiar and more akin to SOSA's strategy are outlined in Exhibit 6.71.

Exhibit 6.71 SOSA: overall mainstage revenue and directly attributed mainstage costs by category: 2008-09 to 2013-14 (\$000)

Popular

<i>Year</i>	<i>Productions</i>	<i>Title</i>	<i>Total box office</i>	<i>Total costs</i>	<i>Contribution to overheads</i>
2008-09	3	<i>Turandot</i> <i>The Marriage of Figaro</i> <i>Rigoletto</i>	1,707	2,767	-1,060
2009-10	-	-	-	-	-
2010-11	1	<i>Aida</i>	896	1,151	-255
2011-12	1	<i>Carmen</i>	761	1,200	-439
2012-13	1	<i>La bohème</i>	672	1,188	-516
2013-14	2	<i>Madama Butterfly</i> <i>La traviata</i>	1,235	1,922	-687
Aggregate	8	-	5,271	8,228	-2,957

Less familiar / unfamiliar

<i>Year</i>	<i>Productions</i>	<i>Title</i>	<i>Total box office</i>	<i>Total costs</i>	<i>Contribution to overheads</i>
2008-09	-	-	-	-	-
2009-10	3	<i>The Tales of Hoffman</i> <i>La Fanciulla del West</i> <i>The Flying Dutchman</i>	1,451	3,200	-1,749
2010-11	2	<i>The Pearlfishers</i> <i>Hansel and Gretel</i>	962	1,727	-765
2011-12	2	<i>La Sonnambula</i> <i>Moby Dick</i>	933	2,634	-1,701
2012-13	2	<i>Fidelio</i> <i>Orpheus in the Underworld</i>	872	2,170	-1,298
2013-14	2	<i>La Forza del Destino</i> <i>Salome</i>	1,036	2,103	-1,067
Aggregate	11	-	5,254	11,834	-6,580

Thus, in aggregate, over a six year period, popular operas have made a negative contribution to overheads of around \$3 million, whereas less familiar operas have generated a negative contribution more than twice as great at \$6.6 million, although there have been only 1.4 times the number of less familiar operas.

These economics on an average per production basis are outlined in Exhibit 6.72.

Exhibit 6.72 SOSA: overall mainstage revenue and directly attributed mainstage costs by category average per production 2008-09 to 2014-15* (number, \$000)

Popular

<i>Year</i>	<i>Productions</i>	<i>Box office</i>	<i>Costs</i>	<i>Contribution to overheads</i>
2008-09	3	569	922	-353
2009-10	-	-	-	-
2010-11	1	896	1,151	-255
2011-12	1	761	1,200	-439
2012-13	1	672	1,188	-516
2013-14	2	618	961	-344
2014-15	-	-	-	-
Aggregate	8	659	1,029	-370

* Does not include 2015 production of *Don Giovanni*.

Less familiar / unfamiliar

<i>Year</i>	<i>Productions</i>	<i>Box office</i>	<i>Costs</i>	<i>Contribution to overheads</i>
2008-09	-	-	-	-
2009-10	3	484	1,067	-583
2010-11	2	481	864	-383
2011-12	2	467	1,317	-851
2012-13	2	436	1,085	-649
2013-14	2	518	1,052	-534
2014-15	4	185	689	-504
Aggregate	15	400	973	-573

Thus, while average costs vary by year, in aggregate, over the period, between popular and less familiar operas, they are relatively similar. Revenue composition, on the other hand, is a key driver.

The difference in revenue is a product of both average ticket price and attendances. Exhibit 6.73 demonstrates the relative economics.

Exhibit 6.73 SOSA: composition of revenue by category per production 2008-09 to 2014-15* (\$, number, percent)

Popular

<i>Year</i>	<i>Average ticket price</i>	<i>Average number of attendees</i>	<i>Average number of subscribers</i>	<i>Percent subscribers</i>
2008-09	99	5,740	2,221	39
2009-10	-	-	-	-
2010-11	131	6,838	2,256	33
2011-12	112	6,821	2,027	30
2012-13	104	6,475	2,405	37
2013-14	108	5,739	2,115	37
2014-15	-	-	-	-

* Does not include 2015 production of *Don Giovanni*. All 2014 Glass *Trilogy* tickets were sold as single tickets.

Less familiar / unfamiliar

Year	Average ticket price	Average number of attendees	Average number of subscribers	Percent subscribers
2008-09	-	-	-	-
2009-10	114	4,223	2,089	49
2010-11	97	4,962	2,256	45
2011-12	101	4,597	2,027	44
2012-13	100	4,380	2,405	55
2013-14	128	4,053	2,168	53
2014-15	107	1,736	n/a	n/a

From this analysis several conclusions can be drawn. First, SOSA can typically command higher ticket prices for more popular operas. Second, attendances are higher at more popular operas, the exception being 2013. While relative ticket prices are important, the higher number of attendances is more important by a ratio of about two to one. Third, subscriber support has stayed relatively constant over time, regardless of the category of opera. However, single ticket sales are more important for more popular operas and it is they that change the economics for more popular operas.

SOSA's cost-revenue dynamics vary by source of opera

SOSA's mainstage opera productions come from four main sources, namely Opera Australia as hire-ins; Opera Conference; international sources; and SOSA productions. Exhibit 6.74 shows the source of those productions by year from 2008-09 to 2014-15.

Exhibit 6.74 SOSA: source of production 2008-09 to 2014-15 (number)

Source	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
New production by company	-	1	-	-	-	-	1 (3)*	2 (4)*
Co-production with international partners	-	-	-	1	-	-	-	1
Co-production with Australian and international partners	-	-	-	-	-	1	1	2
Opera Conference	-	1	1	1	-	2	-	5
Domestic hire	3	1	2	1	3	1	-	11
Total	3	3	3	3	3	4	2 (4)	21 (23)

* The Glass *Trilogy* has been counted as both 1 and 3 productions.

Thus, almost half of SOSA's productions come from Opera Australia and a quarter has been sourced from Opera Conference. However, over the past two years, international partnerships have become an increasing source of productions.

However, the cost-revenue dynamics of operas from each source vary widely, with operas sourced from Opera Australia being lower cost and generating the second highest average revenue. Opera Conference productions are more expensive, but generate the highest average revenue. These dynamics are outlined in Exhibit 6.75.

Exhibit 6.75 SOSA: average cost-revenue dynamics source by mainstage opera source 2008-09 to 2014-15 (number, \$000)

	<i>Domestic hire (Opera Australia)</i>	<i>Opera Conference</i>	<i>State Opera of South Australia</i>	<i>New co-production with international partners / with Australian and international partners</i>
Productions	11	5	2 (4)*	3
Box office	553	580	452 (226)	459
Directly attributed cost	1,001	1,028	1,392 (696)	1,295
Gap	-448	-448	-941 (-470)	-835

* The Glass *Trilogy* has been counted as both 1 and 3 productions.

Thus, the deficit from productions that SOSA hires-in from Opera Australia has been lower than from productions sourced elsewhere other than Opera Conference. This reflects lower cost, but also stronger revenue than that from most sources. It also might reflect the fact that more popular operas are sourced from Opera Australia than from other sources. The challenge facing SOSA, however, is that two of the three higher cost international partnerships have been staged in the past two years, whereas there has only been one Opera Australia production since 2012-13. This does not necessarily reflect the company's long term strategic intent. Thus, the source of SOSA productions is increasingly from higher cost-lower revenue sources, making SOSA's cost-revenue dynamics more challenging.

SOSA is vulnerable to having to change venues

SOSA's economics depend to a large extent on its having access to the Festival Centre. Renovations being undertaken by the Festival Centre pose a risk to SOSA. In particular, it is possible that the commitment of subscribers and even single ticket purchasers might be weakened by a move from the place where SOSA has traditionally staged its performances. This may have been a factor with the Glass *Trilogy* which was staged in Her Majesty's Theatre, with low attendances and utilisation. It was also not enhanced by its not being included in SOSA's subscription season.

6.1.3.3 Regional touring and other activities make a negative contribution

SOSA undertakes a range of regional activities, some in conjunction with Opera Australia, and others on its own. In addition, it has a schools programme and regularly offers concerts and non-mainstage operas to metropolitan audiences. The overall financial impact of these other activities is outlined in Exhibit 6.69 above.

Regional touring contributes to the deficit

SOSA periodically works with Opera Australia or on its own to offer opera to regional South Australia. Most recently, it has assisted with *Phantom of the Opera* by the Whyalla Players, preceded by working with Opera Australia to tour *Don Giovanni* to other parts of South Australia. The *Don Giovanni* tour generated a financial deficit each year.

Exhibit 6.76 SOSA: cost revenue dynamics of regional touring productions 2008-09 to 2013-14 (number, \$000)

Year	Production	Paid attendance	Box office revenue	Cost	Deficit
2008-09	-				
2009-10	-				
2010-11	-				
2011-12	-				
2012-13	<i>Don Giovanni</i> (Oz Opera), Opera Gala Tour	967	52	175	-123
2013-14	<i>Don Giovanni</i> (Oz Opera), Opera Gala Tour	1,101	32	108	-76

In addition, SOSA periodically has other regional initiatives that have had a small impact on its deficit. For instance, in 2010, SOSA performed *Pagliacci* at Opera in the Mines, with costs exceeding box office revenue by \$76,000. In 2012 *The Watersong* concert was performed at Goolwa, generating a gap between box office revenue (\$4,450) and costs (\$14,495) of \$10,000.

As can be seen in Exhibit 6.77, the schools programmes variously cost SOSA between \$2,000 and \$40,000, with no box office revenue being generated.

Exhibit 6.77 SOSA: cost revenue dynamics of schools programmes 2008-09 to 2013-14 (\$000)

Year	Production, presentation	Box office revenue	Cost	Deficit
2008-09	<i>The Shouting Fence</i>	-	30	-30
2009-10	<i>Seussical the Musical</i>	-	5	-5
2010-11	<i>Gretel and Hansel</i>	-	35	-35
2011-12	<i>Carmen: CSI</i>	-	30	-30
	<i>The Magic Flute</i>	-	40	-40
2012-13	<i>Orpheus in the Underworld</i>	-	5	-5
	<i>Ode to Nonsense</i>	-	7	-7
2013-14	<i>La traviata</i>	-	2	-2

In addition, SOSA offers other innovative productions in other modes that test the limits of the artform and enhance its reputation for innovation, along with concerts by leading international singers. The economics of these activities are outlined in Exhibit 6.78.

Exhibit 6.78 SOSA: cost revenue dynamics of metropolitan non-core mainstage opera productions and concerts 2008-09 to 2013-14 (\$000)

Year	Production, presentation	Box office revenue	Cost	Gap
2008-09	-	-	-	-
2009-10	<i>Le Grand Macabre</i> *	40	80	-40
2010-11	<i>Maria de Buenos Aires</i>	50	176	-126
	<i>Magnifico!</i>	34	56	-22
2011-12	<i>Maria de Buenos Aires</i> *	42	82	-40
	Bernstein's MASS	(incorporated in above)		
2012-13	<i>Ode to Nonsense</i>	-	29	-29
	Lord Mayor's Concert	-	11	-11
2013-14	<i>Passion</i>	8	22	-14

* Only SOSA share of costs and revenues shown for co-presentations with festivals.

While the costs of these activities appear modest, for a small company such as SOSA, they represent a further stress on its finances.

6.1.3.4 Private sector income has increased off a low base

Private sector income has risen at a robust compound average annual growth rate of 6.7 percent from \$275,000 in 2008-09 to \$380,000 in 2013-14.

Such growth has come primarily from corporate sponsorships, which almost doubled from \$96,000 in 2008-09 to \$187,000 in 2013-14. However, donations from individuals only rose by 1.5 percent per annum, and in fact decreased from 2008-09 in all years other than 2013-14.

Most significantly, however, the base off which SOSA is operating is quite small and is not adequate to address SOSA's underlying financial challenges.

Exhibit 6.79 outlines the composition of private sector income.

Exhibit 6.79 SOSA: private sector support 2008-09 to 2013-14 (\$000)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Corporate sponsorship	96	135	209	145	155	187
Donations from individuals	179	145	146	153	134	193
Total private sector support	275	280	355	298	289	380

6.1.3.5 Overhead costs have been held under control

SOSA has exercised financial prudence in the way it has controlled overhead costs, rising by a compound annual growth rate of just short of 1 percent.

Exhibit 6.80 outlines the nature of those costs, with staff costs, while quite small, representing just over 50 percent of all overhead costs. Premises, IT, insurance and audit represent 27 percent.

Exhibit 6.80 SOSA overheads 2008-09 to 2013-14 (\$000)

Component	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Staff	425	426	448	463	458	494
Premises, IT, insurance, audit	237	240	293	265	259	265
Non-production marketing	99	53	98	57	96	106
Depreciation, amortisation	22	9	11	13	15	12
Travel	39	50	47	31	32	30
Other	75	67	73	78	61	69
Change in value of investments	33	13	8	10	-	1
Total overheads	930	858	978	917	921	977

Indeed, one of the challenges facing SOSA is whether it is operating at a sub-optimal scale.

6.1.3.6 SOSA relies heavily on government funding to offset other negative contributions

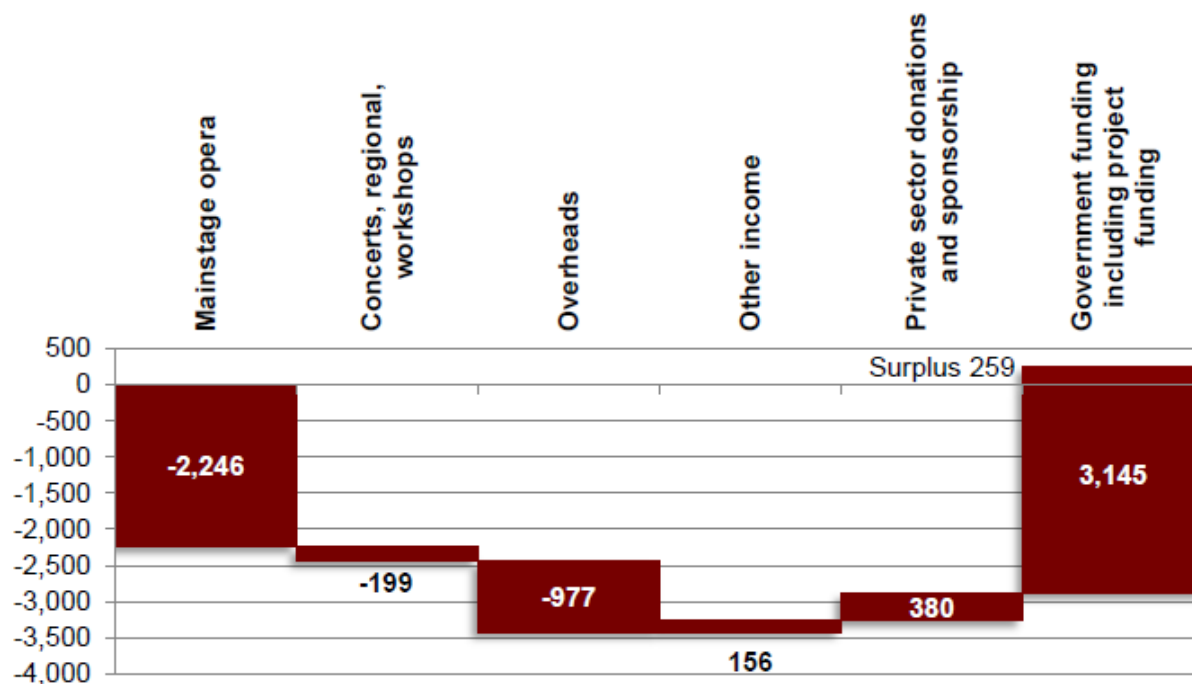
In summary, SOSA's mainstage and other activities do not make a positive contribution to overheads. Moreover, this deficit has increased.

Private sector income offsets the deficits only to a minor extent.

As a result, Government funding is a key component in SOSA's operating on a barely breakeven basis or making a loss in two of the past six years.

Exhibit 6.81 provides a snapshot for 2013-14 of how these elements work together for SOSA.

Exhibit 6.81 SOSA: contribution analysis 2013-2014 (\$000)



In summary, therefore, SOSA is highly dependent on Government funding to ensure that it operates on a break-even basis. It has exercised significant financial prudence, largely producing break-even financial outcomes despite the innovative, higher risk works it stages.

6.1.3.7 SOSA's cash position is solid, although it may experience a decline

Because SOSA has achieved solid operating surpluses in all but two years, it has built up a solid cash position, up to and including 2013-14. While results as of the date of publication of the Discussion Paper are not finalised for 2014-15, the deficit likely to be experienced as a result of the Glass *Trilogy* has put SOSA's cash position under somewhat greater pressure. Exhibit 6.82 outlines SOSA's cash position.

Exhibit 6.82 SOSA: cash position June 30 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014	2015 (forecast)
Cash at 30 June	2,915	3,173	3,578	3,473	3,717	3,454	2,658

This is an issue that will need careful attention.

6.1.3.8 SOSA has relatively low reserves making it financially vulnerable

SOSA has relatively low reserves making it vulnerable given the high risk works it undertakes.

Exhibit 6.83 SOSA: equity 2008-09 to 2013-14 (\$000)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Assets	3,625	4,047	4,374	4,230	4,230	4,169
Liabilities	1,433	1,656	1,403	1,535	1,443	1,123
Reserves	2,192	2,391	2,971	2,695	2,787	3,046

Thus, SOSA's net assets have increased by \$854,000 between 2008-09 and 2013-14. However, those reserves are likely to come down in light of the losses forecast for 2014-15.

In summary, while SOSA has acted with prudence, it is financially vulnerable. This is reflected not just in its financial operating outcomes, but can also be seen in its cash position as well as in its reserves.

6.1.4 WAO

WAO has prudently managed delivery of mainstage opera and concerts in Western Australia in a manner that has resulted in its financial position being relatively more secure than its peers. In part, this reflects the lesser impact of the GFC on Western Australia because of the mining boom. The impact of the recent reduction in iron-ore prices has not yet been reflected in a full year's financial outcomes.

In light of these external factors, WAO has not substantially changed the mix of **what** programme it delivers. It continues to offer three mainstage productions each year and has done so in all years since 2009, except for 2010, when it offered a fourth production. The WAO repertoire mix is of both popular and less familiar works. It offers about six performances of popular operas and slightly fewer performances of less familiar productions each year. It also offers Opera in the Park each year and conducts a schools programme. West Australian Opera regularly collaborates with the Perth International Arts Festival, including for presentations of *Madama Butterfly* in 2015, *Elektra* in 2012, *Peter Grimes* in 2010, and Richard Mills' *The Love of the Nightingale* in 2007. The financial arrangements in respect of these productions differ by year.

It has not significantly changed **where** the programme is delivered, with its offerings being staged in His Majesty's Theatre, which has 1,200 seats. Opera in the Park is performed in the Supreme Court Gardens, and is simulcast to regional communities in Western Australia. Additionally, WAO continues its commitment to regional performances and community activities.

With few exceptions, it has not changed **how** its mainstage programme is delivered. It primarily stages productions hired from Opera Australia, supplemented with new Opera Conference productions, and productions in partnership with Australian and overseas partners.

At an operational level, WAO controls its overheads and costs so as to avoid a deterioration in its financial position.

There is some evidence of declining private sector support, most likely as a consequence of the Western Australian economy being less buoyant.

WAO's financial position is presently sound with healthy cash balances and stable reserves. This may come under pressure as a result of a less buoyant Western Australian economy and potentially reduced private sector support.

6.1.4.1 WAO operating costs are rising faster than revenue

Since the GFC, WAO has generally been profitable, with occasional small operating losses. This situation reflects WAO's strong financial governance and management and the lesser impact of the GFC on Western Australia.

Exhibit 6.84 WAO: overall income and expenditure 2009 to 2014 (\$000, cagr)

<i>Component</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Total income	5,976	5,922	6,094	6,301	5,431	5,637	-1.16
Total expenditure	5,749	6,060	5,538	5,427	5,371	6,194	1.50
Surplus / deficit	227	-138	556	874	61	-558	-

The loss reported in 2014 was primarily a consequence of write-downs and provisions booked against the value of shares in Fortescue Metals Group, gifted to the company in 2011. These write downs amounted to \$478,979 in 2014 (however there was a reinvestment of dividends of \$15,325 in that same year). Without these write downs, WAO would have reported a loss of \$78,688 in 2014.

Box office and private sector support provide income that is greater than the financial support received from Government. Performance revenue has been trending down slowly. Until 2014, private sector support had been around \$1.6 million each year, except for 2011 which benefited from the generous gift of \$960,000 Fortescue Metals Group Shares from Andrew and Nicola Forrest. Corporate support and private philanthropy showed a concerning downturn in 2014, which might reflect the more recent challenges facing the Western Australian economy.

Exhibit 6.85 WAO: overall composition of revenue 2009 to 2014 (\$000)

<i>Component</i>	2009	2010	2011	2012	2013	2014
Performance revenue	1,662	1,523	1,279	1,709	1,389	1,396
Private sector	1,566	1,699	2,473	1,623	1,605	1,335
Government funding	2,182	2,145	2,183	2,231	2,287	2,544
Other income	566	555	160	737*	151	362
Total income	5,976	5,922	6,094	6,301	5,431	5,637
Total expenditure	5,749	6,060	5,538	5,427	5,371	6,194
Net surplus / deficit	227	-138	556	874	61	-558

* Includes co-production income received for *Elektra*.

WAO's mainstage activities form the majority of its annual programme and represent the majority of its costs. Overall, WAO's performance and community activities incurred a contribution deficit of just over \$2.6 million in 2014 before overheads, government funding, private sector support and other revenue is taken into account.

Exhibit 6.86 WAO: cost contributions by activity 2014 (\$000)

	<i>Mainstage</i>	<i>Regional, schools and community activities</i>	<i>Total</i>
Contribution	-1,861	-751	-2,612

6.1.4.2 Mainstage economics are highly variable.

Mainstage opera is the core of WAO's offering. Box office revenue has grown at a compound rate of 2.71 percent per annum since 2011, while cost growth has been contained to a rate of 0.19 percent which is far less than the underlying rate of general price inflation in the economy. However the contribution from mainstage opera has been highly variable.

Exhibit 6.87 WAO: mainstage economics 2011 to 2014 (\$000, percent, cagr)

	2011	2012	2013	2014	cagr
Box office	1,220	1,230	1,330	1,322	2.71
Performance income	41	1,039	39	240	n/a
Production cost total	3,443	3,390	3,503	3,423	-0.19
Contribution to overhead costs	-2,182	-1,121	-2,134	-1,861	-5.17
Cost to income ratio (percent)	273	149	256	219	-

6.1.4.3 WAO's mainstage opera repertoire mix affects its cost-revenue dynamics

To generate box office revenue, WAO has staged both popular and less familiar works as part of its programming approach. WAO typically programmes about six performances of three different productions each year. Exhibit 6.88 shows the productions staged by WAO in the past six years.

Exhibit 6.88 WAO: mainstage productions 2009 to 2014 (number of performances in brackets)

2009	2010	2011	2012	2013	2014
<i>La Fanciulla del West</i> (6)	<i>Carmen</i> (6)	<i>Falstaff</i> (5)	<i>Elektra</i> * (3)	<i>Don Giovanni</i> (6)	<i>Otello</i> (4)
<i>The Marriage of Figaro</i> (7)	<i>Cavalleria Rusticana and Pagliacci</i> (7)	<i>The Tales of Hoffman</i> (5)	<i>Lucia di Lammermoor</i> (4)	<i>La bohème</i> (6)	<i>Il trovatore</i> (5)
<i>The Pearlfishers</i> (7)	<i>La Sonnambula</i> (5)	<i>Tosca</i> (7)	<i>Madama Butterfly</i> (6)	<i>La traviata</i> (6)	<i>The Magic Flute</i> (6)
	<i>Peter Grimes</i> * (3)				

* These productions were presented as part of festivals.

Over the past six years, revenue from popular works has been similar to revenue from less familiar works. However, the larger number of less familiar productions results in more of the production costs being driven by less familiar works.

Exhibit 6.89 WAO: overall mainstage box office and costs by category 2009 to 2014 (number, \$000)

Popular

<i>Year</i>	<i>Productions</i>	<i>Total box office</i>	<i>Total costs</i>	<i>Contribution to overheads</i>
2009	1	550	874	-324
2010	1	527	900	-374
2011	1	534	985	-451
2012	1	564	883	-319
2013	3	1,330	3,203	-1,873
2014	1	502	1,049	-548
Aggregate Average	8	4,006	7,894	-3,889

Less familiar

<i>Year</i>	<i>Productions</i>	<i>Total box office</i>	<i>Total costs</i>	<i>Contribution to overheads</i>
2009	2	942	2,002	-1,060
2010	3	978	2,856	-1,878
2011	2	686	1,909	-1,223
2012	2	666	2,232	-1,566
2013	-	-	-	-
2014	2	821	2,090	-1,269
Aggregate Average	11	4,093	11,088	-6,995

The less familiar works, on average, produce a worse financial outcome than the more popular productions as a consequence of fewer performances causing lower box office revenue per production.

Exhibit 6.90 WAO: average mainstage box office and costs by repertoire category, per production 2009 to 2014 (number, \$000)

Popular

<i>Year</i>	<i>Productions</i>	<i>Box office</i>	<i>Costs</i>	<i>Contribution to overheads</i>
2009	1	550	874	-324
2010	1	527	900	-373
2011	1	534	985	-451
2012	1	564	883	-319
2013	3	443	1,068	-624
2014	1	502	1,049	-547
Aggregate Average	8	501	987	-486

Less familiar

<i>Year</i>	<i>Productions</i>	<i>Box office</i>	<i>Costs</i>	<i>Contribution to overheads</i>
2009	2	471	1,001	-530
2010	3	326	952	-626
2011	2	343	955	-612
2012	2	333	1,116	-783
2013	-	-	-	-
2014	2	411	1,045	-635
Aggregate Average	11	372	1,008	-636

The result of this approach to programming has been a slow decline in overall revenue impacted by varying audience size as a consequence of the mix of popular and less familiar works. (Exhibit 6.91 outlines WAO's paid attendance and box office). In 2010, WAO offered 21 performances of four productions. In 2011, it offered 17 performances of standard repertoire of three productions. The reduction in the number of performances reduced audience size and box office. The increase in audience and box office in 2013 was a consequence of offering more performances of three popular productions, in contrast to a mix of popular and less familiar works in other years. In 2014, WAO offered 15 performances of which nine were for the less familiar works. This repertoire mix resulted in a reduction in attendees without significantly impacting box office revenue.

Exhibit 6.91 WAO: paid mainstage attendance and box office revenue 2009 to 2014 (number, \$000, cagr)

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Performances	20	21	17	13	18	15	-
Paid attendance	15,930	15,068	12,334	13,095	15,290	12,879	-4.16
Box office	1,492	1,505	1,220	1,230	1,330	1,322	-2.38

Subscribers responded positively to productions of less familiar works. The following table shows that a higher number of subscribers attend performances of less familiar works and make up a higher proportion of the audience. Individual ticket buyers are less likely to attend a less familiar opera. Overall, audiences typically pay more to attend a more popular opera.

Revenue in 2014 held up despite the lower audience size. This was a consequence of the average ticket price rising by 18 percent from \$87 to \$102 after having declined 7 percent the prior year.

Exhibit 6.92 WAO: composition of mainstage box office by category per performance 2009 to 2014 (\$, number, percent)

Popular

<i>Year</i>	<i>Average ticket price</i>	<i>Average number of attendees</i>	<i>Average number of subscribers</i>	<i>Percent subscribers</i>
2009	97	812	357	44
2010	102	863	326	38
2011	102	748	307	41
2012	98	962	355	37
2013	87	849	405	48
2014	102	819	325	40
Aggregate Average	95	841	360	43

Less familiar

<i>Year</i>	<i>Average ticket price</i>	<i>Average number of attendees</i>	<i>Average number of subscribers</i>	<i>Percent subscribers</i>
2009	92	788	394	50
2010	99	659	337	51
2011	97	710	415	58
2012	91	1,046	539	52
2013	-	-	-	-
2014	103	885	440	50
Aggregate Average	96	788	409	52

WAO has primarily utilised a mix of revived productions hired from Opera Australia, and Opera Conference productions. Additionally, WAO has periodically programmed productions which have been produced in partnership with Australian and international partners. This profile can be seen in Exhibit 6.93.

Exhibit 6.93 WAO: source of mainstage productions 2009 to 2014 (number)

<i>Source</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Co-production with Australian partners	-	1	-	1	-	-
Co-production with Australian and international partners	-	-	-	-	-	1
Opera Conference	1	2	1	-	1	-
Domestic hire	2	-	2	1	2	1
Revival	-	1	-	1	-	1
Total	3	4	3	3	3	3

Revived productions, including domestic hires (from Opera Australia) and Opera Conference productions, produce a better financial outcome than new co-productions. The number of new co-productions is relatively small in the repertoire mix and has a strong appeal to subscribers. These economics can be seen in Exhibit 6.94.

Exhibit 6.94 WAO: average cost-revenue dynamics of mainstage operas by source of production 2009 to 2014 (number, \$000)

<i>Source</i>	<i>Productions</i>	<i>Box office</i>	<i>Cost</i>	<i>Contribution to overheads</i>
Co-production with Australian partners	2	267	993	-726
Co-production with Australian and international partners	1	387	1,103	-716
Opera Conference	5	360	983	-623
Domestic hire	8	482	975	-493
Revival	3	508	923	-415

6.1.4.4 Regional programmes and other activities make a negative contribution

WAO provides a regional programme, a schools programme and concerts as part of its overall activities. These non-mainstage activities generate little revenue but drive significant costs as can be seen in Exhibit 6.95.

Exhibit 6.95 WAO: cost revenue dynamics of non-mainstage opera activities (school programmes, regional performances and community activities) 2011 to 2014 (\$000)

<i>Year</i>	<i>Box office and performance revenue</i>	<i>Cost</i>	<i>Contribution to overheads</i>
2011	18	222	-204
2012	11	658	-647
2013	20	626	-606
2014	49	800	-751

The most significant activity outside its mainstage programme is a free event, Opera in the Park, staged in the Supreme Court Gardens. This attracts an audience of about 15,000 and is broadcast to a number of regional towns throughout Western Australia. The costs associated with this are outlined in Exhibit 6.96.

Exhibit 6.96 WAO: cost revenue dynamics of community activities 2011 to 2014 (\$000)

<i>Year</i>	<i>Production</i>	<i>Box office and performance revenue</i>	<i>Cost</i>	<i>Gap</i>
2011	Opera in the Park	13	222	-209
2012	Opera in the Park	-	471	-471
2013	Opera in the Park	-	565	-565
2014	Opera in the Park	-	602	-602

WAO invests in regional programming and in taking opera to schools. Costs associated with these activities, while not significant, still put WAO under additional financial pressure. The economics of both are displayed in Exhibit 6.97 and 6.98.

Exhibit 6.97 WAO: cost revenue dynamics of regional productions 2011 to 2014 (\$000)

<i>Year</i>	<i>Production, presentation</i>	<i>Box office and performance revenue</i>	<i>Cost</i>	<i>Gap</i>
2011	Regional concert	-	-	-
2012	Opera under the Stars	-	153	-153
2013	Regional concert	-	21	-21
2014	Regional concert	36	156	-120

Exhibit 6.98 WAO: cost revenue dynamics of schools programmes 2011 to 2014 (\$000)

Year	Programme	Box office and performance revenue	Cost	Gap
2011	Smarter than Smoking School Incursion	5	-	5
2012	Smarter than Smoking School Incursion	11	34	-23
2013	Smarter than Smoking School Incursion	20	40	-20
2014	Smarter than Smoking School Incursion	13	42	-29

WAO receives private sector support to present some of the activities outside of its mainstage offering, particularly Opera in the Park. As a consequence of this private sector financial support, the non-mainstage activities of WAO result in a relatively small, but still significant, financial drag on the overall financial performance of the company.

Exhibit 6.99 WAO: targeted private sector support for non-core activities (school programmes, regional performances and community activities) 2011 to 2014 (\$000)

Year	Contribution to overheads	Private sector support	Contribution after private sector support
2011	-204	-	-204
2012	-647	556	-91
2013	-606	373	-233
2014	-751	403	-348

Thus, these activities, while important, put additional financial pressure on WAO.

6.1.4.5 Private sector income is showing recent signs of decline

WAO has been successful in raising private sector support. The background level of private sector support has been about \$1.6 million each year. In 2011, Andrew and Nicola Forrest gave WAO \$960,000 in the form of Fortescue Metals Group shares which drove the increase in that year. WAO reported a decline of \$270,000 in private sector support in 2014. This may reflect the changed state of the economy in Western Australia.

Exhibit 6.100 WAO: private sector support 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Private sector support	1,566	1,699	2,473	1,623	1,605	1,335

WAO accounts for the change in the market value of its holding in Fortescue shares, which impacted the reported financial result in the 2014 financial year.

Exhibit 6.101 WAO: value of Fortescue Metals Group shares 2011 to 2014 (\$000)

	2011	2012	2013	2014
Starting value	960	641	698	892
Change in value from previous years (includes revaluation and value of dividend reinvestment)	-320*	57	194	-464
Total equity	2,303	3,177	3,237	2,680

* Represents change in value in 2011.

6.1.4.6 WAO's overhead costs have been stable

WAO has managed its overhead costs to the extent that they have marginally reduced over the period from 2011 to 2014.

Exhibit 6.102 WAO: overheads 2011 to 2014* (\$000, cagr)

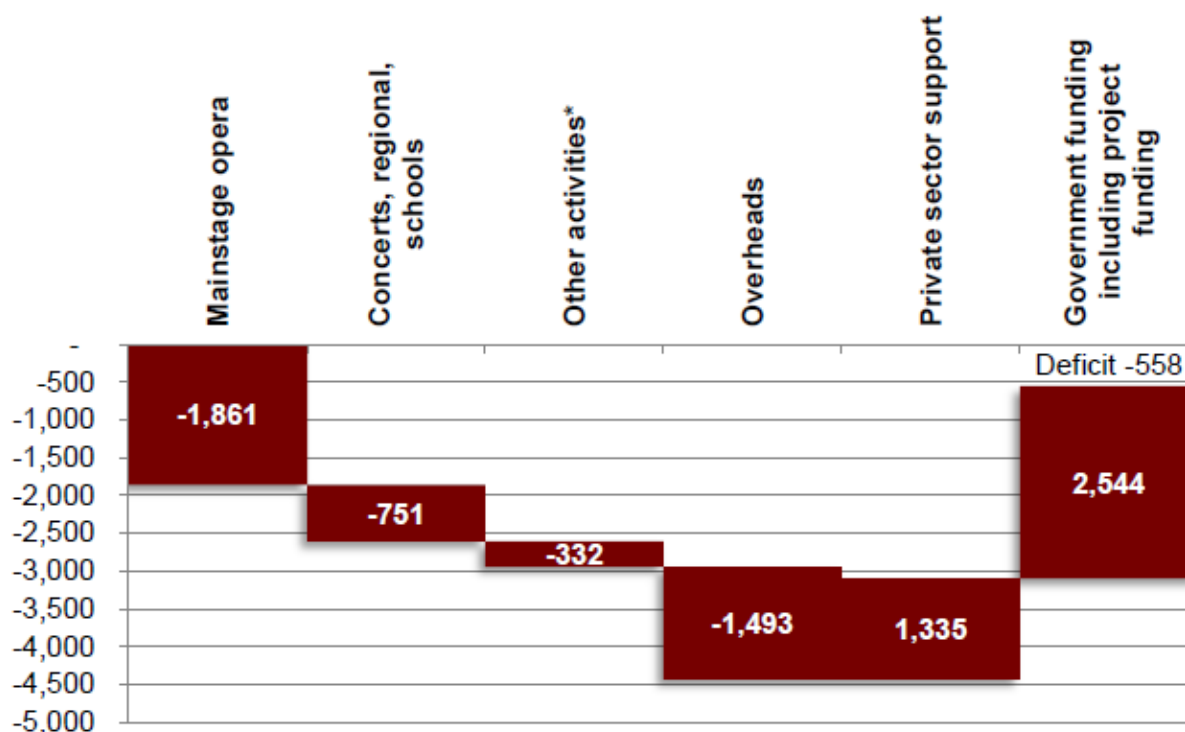
	2011	2012	2013	2014	cagr
Total administration, including employee expenses, IT, premises	1,553	1,436	1,420	1,493	-1.03

* Excludes revaluation of investments.

6.1.4.7 WAO relies on government funding

Exhibit 6.103 provides a snapshot for 2014 of how WAO's programme, overheads and income streams work together.

Exhibit 6.103 WAO: contribution analysis for 2014 (\$00)



* 'Other activities' takes into account miscellaneous company revenue, and the revaluation of assets (-\$479,000).

This exhibit shows that, despite WAO's strong financial management, it also relies strongly on government funding.

6.1.4.8 WAO's cash position is healthy but shows signs of deterioration

WAO has sufficient cash to meet its operating needs and the trend over the past six years, while stable versus 2009, has shown a decline for 2014 versus 2012. This can be seen in Exhibit 6.104

Exhibit 6.104 WAO: cash balance 31 December 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Cash at hand 31 December	2,125	2,715	2,218	2,702	3,681	2,391

6.1.4.9 Reserves are stable, but could become vulnerable over the long haul

WAO reports a healthy level of reserves and retained earnings as can be seen in Exhibit 6.105.

Exhibit 6.105 WAO: reserves 2009 to 2014 (\$000)

	2009	2010	2011	2012	2013	2014
Retained profits	385	172	728	1,545	1,181	860
Reserves	1,500	1,575	1,575	1,632	2,056	1,820
Total equity	1,885	1,747	2,303	3,177	3,237	2,680

In summary, WAO presents a picture of prudence and stability. There is, however, tension in programming between offering less familiar productions that appeal to subscribers, relative to offering popular works attractive to single ticket buyers, without disaffecting subscribers. Additionally, it is facing a more challenging Western Australian economic outlook that may impact on private sector support.

6.2 The companies are under significant artistic pressure

Artistic vibrancy lies at the core of each Major Opera Company's creating a cycle of success. Such vibrancy comes from offering a programme that engages with and innovatively challenges audiences, while offering performances of the highest artistic quality. Creating this dynamic underpins a company's long term sustainability, artistically, financially as well as from an audience perspective.

However, companies under financial pressure, such as that experienced by the Major Opera Companies, may initiate a short-term response that, while understandable, longer-term can create unintended consequences that erode and even undermine their artistic vitality. In those circumstances, the dynamics related to a cycle of success may be disrupted.

The task of assessing artistic vibrancy is not easy. Making qualitative judgements for a report of this nature necessarily carries a degree of subjectivity. For this reason, the Review Panel has used quantitative surrogates to the maximum extent possible. At the same time, it is recognised that the choice of such indicators carries with it a range of assumptions that can themselves be open to challenge. Nonetheless, such quantitative benchmarks are useful in providing a guide.

6.2.1 Reduced number of productions

The number, composition and quality of productions lie at the core of the artistic vibrancy of an opera company. They underpin the variety of opera that audiences can see staged, as well as the choices offered to artists.

Australia's Major Opera Companies have responded to the external pressures created by the GFC, as well as to the financial challenges posed to mainstage opera by reducing the number of productions offered each year.

Exhibit 6.106 outlines the number of mainstage productions staged since 2009, both in aggregate and by company.

Exhibit 6.106 Stagings of mainstage opera by Major Opera Companies 2009 to 2015 (number)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Opera Australia Sydney	13	12	12	10	10	9	9
Opera Australia Melbourne	7	7	7	7	7	7	5
Opera Queensland*	3	3	3	2	2	3	2
State Opera of South Australia**	3	3	3	3	3	5	2
West Australian Opera	3	4	3	3	3	3	3
Total	29	30	28	25	25	27	21

* Excludes concert presentations of *Macbeth in Concert* (2012) and *St Matthew Passion* (2013).

** Excludes Verdi *Requiem* (2015).

This analysis shows that, in aggregate, the overall number of opera productions staged has declined by 28 percent over the past six years, from 29 in 2009 to 21 in 2015. Opera Australia has seen the number reduce by six, while Opera Queensland and SOSA have decreased the number of mainstage opera productions by one.

This reduction means that fewer opportunities are available for artists to pursue a career in opera. It also means, as will be discussed in Chapter 6.3, that audiences have more limited opportunities to interact with the company.

6.2.2 Source of new productions

New productions of existing works are the stock in trade of opera companies. A new production, by offering a reinterpretation of the works within the canon, attracts not just new audiences, but invigorates regular attendees who might have seen another production of the same opera before. It also refreshes the artform.

However, whether the interpretation, design work and build is undertaken in Australia or overseas has implications for creative teams and technical staff. For instance, an international co-production directed, designed and built overseas provides limited employment opportunities for Australian teams. This is simply a statement of fact and should not be taken to indicate the Review Panel's predisposition one way or another.

In contrast, and while not universally the case, new productions commissioned by one of the Major Opera Companies or an Opera Conference production are more likely to engage Australian creative directors, designers and technical staff.

For this reason, it is relevant to understand the nature and source of productions. More specifically, a new production might be developed by one of the Major Opera Companies; or by a Major Opera Company as a co-production with one or more international companies; with other Australian opera companies or festivals; or a combination of Australian and international opera companies. Alternatively, a Major Opera Company may hire-in an existing production from another company either domestically or internationally, thereby bringing a new interpretation of an existing opera to audiences. The alternative is to stage productions of works that have already been seen either recently or some time before.

Exhibit 6.107 examines the profile of operas offered by each company by source of production. Opera Conference productions are examined separately below.

Exhibit 6.107 Profile of productions offered by each Major Opera Company by source of production 2009 to 2014 (number)

Type	Company	2009	2010	2011	2012	2013*	2014	Total
New production by the company	Opera Australia	1	1	2	3	6**	3	16
	Opera Queensland	1	1	-	2***	-	1	5
	SOSA	1	-	-	-	-	3****	4
	WAO	-	-	-	-	-	-	-
	Total	3	2	2	5	6	7	25
Co-production with international partners	Opera Australia	1	-	3	1	1	1	7
	Opera Queensland	-	-	-	-	1	-	1
	SOSA	-	-	1	-	-	-	1
	WAO	-	-	-	-	-	-	-
	Total	1	-	4	1	2	1	9
Co-production with Australian and international partners	Opera Australia	1	-	-	-	-	-	1
	Opera Queensland	-	-	-	-	1	-	1
	SOSA	-	-	-	-	-	2	2
	WAO	-	1	-	-	-	1	2
	Total	1	1	-	-	1	3	6
Co-production with Australian partners	Opera Australia	-	-	-	-	-	-	-
	Opera Queensland	-	-	-	-	-	-	-
	SOSA	-	-	-	-	-	-	-
	WAO	-	-	-	1	-	-	1
	Total	-	-	-	1	-	-	1
Opera Conference productions (including revivals)	Opera Australia	3	2	-	2	3	1	11
	Opera Queensland	-	1	1	-	-	-	2
	SOSA	1	1	1	-	2	-	5
	WAO	1	2	1	-	1	-	5
	Total	5	6	3	2	6	1	23
International hire	Opera Australia	-	1	-	-	-	-	1
	Opera Queensland	-	-	-	-	-	2	2
	SOSA	-	-	-	-	-	-	-
	WAO	-	-	-	-	-	-	-
	Total	-	1	-	-	-	2	3
Domestic hire	Opera Australia	-	-	1	-	1	-	2
	Opera Queensland	2	1	1	1	-	-	5
	SOSA	1	2	1	3	1	-	8
	WAO	2	-	2	1	2	1	8
	Total	5	3	5 [^]	5	4	1	23
Revival	Opera Australia	9 ^{^^}	9 ^{^^}	9	7	5	7	46
	Opera Queensland	-	-	1	-	-	-	1
	SOSA	-	-	-	-	-	-	-
	WAO	-	1	-	1	-	1	3
	Total	9	10 ^{^^^}	10	8	5	8	50

* 2013 does not include OQ's mainstage production of *St Matthew Passion* as this was a semi-staged production based on a previous production.

** 2013 includes *The Ring* which is counted as four new productions by the company.

*** Includes *Macbeth in Concert*.

**** 2014 Philip Glass *Trilogy* counted as three new productions by the company.

[^] 2011 one domestic hire was the hire of an OA international hire that OA had previously staged.

^{^^} Includes *A Little Night Music*.

^{^^^} 2010 two revival productions were revivals of OA co-productions with international partners which OA had previously staged.

This table indicates that revivals were the most common type of production offered either in any year for all companies or by a Major Opera Company in any year. Such

revivals include works commissioned by Opera Australia that were being revived either by that company or by another Major Opera Company; revived Opera Conference productions (such as *Falstaff*); and remounted other forms of productions previously staged by a specific company.

New productions and co-productions by the Major Opera Companies were the next most common approach, but in aggregate were a quarter of the number of revivals. This might be fiscally responsible given the cost of mounting a new opera, but the artistic vibrancy implications also need to be considered. The relatively few new productions in the wake of the GFC are also indicative of the financial pressures facing the companies.

International hires were the next most common form of new production. But while an international hire offers a new production to an audience, it does not enrich the artistic experience of Australian creative and technical staff by using their talents. Importantly, the number of international hires has accelerated in recent years.

Over the years, Opera Conference productions have been an important source of new productions of operas to Australia's Major Opera Companies. Historically, one is produced each year. However, as discussed in 5.1.3.2, the tensions that have developed among the companies in relation to Opera Conference have meant that a new Opera Conference production has only happened in four of the six post-GFC years. The four new productions that were undertaken were *La Fanciulla del West*, *La Sonnambula*, *Salome*, and *Force of Destiny*. Breaking with the tradition of being an Australian commission, the 2015 production of *Faust* was based on the co-production by Royal Opera House, Covent Garden, Opera de Monte-Carlo, Opera de Lille, and Fondazione Teatro Lirico Giuseppe Verdi, Trieste, which was first performed at Covent Garden in 2004. The key creative team for the Australian production was based in the UK, including the revival director, set designer, wardrobe co-ordinator, lighting designer, lighting realiser and choreographer. Despite the quality of the production, this has implications for the extent of use of Australian directors and creative teams.

Opera Australia's new productions have historically been available for hire by the other Major Opera Companies, particularly by WAO as well as by SOSA in the years where it has sought to refresh its reserves by offering more popular operas. However, Opera Australia's recent limited development of new productions has had the unintended consequence of the other Major Opera Companies seeking new productions from other sources. While audiences might be indifferent to the source of a new production of an opera, it has adversely impacted the amount and variety of work available for Australian creative and technical teams.

A comparison of the profile of the sources of productions of Opera Australia and Teatro alla Scala in Exhibit 6.108 supports this perspective. Teatro alla Scala has been chosen for comparative purposes because of the availability of data.

**Exhibit 6.108 Profile of productions: Opera Australia and Teatro alla Scala 2009 to 2014
(percent of total productions)**

Source	Company	2009	2010	2011	2012	2013	2014
New production by company	Opera Australia	7	8	13	15	38	17
	Teatro alla Scala	23	17	25	25	20	17
New international co-production	Opera Australia	7	-	20	8	6	8
	Teatro alla Scala	7	33	42	25	33	33
International hire	Opera Australia	-	8	-	8	-	17
	Teatro alla Scala	31	17	33	8	7	17
Revival	Opera Australia	71	77	60	62	50	50
	Teatro alla Scala	38	33	-	42	40	33

Revivals represent a significantly lower percent of productions for Teatro alla Scala than for Opera Australia. In turn, apart from 2013, the year of *The Ring*, relative to Teatro alla Scala, Opera Australia develops a far lower percentage of its own productions. In contrast, Teatro alla Scala has a far higher proportion of international co-productions and international hires. Given Europe's geography and the financial pressures facing many of Europe's major opera houses, this is not surprising.

In summary, therefore, new productions are the life blood of opera companies. It is they that provide the incentive for audiences to return to see new and fresh interpretations of works they know. However, the way such new productions are sourced has significant implications for Australian creative teams and technical staff. New productions by a company and Opera Conference productions typically provide employment opportunities and help refresh the canon with a distinctly Australian vision. While international co-productions and hires might provide an alternative and valuable source of such input, the risk is that a persistent trend in that direction, when combined with a reduced number of productions, might erode Australia's capacity to provide a career path for Australian directors, designers and creative staff. It might also adversely affect the ability to sustain specialist workshop facilities that cater for the vagaries of a demanding artform.

6.2.3 Narrowing the repertoire

As outlined in Chapter 5.1.1, a strategic response to the GFC and to the Major Opera Companies facing challenging financial pressures was to offer a higher proportion of more popular operas, and in the case of Opera Australia, to repeat popular operas more frequently. Doing so, as demonstrated in Chapter 6.1, is more attractive financially than staging less familiar works given that more single ticket buyers purchase significantly more tickets to popular operas. In this way, greater box office income is earned for the largely fixed costs associated with the production of an opera.

While this makes sound financial sense, there are, however, potentially unintended consequences associated with the narrowing of the repertoire. More specifically, Exhibit 6.109 shows the repertoire profile between 2009 and 2015 for Opera Australia.

Exhibit 6.109 Opera Australia: profile of repertoire Sydney and Melbourne 2009 to 2015 (number)

	2009	2010	2011	2012	2013	2014	2015
Number of productions – Sydney	13	12	12	10	10	9	9
Number of productions - Melbourne	7	7	7	7	7	7	5
Number of repeated operas*	4	5	6	9	4	7	9
Percent of repeated operas	20.0	26.3	31.6	52.9	23.5	43.8	64.3
Percent of Sydney repertoire repeated	23.1	33.3	41.7	70.0	30.0	55.6	77.8
Percent of Melbourne repertoire repeated	14.3	14.3	14.3	28.6	14.3	28.6	40.0

* A “repeated opera” for the purpose of this exhibit is an opera work that has been staged by Opera Australia within a 5 year period in the same city (ie. Repeated between 2005 and 2009). In some cases it may have been a different production of the same opera work.

This exhibit demonstrates that for Opera Australia, the intensity of operas being repeated has increased. As would be expected, a high proportion of operas are repeated between Sydney and Melbourne. However, the percent of operas being repeated in one of the two cities—particularly Sydney—has increased. More specifically, between 2009 and 2015, the percent of operas that were staged and not repeated in the same city decreased from 77 percent to 22 percent.

The way the repertoire has narrowed is also demonstrated in Exhibit 6.110 which shows the frequency with which most popular operas are offered in each of Sydney and Melbourne between 2009 and 2015.

Exhibit 6.110 Profile of repeated operas Sydney* and Melbourne 2009 to 2015 (number)

<i>Opera</i>	<i>Sydney</i>	<i>Melbourne</i>
<i>Magic Flute</i>	4	2
<i>La bohème</i>	4	1
<i>Madama Butterfly</i>	4	2
<i>La traviata</i>	3	1
<i>Marriage of Figaro</i>	3	2
<i>Tosca</i>	3	2
<i>Aida</i>	2	2
<i>Don Giovanni</i>	2	2
<i>Rigoletto</i>	2	2
<i>Carmen</i>	2	1
<i>Così fan tutte</i>	2	1
<i>Turandot</i>	2	1

* Does not include operas presented as part of HOSH.

Thus, in Sydney three operas are being offered in four of seven years and another three operas in just under half of the years between 2009 and 2015. Relative to prior periods, the frequency with which these operas are being staged has also increased significantly, particularly in Sydney. This perhaps appeals to the single ticket buyers wishing to attend a popular performance at the Sydney Opera House, but has more profound implications for subscribers.

In addition to the 60 different operas staged by Opera Australia between 2009 and 2015, the other three Major Opera Companies have staged another 9 operas. SOSA added five different works to those offered by Opera Australia in 2009, 2010, 2011 and 2014. In one case, the opera staged by SOSA was also mounted by WAO. More recently, each year from 2013 to 2015, Opera Queensland has added one additional diverse work to the operas staged in Australia. In addition, the other Major Opera Companies have staged 27 of the same operas performed by Opera Australia. As

well as the Opera Conference productions, others have been staged multiple times. These include *Madama Butterfly*, *Don Giovanni*, *Fidelio*, *La bohème*, *La traviata*, *Otello*, *Rigoletto*, *The Marriage of Figaro*, and *The Pearlfishers*. As with Opera Australia, many of these are popular works.

The focus on works that are regarded as popular has also had the unintended consequence of narrowing the choice of repertoire both by century and by country. As can be seen in Exhibit 6.111, the largest focus is on 19th century works, predominantly from Italy. This offers more restricted choice for audiences as well as for singers, even though it might somewhat assist with box office revenue.

Exhibit 6.111 Works by country and century, by company 2009 to 2015 (percent of total)

Opera Australia

<i>Century</i>	2009	2010	2011	2012	2013	2014	2015	Average
• 18th	15	8	13	23	6	17	27	15
• 19th	54	50	53	31	81	75	45	57
• 20th	31	33	27	46	13	8	27	26
• 21st	-	8	7	-	-	-	-	2

<i>Country of origin</i>	2009	2010	2011	2012	2013	2014	2015	Average
• Italy	38	42	33	38	56	67	64	48
• Austria	15	17	13	38	-	17	27	17
• France	8	8	20	8	6	8	9	10
• Russia	8	-	-	-	-	8	-	2
• Germany	8	8	7	8	25	-	-	9
• Australia	-	8	7	-	-	-	-	2
• United Kingdom	15	17	13	8	13	-	-	10
• United States of America	8	-	7	-	-	-	-	2

Opera Queensland

<i>Century</i>	2009	2010	2011	2012	2013	2014	2015	Average
• 18th	-	-	33	-	-	-	-	5
• 19th	100	67	-	100	100	67	50	68
• 20th	-	33	67	-	-	-	50	21
• 21st	-	-	-	-	-	33	-	5

<i>Country of origin</i>	2009	2010	2011	2012	2013	2014	2015	Average
• Italy	67	67	67	33	100	67	50	63
• Austria	-	33	33	-	-	-	-	11
• France	-	-	-	33	-	-	-	5
• Russia	-	-	-	-	-	-	-	-
• Germany	33	-	-	-	-	-	-	5
• Australia	-	-	-	-	-	-	-	-
• United Kingdom	-	-	-	33	-	-	-	5
• United States of America	-	-	-	-	-	33	50	11

State Opera of South Australia

<i>Century</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• 18th	-	-	-	-	-	-	33	4
• 19th	67	100	67	100	33	40	67	65
• 20th	33	-	-	-	67	60	0	26
• 21st	-	-	33	-	-	-	-	4

<i>Country of origin</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• Italy	33	33	33	33	67	40	33	39
• Austria	-	-	-	-	-	-	33	4
• France	33	33	33	33	-	-	33	22
• Russia	-	-	-	-	-	-	-	-
• Germany	33	33	-	33	33	-	-	17
• Australia	-	-	-	-	-	-	-	-
• United Kingdom	-	-	-	-	-	-	-	-
• United States of America	-	-	33	-	-	60	-	17

West Australian Opera

<i>Century</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• 18th	33	-	-	-	33	33	33	18
• 19th	33	75	67	33	67	67	33	55
• 20th	33	25	33	67	-	-	33	27

<i>Country of origin</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• Italy	33	50	67	67	67	100	33	59
• Austria	33	-	-	-	33	-	33	14
• France	33	25	33	-	-	-	33	18
• Russia	-	-	-	-	-	-	-	-
• Germany	-	-	-	33	-	-	-	5
• Australia	-	-	-	-	-	-	-	-
• United Kingdom	-	25	-	-	-	-	-	5
• United States of America	-	-	-	-	-	-	-	-

All companies

<i>Century</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• 18th	14	5	13	14	8	13	26	13
• 19th	59	64	50	50	75	65	47	59
• 20th	27	27	29	36	17	17	26	26
• 21st	-	5	8	-	-	4	-	2

<i>Country of origin</i>	2009	2010	2011	2012	2013	2014	2015	<i>Average</i>
• Italy	41	45	42	41	63	65	53	50
• Austria	14	14	13	23	4	9	26	15
• France	14	14	21	14	4	4	16	12
• Russia	5	-	-	-	-	4	-	1
• Germany	14	9	4	14	21	-	-	9
• Australia	-	5	4	-	-	-	-	1
• United Kingdom	9	14	8	9	8	-	-	7
• United States of America	5	-	8	-	-	17	5	5

The increasing focus on 19th and early 20th century popular Italian dramatic repertoire narrows the voice types that the Major Opera Companies utilise. The consequence of this is that the development of versatile artists with a wide range of vocal talents and repertory suitability might be impeded.

6.2.4 Fewer new works

The development of new works is important to the reinvigoration of the artform. Without it, the artform, over time, is unlikely to adequately reflect its own time and place.

However, because new works do not have an established track record, they represent a higher degree of financial risk for the presenting company. This is compounded by the expectation that a new work for the mainstage will have production values comparable to those for more established work. Low venue utilisation of such works for a mainstage production would increase the financial risk.

As a result, and exacerbated by the financial pressures facing the companies, only one new mainstage premiere—*Bliss*—has been staged during the period from 2009 and 2014. This occurred in 2010.

However, along with *Bliss*, other non-mainstage works have been developed. Exhibit 6.112 outlines those works.

Exhibit 6.112 New Australian opera works commissioned or first performed by the Major Opera Companies 2010 to 2015 (number)

<i>Company</i>	<i>Title</i>	<i>Year</i>	<i>Type</i>
Opera Australia	<i>Bliss</i>	2010	Mainstage, in Sydney and Melbourne seasons
State Opera of South Australia	<i>Ode to Nonsense</i>	2013	Non-mainstage, opera for families
Opera Australia and Barking Gecko Theatre Company in association with WAO	<i>The Rabbits</i>	2015	Non-mainstage, presented as part of the Perth International Arts Festival and the Melbourne Festival
Opera Australia, West Australian Opera, Opera Queensland and State Opera of South Australia as part of Opera Conference	<i>The Divorce</i>	In development 2015	For television broadcast
West Australian Opera, New Zealand Opera and Victorian Opera	<i>Star Navigator</i>	In development	Type of production not yet known. Commissioned work by Tim Finn
State Opera of South Australia	<i>Cloudstreet</i>	In development 2016	Mainstage

Nonetheless, the number of new works developed for either mainstage or alternate small venues is low. This stands in contrast to a company such as Victorian Opera which has performed a new Australian work every year over the same period (2009 to 2014). These are: *Rembrandt's Wife* (2009); *The Parrot Factory* and *The Cockatoos* (2010); *How to Kill Your Husband (and other Handy Household Hints)* (2011); *Midnight Son* (2012); *The Magic Pudding* (2013); and *The Riders* (2014).

Thus, Australia's Major Opera Companies are not producing new works in the way that might be anticipated and expected.

6.2.5 Reduced artistic opportunities

The reduced number of productions and performances has had significant implications for artists, particularly for singers.

It is particularly significant because opera singers require a long period of study and stamina-building apprenticeship before they can earn salaries or fees commensurate with their skills. During the development stage, they need specialist training, often at a tertiary institution; they require private coaching and lessons in vocal technique and languages; possible entry into a young artists' programme for the fortunate few; and the acquisition of performance skills and "match fitness" that comes from having a continuity of performing and covering roles at an appropriate level in which they can refine and perfect their craft. Moreover, it is important that young singers do not undertake demanding principal roles too early in their career while their voices and artistry mature.

However, the ability to undertake this long period of artistic growth and development has potentially been diminished for a number of reasons which are elaborated on below.

6.2.5.1 Decreased number of principal roles

The number of available principal roles has diminished due to the reduction in mainstage productions and hence performances. Longer term, this is likely to adversely impact the attractiveness of pursuing a career in opera. Principal roles can include leading, feature and support roles. Exhibit 6.113 outlines the way the number of principal roles offered by Opera Australia has reduced since 2010.

It should also be noted that each principal role in Opera Australia performances needs to be covered or understudied so that in the event of illness or accident to a principal singer in a production, a rehearsed and suitable alternative singer can take over the role so that the performance can go ahead and its box office income be preserved.

Exhibit 6.113 Principal roles (leading / feature / support) and performances available in Opera Australia's mainstage* opera productions 2010 to 2014 (number)*

Sydney

	2010	2011	2012	2013	2014
Total number of productions	12	12	10	10	9
Total number of performances***	165	161	131	111	120
Total number leading / feature / support roles	122	102	89	84	80
Total number leading / feature / support role on-stage performances	1,607	1,398	1,134	921	1,193

* Excludes HOSH. 2012 to 2014 includes the New Year's Eve performances of *La bohème*.

Melbourne

	2010	2011	2012	2013	2014
Total number of productions	7	7	7	7	7
Total number of performances	51	55	60	31	52
Total number leading / feature / support roles	68	51	65	68	58
Total number leading / feature / support role on-stage performances	482	416	567	276	438

While *The Ring* in 2013 exacerbated this development, the downward trend is clear.

6.2.5.2 Greater use of international singers

The use of acclaimed international singers in Australian performances is attractive to audiences and at the same time provides an often interesting benchmark for Australian artists in stimulating collaborations. International guests have been a part of Opera Australia's programming since its very first season in 1956. Such guests are often engaged when a particular specialist role is difficult to cast, when a revival is made more attractive by a change of cast, and when the artist's world reputation and professional profile justifies their engagement on grounds of artistic excellence and public appeal.

One of the factors currently adversely impacting the perceived attractiveness of pursuing a career as an opera singer in Australia is a response to the increasing number of non-Australian principal singers being engaged to sing leading roles for opera performances with Australia's Major Opera Companies, particularly Opera Australia. This view was relayed to the Panel at its public consultations.

This is not to opine at this stage of the Review process on the appropriateness of the engagement of such singers. It is merely to point out the impact that these perceptions are having on Australia's community of operatic performers.

For this reason, the Panel has examined the underlying facts. That analysis is contained in Exhibit 6.114.

Exhibit 6.114 Non-Australian principal singers engaged for leading roles in mainstage opera* performances by the Major Opera Companies 2009 to 2015 (number)

Company	2009	2010	2011	2012	2013	2014	2015
Opera Australia*	10	6	8	11	19	19	19
Opera Queensland	3	2	1	3	3	5	-
State Opera of South Australia	1	1	2	1	3	-	-
West Australian Opera**	1	3	1	4	1	2	4
Total	15	12	12	19	26	26	23

* OA numbers include non-Australian singers engaged for HOSH performances.

** WAO 2010 and 2012 figures include two singers each year engaged by Perth International Arts Festival, and 2015 includes three singers engaged on the same basis.

Exhibit 6.115 outlines the use of non-Australian singers by Opera Australia to undertake leading roles and demonstrates that the percentage of leading role on-stage performances by non-Australian principal singers has increased since 2010.

Exhibit 6.115 Opera Australia: non-Australian singers in leading role performances in mainstage opera* and HOSH 2010 to 2015 (number, percent)

	2010	2011	2012**	2013	2014	2015
Number non-Australian principal singers	6	8	11	19	19	19
Number lead role on-stage performances by non-Australian principal singers	60	85	124	177	165	182
Number of lead role on-stage performances available	838	744	739	567	674	668
Percentage lead role on-stage performances by non-Australian singers	7.2	11.4	16.8	31.2	24.5	27.2

* Mainstage performances from 2012-2015 include the NYE performances of *La Bohème* and 2015 also includes the 30 December 2015 performance of *The Magic Flute*.

** 2012 does not include performances in Brisbane.

There is little doubt, therefore, that the number of international singers in leading roles has significantly increased. However, that does not tell the whole story. The aggregate number of performances by Australians needs to be examined, as does the percent of the performances that they represent. This can be seen in Exhibit 6.116 for Opera Australia which employs most of the international singers and has the largest number of opera performances.

Exhibit 6.116 Casting of Australian and non-Australian principal singers in leading roles in mainstage opera and HOSH by Opera Australia 2011 and 2014 (number, percent)

	2011	2014 mainstage opera	2014 HOSH	2014 total
Total opera performances	216	172	19	191
Total lead roles	65	61	2	63
Total lead role on-stage performances	744	636	38	674
Lead role on-stage performances by non-Australians	85	136	29	165

Percent of lead role on-stage performances by Australians

- Overall	88.6	78.6	23.7	75.5
- In Sydney	88.7	81.4	23.7	77.0
- In Melbourne	88.1	71.3	n/a	71.3

While the number of non-Australian singers in leading roles has significantly increased as has the number of their performances, nonetheless Australians still sing 75.5 percent of leading roles. The larger issue is not so much the use of non-Australian singers but the concurrent decrease in the number of available principal roles and performances, which is largely a function of the decreased number of productions in Sydney and performances in Melbourne.

As a consequence, it is becoming more difficult for Australian singers to maintain necessary “match fitness” in an environment in which many are unable to maintain consistent rehearsal and performance activity and employment throughout a year.

6.2.5.3 Fewer ongoing roles in principal ensemble

Another factor that may impact the ongoing artistic vibrancy of opera in Australia is the ability of artists to sustain a career, particularly after many years of classical training. That manifests itself in a variety of ways.

Opera Australia is the only opera company in Australia to employ a full-time ensemble of principal artists. Sustained employment is essential not just for a classically trained opera singer to make a livelihood, but also to have the opportunity to sustain and enhance their craft.

However, due to the financial pressures facing Opera Australia and its scheduling fewer productions and performances, it has reduced the number of singers employed on 52 week contracts. The extent of this change can be seen in Exhibit 6.117.

Exhibit 6.117 Singers engaged by Opera Australia as members of principal ensemble on 52 weeks per year contracts* 2011 to 2015 (number)

	2011	2012	2013	2014	2015
Number of singers	15	13	13	14	11

* Excludes Young Artist Program participants.

Thus, the number of principal singers employed on a full-time basis has reduced by 27 percent from 2011 to 2015.

6.2.5.4 Fewer positions available as choristers

In addition, the number of singers employed in the chorus has also reduced in response to financial pressures and fewer mainstage productions. This can be seen in Exhibit 6.118.

Exhibit 6.118 Profile of chorus members (FTE) engaged by Opera Australia 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Ongoing	45	44	40	40	36	39
Seasonal	3	3	8	8	24	2
Casual	12	7	11	16	16	8
Total	60	54	59	64	76	49

This shows the reduction in the number of singers in the chorus. Full-time ongoing employment for choristers sustains a career in opera, builds vocal stamina to sing demanding scores and provides inherited knowledge of the standard repertoire, particularly for those works that are frequently revived.

Because Opera Australia has reduced the numbers of ensemble principals it engages, a greater number of principal role opportunities—both as a cover or a scheduled performer—are available to choristers with soloist ambitions and ability. Particularly smaller roles, which have hitherto been performed by principals or members of the Young Artists Program, are now being cast with choristers.

6.2.5.5 Fewer ongoing positions in the orchestra

Opera Australia administers the AOBO with which it performs in Sydney. In Melbourne, it performs with Orchestra Victoria, which is a subsidiary of The Australian Ballet. Opera Australia has reduced the number of ongoing positions in the AOBO in an attempt to variabilise its costs. Seasonal positions have also not increased significantly. On the other hand, in response to the diversity of types of performances it has been offering, including musicals and HOSH, it has employed significantly more casual orchestral players.

Exhibit 6.119 Nature of engagement of orchestral players (FTE) engaged by Opera Australia 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Ongoing	64	63	60	60	58	56
Seasonal	9	7	9	8	8	10
Casual	15	12	17	23	32	54
Total	88	82	86	91	98	120

Thus, the number of full-time positions in the orchestra has reduced.

6.2.5.6 Reduced number of ongoing technical staff

Opera Australia’s Technical Departments have two different responsibilities and types of operation—manufacturing, and theatre performance and maintenance. Accordingly, scenery, costumes, props and wigs have two specific “staffs”—one manufacturing in the workshops, the other maintaining and operating sets, costumes, wigs and props in the theatre and during performances. Some specialist skills, such as scenic painting, function mainly in the workshop, only moving to the theatre if required for a specific maintenance or repair job. Other specialist technical skills such as electrics (lighting and special effects), sound (an increasing activity especially with musicals and HOSH), makeup and dressers are only engaged in performance, rehearsal and maintenance in the theatre (and are not included in the numbers in Exhibit 6.120 below).

The casualisation of Opera Australia’s workforce is also reflected in the employment profile of technical staff. This can be seen in the wardrobe and wigs department, and to a lesser extent in the sets and props workshop. Exhibits 6.120 and 6.121 provide that profile.

Exhibit 6.120 Nature of engagement of wardrobe and wigs staff (FTE) by Opera Australia 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Ongoing	26	18	21	21	25	17
Seasonal	9	9	9	10	10	17
Casual	0	2	4	4	5	8
Total	35	29	34	35	40	42

Thus, while the total number of staff in wigs and the wardrobe have increased, this has come about largely through the increase in seasonal and casual staff, while the number of ongoing staff has decreased.

Exhibit 6.121 Nature of engagement of set and props workshop staff (FTE) by Opera Australia 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014
Ongoing	17	16	12	12	16	16
Seasonal	-	-	2	3	4	4
Casual	2	2	4	5	18	3
Total	19	18	18	20	38	23

The number of ongoing staff in sets and props has been quite volatile, decreasing by 25 percent and then increasing again because of *The Ring*. The overall increase has again occurred because of the increase in the number of seasonal and casual staff.

These changes have implications for individuals wishing to pursue a career, more so because they are specialist skills where expertise is developed through years of experience.

Notwithstanding the trends elaborated on in the previous sections, the overall number of artistic personnel employed by the opera companies has increased, in part reflecting the additional and diverse activities being undertaken by Opera Australia in particular.

Exhibit 6.122 Artistic personnel (FTE) engaged by the Major Opera Companies 2009 to 2014 (number)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Opera Australia	245	234	243	273	302	309
Opera Queensland	8.9	21.1	15.7	14.0	12.3	9.4
State Opera of South Australia	20.3	20.8	17.9	25.2	19.5	20.4
West Australian Opera	11*	11*	11*	11	11	12

* Estimate only.

6.2.5.7 Fewer opportunities for younger artists

Young artist development programmes were added to opera company activities as a vital “grow your own” adjunct to performance activity. Young singers of definite potential and interests are engaged for a period—usually two years—to be a bridge period between student / amateur and full-time professional activity as a principal singer. Gaps or weaknesses in individual accomplishment are identified and instruction given to fill such gaps. In addition to group activities such as language, movement and stagecraft, historically young artists have performed smaller roles within the mainstage repertoire, covered larger roles and sometimes performed principal roles on regional tours. Increasingly, however, Opera Australia is utilising young artists as performers, sometimes in leading roles. The number of remunerated young artist positions within the four Major Opera Companies has decreased between 2012 and 2014.

Exhibit 6.123 Remunerated young artist positions 2012 to 2014 (number)

	<i>2012</i>	<i>2013</i>	<i>2014</i>
Opera Australia	5	3	3
Opera Queensland	6	-	-
State Opera of South Australia	-	-	-
West Australian Opera	-	-	-
Total	11	3	3

SOSA and WAO support young artists on a non-remunerated or an out of pocket expenses basis.

6.2.6 Constraints in other areas

Performers in musicals in the 21st century are invariably amplified within an overall sound design for the show in question. This enables casting of musicals to encompass celebrity personalities from other areas of entertainment such as film and television, who appeal to the public, but do not always have the same type of singing talent required of an opera singer. Even if an opera singer takes a role in a musical they are amplified and miked—rather than singing with natural sound as is normally the case with mainstage opera.

Most regular performers in musicals are “triple threats”—contemporary artists who have the skills to act, sing and dance. Performers in musicals are expected to perform nightly, usually doing up eight performances a week. In contrast, performers in leading

roles in mainstage opera, which is typically unamplified, usually sing three times a week or five times a fortnight.

Some musicals—notably those composed by Rodgers and Hammerstein—*Carousel*, *South Pacific*, *The Sound of Music*—have individual roles intended for classically trained voices. Other works—such as *Kiss Me, Kate* and *Fiddler on the Roof*—were written for Broadway performers, but can fit well into an operatic ensemble as has been proven by various European companies and Opera Australia, in the case of *Fiddler*. In these instances, usually only two or three “triple threat” artists need to be engaged.

Each musical has different requirements of its cast in terms of age, physical type and even national origin. Physical credibility onstage is expected by audiences in musicals to a greater extent than is often the case in opera, when an outstanding voice is usually the principal casting criterion. An operatic ensemble and chorus would undoubtedly sing Bernstein’s *West Side Story* magnificently—but is unlikely to be accepted physically by an audience as teenage delinquents who are also required to dance with gusto.

The main impact that musicals can have on opera singers relates to the consequent reduction in performance numbers and productions of mainstage opera. If, for example, 50 evenings in the Joan Sutherland Theatre are given over to musicals, there will be up to 50 fewer operatic performances given in a season. A separate group of triple threat performers will need to be engaged and there will be significantly fewer operatic engagements available to professional opera singers, both principal and chorus, than in days when opera performances—sometimes with a musical or operetta as part of the season repertoire—were spread across an entire season. Such a scenario further impacts on specialist opera singers being able to maintain “match fitness” by performing regularly and also negatively affects the earning potential of such highly qualified professionals.

Thus, overall, the financial challenges facing the companies are manifesting themselves in pressure on artistic vibrancy, as well as on access.

6.3 Audiences have increased, but mainstage access is under pressure

At the core of the challenges following the GFC lay the reduced attendances for mainstage opera. Given the high fixed costs associated with opera productions, reduced utilisation caused the economics of the opera companies to come under pressure. This, in turn, resulted in responses at an artistic level that have had the unintended consequences elaborated on Chapter 6.2.

This section elaborates, more specifically, on outcomes from an access perspective, recognising that the virtuous circle which is so integral to an opera company’s well-being, can become a cycle of decline with access issues being the trigger that causes such a turnaround.

6.3.1 Increase in overall audiences

Paid attendances for the Major Opera Companies have significantly increased between 2009 and 2014. This is a positive outcome given the declining attendance numbers experienced by other opera companies throughout the world. The increase in total attendance numbers, as well as the decline between 2009 and 2011 in response to the GFC can be seen in Exhibit 6.124.

Exhibit 6.124 Total paid capital city attendance by Major Opera Company 2009 to 2014 (number, cagr)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Opera Australia	272,749	256,425	257,069	419,492	359,973	531,993	14.30
Opera Queensland	24,823	21,333	16,283	18,100	10,724	12,259	-13.16
State Opera of South Australia	12,670	22,497	19,189	18,243	15,690	12,480	-0.30
West Australian Opera	18,850	15,538	12,334	13,095	15,290	12,879	-7.34
Total	329,092	315,793	304,875	468,930	401,677	569,611	11.60

In addition, reaching audiences in regional Australia has also been important to the companies. The total audiences reached through those initiatives from 2009 to 2014 are shown in Exhibit 6.125.

Exhibit 6.125 Total regional attendees by Major Opera Company 2009 to 2014* (number, cagr)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Opera Australia	14,795	17,078	11,032	17,584	9,070	23,507	9.70
Opera Queensland	1,358	4,297	1,777	5,620	5,155	8,863	45.52
State Opera of South Australia	-	1,110	-	4,513	1,791	-	n/a
West Australian Opera	-	-	-	1,100	214	416	n/a
Total	16,153	22,485	12,809	28,817	16,230	32,786	15.21

* Includes all attendances, paid and unpaid.

But while the overall numbers look robust, they reflect the strategic initiatives taken by the Major Opera Companies, particularly Opera Australia in the wake of the GFC. For this reason, each company's underlying trend needs to be examined in each core area of business activity. That shows a more complex picture that is elaborated on in the following sections.

6.3.2 Decline in mainstage attendances

Mainstage opera attendances have declined overall, with significant variations among the Major Opera Companies.

Exhibit 6.126 Total paid mainstage opera audiences by Major Opera Company 2009 to 2014 (number, cagr)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Opera Australia*	260,481	239,225	251,066	218,873	168,116	190,536	-6.06
Opera Queensland	22,931	21,333	16,283	18,100	10,724	11,963	-12.20
State Opera of South Australia	12,670	16,761	16,015	15,235	14,324	12,201	-0.75
West Australian Opera	15,930	15,068	12,334	13,095	15,290	12,879	-4.16
Total	312,012	292,387	295,698	265,303	208,454	227,579	-6.12

* Excludes musicals undertaken in conjunction with a commercial producer, even if included as part of a mainstage season. Includes *The Ring* in 2013, as well as New Year's Eve performances of mainstage opera productions presented in the following year's Summer Season.

Given its size and strategic response, Opera Australia has had a disproportionate impact on the outcome.

To better understand the underlying trends, mainstage paid attendances can be divided into subscribers and single ticket sales. Each of these is described in turn.

6.3.2.1 Erosion of subscriber attendances

As has been demonstrated in Chapter 4.1.5.1, retaining and enhancing subscriber loyalty is essential to a Major Opera Company's economic well-being. Not only, over time, do they contribute much more than a single ticket purchaser in net present value, but by buying their subscription tickets early, in case of Opera Australia and Opera Queensland, they provide the companies with an invaluable cash flow that supports ongoing investment in new productions.

Exhibit 6.127 Subscriber tickets sold for the Major Opera Company mainstage operas 2009 to 2014 (number, cagr)*

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>cagr</i>
Opera Australia	101,332	98,371	105,608	87,966	61,069**	75,363	-5.75
Opera Queensland	11,000	10,824	9,201	7,031	5,943	5,546	-12.80
State Opera of South Australia	6,266	6,768	6,081	7,215	6,503	4,127	-8.01
West Australian Opera	7,623	7,014	6,297	5,903	7,292	5,909	-4.97
Total	126,221	122,977	127,187	108,115	80,807	90,945	-6.35

* Subscribers to mainstage seasons. Does not include subscription tickets sold to *South Pacific, King and I* or HOSH from 2012-14. Does include some concerts that were included as part of the season, as well as New Year's Eve performances of opera productions presented as part of the following year's Summer Season.

** Excludes *The Ring*.

Thus, all the Major Opera Companies have experienced a decline in sales of subscription tickets between 2009 and 2014.

In the case of Opera Australia, the trend can be examined between Sydney and Melbourne.

Exhibit 6.128 Subscriber tickets* sold for Opera Australia mainstage Sydney and Melbourne 2009 to 2014 (number)

	2009	2010	2011	2012	2013	2014	cagr
Sydney	65,176	66,174	66,769	52,665	48,305	43,946	-7.58
Melbourne	36,156	32,197	38,839	35,301	12,764**	31,417	-2.77
Total	101,332	98,371	105,608	87,966	61,069	75,363	-5.75

* Subscribers to mainstage seasons. Does not include subscription tickets sold to *South Pacific* or *King and I* or HOSH from 2012-14. Does include some concerts that were included as part of the season, as well as New Year's Eve performances of opera productions presented as part of the following year's Summer Season.

** Excludes *The Ring*.

Thus, since 2012, the number of subscriber attendees has eroded faster in Sydney than in Melbourne. Recognising that a higher proportion of repeat operas have been staged in Sydney (see Chapter 6.2.3), this might reflect the reaction of Sydney subscribers to being offered repeat operas. It can also reflect the higher average ticket price paid by subscribers in Sydney versus those buying single tickets, as well as the higher ticket price in Sydney versus Melbourne, as can be seen in Exhibit 6.129.

Exhibit 6.129 Average ticket price for Opera Australia subscribers and single ticket sales in Sydney and Melbourne 2009 to 2014 (\$)

	2009	2010	2011	2012	2013	2014
Sydney						
- Subscriber tickets	146.1	133.9	153.0	152.0	154.2	159.7
- Single tickets	126.2	129.4	136.7	139.7	139.9	126.7
Melbourne						
- Subscriber tickets	113.8	128.3	116.5	122.8	119.1	119.4
- Single tickets	101.9	98.1	107.5	110.3	270.2*	111.2

* Includes *The Ring*.

Thus, while subscribers typically can obtain better seats relative to their chosen price bracket, it is possible that they do not see value for money relative to the price available to single ticket buyers.

In the case of Melbourne, ticket prices are not as high and the erosion of the subscriber base has not been as acute. However, other factors have intervened and potentially played a role in the loss of subscribers. In particular, the staging of *The Ring* in 2013 caused a significant loss of subscribers. As can be seen in Exhibit 6.128, while subscribers have returned in 2014, they have not done so to the same extent as in 2012. The 14 percent reduction between 2012 and 2014 is broadly the same as the impact of the GFC and the reduction that occurred between 2011 and 2012.

The loss of a subscriber base has a greater impact than just at the box office. By paying in advance, subscribers may also fund the Companies' working capital and investment in sets and productions, as is the case for Opera Australia and Opera Queensland. These prepaid amounts can be seen in Exhibit 6.130.

Exhibit 6.130 Trend in reported unearned income of Major Opera Companies 2009 to 2014 (\$'000)

Company	2009	2010	2011	2012	2013	2014
Opera Australia	14,053	14,954	19,439	23,662	17,672	18,016
Opera Queensland	324	325	265	315	355	230
State Opera of South Australia*	954	1,201	912	1,171	994	553
West Australian Opera	318	1,125	1,035	207	284	220

* Includes advance box office and advance sponsorship.

For West Australian Opera and State Opera of South Australia, these funds become available to the companies only when the production has finished because ticketing is done through an agency.

6.3.2.2 Reduced single ticket attendees

Single ticket attendees are also very important to each of the companies. They provide the variable box office income that defines the extent of the contribution that the production will make to overheads. In theory, at least, they are the marginal buyers who dictate the overall return.

Exhibit 6.131 outlines the number of single tickets sold by each company from 2009 to 2014.

Exhibit 6.131 Single tickets sold to mainstage operas by the Major Opera Companies 2009 to 2014 (number, cagr)

<i>Company</i>	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Opera Australia	159,149	140,854	145,458	130,907	107,047*	115,173	-6.26
Opera Queensland	11,931	10,509	7,082	11,069	4,781	6,417	-11.67
State Opera of South Australia	6,404	9,993	9,934	8,020	7,821	8,069	4.73
West Australian Opera	8,307	8,054	6,037	7,192	7,998	6,970	-3.45
Total	185,791	169,410	168,511	157,188	127,647	136,629	-5.96

* Includes *The Ring*.

Overall, single ticket sales have declined at a somewhat higher rate than subscription attendees. However, the rate of change between subscribers and single ticket sales varies by company and by year, in large measure reflecting the mix of popular versus less familiar operas. Exhibit 6.132 provides an analysis of single ticket attendees as a percent of total attendees by company by year.

Exhibit 6.132 Proportion of single tickets sold to mainstage operas by the Major Opera Companies 2009 to 2014 (percent)

<i>Company</i>	2009	2010	2011	2012	2013	2014
Opera Australia	61.1	58.9	57.9	59.8	63.7	60.4
Opera Queensland	52.0	49.3	43.5	61.2	44.6	53.6
State Opera of South Australia	50.5	59.6	62.0	52.6	54.6	66.2
West Australian Opera	52.1	53.5	48.9	54.9	52.3	54.1
Total weighted average	59.5	57.9	57.0	59.2	61.2	60.0

The single ticket sales in Sydney and Melbourne for Opera Australia can be seen in Exhibit 6.133. This Exhibit shows that single ticket sales show a reasonable degree of volatility and have declined at a higher rate in Sydney than in Melbourne, not taking into account the 2013 impact of *The Ring*.

Exhibit 6.133 Single tickets sold for Opera Australia mainstage operas Sydney and Melbourne 2009 to 2014 (number, cagr)

	2009	2010	2011	2012	2013	2014	<i>cagr</i>
Sydney	125,068	112,737	113,767	99,097	73,966	85,925	-7.23
Melbourne	34,081	28,117	31,691	31,810	33,081	29,248	-3.01
Total	159,149	140,854	145,458	130,907	107,047	115,173	-6.26

Thus, the reduction of mainstage attendees is a significant concern. While the GFC might have been the initial impetus, the financial pressures unleashed on the Major Opera Companies by the GFC might have created a vicious cycle from an artistic perspective that is having a flow-on impact in respect of audience numbers, particularly on subscribers, but also on single ticket purchases.

6.3.3 Growth in attendance at musicals

In response to the pressures exerted on the company by the GFC, Opera Australia embarked on the course of offering musicals in association with the Gordon Frost Organisation. As elaborated elsewhere, through that association, they have staged *South Pacific* and *The King and I*. In 2015, *Anything Goes* is being presented.

These musicals have been offered in most capital cities, although the ticket prices at which they have been offered vary widely.

Exhibit 6.134 Attendances at and average ticket prices for Opera Australia musicals 2012 to 2014 (number, \$)

	<i>Paid attendance 2012</i>	<i>Average ticket price 2012</i>	<i>Paid attendance 2013</i>	<i>Average ticket price 2013</i>	<i>Paid attendance 2014</i>	<i>Average ticket price 2014</i>
Sydney	52,522	117	64,564	102	95,941	128
Melbourne	86,649	104	-	-	94,557	107
Brisbane	7,820	111	41,348	105	62,594	107
Adelaide	-	-	3,803	97	27,996	105
Perth	-	-	30,088	111	-	-
Total	146,991	-	139,803	-	281,088	-

From Opera Australia's perspective, there would appear to be merit in diversifying and increasing its attendee base given the challenges it has faced with declining attendances for mainstage opera, a challenge faced by other companies globally. In addition, those advantages could convert to attracting a new audience to mainstage opera.

Exhibit 6.135 shows that a very high proportion of those going to musicals had not previously had an association with Opera Australia. However, those attendances have not translated at this point into mainstage attendances for several reasons. First, Opera Australia does not offer mainstage opera in cities other than Melbourne and in 2012 in Brisbane. Second, the conversion rate even in Sydney, where both are offered, is quite low.

Exhibit 6.135 Profile of musical attendees in Sydney and the cross-sell to other Opera Australia performances (number, percent)

South Pacific

	<i>Number</i>	<i>Percent</i>
Overall attendees	117,086	100
New attendees for OA	65,753	56
New OA attendees from NSW	48,521	41
New OA attendees from NSW who purchased another OA ticket	5,308	5

King and I

	<i>Number</i>	<i>Percent</i>
Overall attendees	95,941	100
New attendees for OA	46,507	48
New OA attendees from NSW	33,141	35
New OA attendees from NSW who purchased another OA ticket	872	1

Thus, musicals have significantly broadened access for Opera Australia. However, this has not converted into significantly increased attendances at mainstage opera. This helps but does not go close to closing the loss of Sydney mainstage audiences.

6.3.4 Significant attendances at HOSH

Opera Australia's offering of HOSH has been a significant development that has also attracted significant audiences. While not traditional mainstage proscenium arch opera, with this event initiative Opera Australia has reached around the same number of attendees as the other three Major Opera Companies in aggregate. While some purist opera goers may be critical of the initiative and the quality of their opera experience its unique event appeal and power to attract attendees must be recognised. The number of attendees each year is outlined in Exhibit 6.136.

In addition, Exhibit 6.136 outlines the limited extent of the conversion by new HOSH attendees to other Opera Australia events.

Exhibit 6.136 Profile of HOSH attendees and the cross-sell to other Opera Australia performances 2012 to 2014 (number, percent)

	<i>Number</i> <i>2012</i>	<i>Percent</i> <i>2012</i>	<i>Number</i> <i>2013</i>	<i>Percent</i> <i>2013</i>	<i>Number</i> <i>2014</i>	<i>Percent</i> <i>2014</i>
Overall attendees	38,119	100	37,950	100	39,208	100
New attendees for OA	23,365	61	17,157	45	18,837	48
New OA attendees from NSW	17,859	47	12,713	33	14,252	36
New OA attendees from NSW who purchased another OA ticket	3,044	8	2,059	5	1,572	4

Between 4 and 5 percent of people for whom HOSH was their first Opera Australia performance have gone on to purchase tickets to other Opera Australia performances. The most popular ticket they purchased for their second experience was the following year's HOSH. The second most popular choice was a musical.

Thus, HOSH appears to be an important initiative that has extended the reach of opera in a different format to a new audience base. It does not, however, appear to be a point of connection from which to get the cross-sale to mainstage opera.

6.3.5 Fluctuations in regional touring attendances

Regional touring is another important initiative that seeks to make opera accessible to residents of regional Australia. Given the cost of staging opera, the theatre requirements, and other constraints, it is not possible to stage a full mainstage opera production with a large orchestra and chorus. However, ways have been found to make the artform accessible to regional audiences with quality performances with a smaller orchestra, flexibly designed and directed to be performed on large and small regional stages.

Exhibit 6.125 outlined the overall attendances by company and by year from 2009 to 2014 and shows an overall average annual growth rate over that time of 15.21 percent.

Typically, the ticket prices for events staged regionally are quite modest as can be seen in Exhibit 6.137.

Exhibit 6.137 Estimated average ticket price at regional performances by the Major Opera Companies 2009 to 2014 (\$)

<i>Company</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Opera Australia	34.9	43.6	34.4	63.9	54.1	43.4
Opera Queensland	27.5	41.9	29.5	38.9	13.0	20.8
State Opera of South Australia	-	64.1	-	42.8	36.3	-
Overall Average	34.1	44.1	33.7	50.3	49.7	35.6

The number of attendees reflect the geographies to which the companies travel as well as other constraints (including financial pressures) facing the companies. Exhibit 6.138 lists which companies have visited which towns in 2014.

Exhibit 6.138 Attendance at regional tours of opera productions by town by Major Opera Company 2014 (number)

<i>Town</i>	<i>Opera Australia*</i>	<i>Opera Queensland**</i>
Albury	443	-
Armidale	485	-
Ballarat	349	-
Bathurst	382	-
Bendigo	466	-
Canberra	2,484	-
Dandenong	771	-
Dubbo	443	-
Frankston	659	-
Gold Coast	-	1,839
Hobart	872	-
Ipswich	-	555
Launceston	706	-
Mackay	-	602
Maryborough	-	582
Marysville	151	-
Morundah	232	-
Mount Isa	-	1,410
Murwillumbah	464	-
Newcastle	841	-
Nunawading	410	-
Orange	451	-
Parramatta	909	-
Port Macquarie	827	-
Rockhampton	-	573
Sale	229	-
Tamworth	243	-
Toowoomba	-	1,297
Townsville	-	1,071
Wagga Wagga	436	-
Wangaratta	384	-
Warragul	340	-
Warrnambool	352	-
Wollongong	850	-
Total	15,179	7,929

* Regional tour of *The Magic Flute*.

** Regional tour of *La bohème*.

In addition, in 2014, SOSA collaborated with the Whyalla Players in the staging of the Players' *The Phantom of the Opera* in Whyalla. This production attracted an audience of 1,834. WAO also regularly presents performances in Albany.

Thus, regional touring is important to the companies, in aggregate attracting a significant number of attendees.

In summary, opera in Australia has become more accessible through initiatives that have offered opera in a different format. While attendees at mainstage opera have declined in the face of external pressures and the way the Major Opera Companies

have responded to financial and shifting external factors, other initiatives such as offering musicals and HOSH have built new audiences. Regional touring continues to be a very important part of how the Major Opera Companies engage with regional Australia.

Despite these initiatives, the Major Opera Companies are under severe financial, artistic and access pressures. Mainstage opera—the lifeblood of an opera company—is the point at which these pressures manifest themselves. As a consequence, the companies are at a tipping point where a cycle of success could readily become a cycle of decline. The challenge will be to ascertain what initiatives can be taken to address this situation.

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Attachment 1: Operas and musicals by each Major Opera Company 2004-2014, selected years

<i>Year</i>	<i>Company</i>	<i>Type</i>	<i>Production</i>
2004	Opera Australia	Mainstage Opera	<i>The Magic Flute</i>
			<i>La traviata</i>
			<i>The Flying Dutchman</i>
			<i>The Cunning Little Vixen</i>
			<i>The Pearlfishers</i>
			<i>Norma</i>
			<i>Dido and Aeneas</i>
			<i>Il trovatore</i>
			<i>Manon</i>
			<i>The Marriage of Figaro</i>
			<i>Der Rosenkavalier</i>
			<i>Madeline Lee</i>
		<i>The Barber of Seville</i>	
		Mainstage Operetta	<i>The Mikado</i>
			<i>The Merry Widow</i>
	Regional	<i>La bohème</i>	
	Concert / Free / Other	<i>New Year's Gala</i>	
		<i>Sutherland/Bonyngge Gala</i>	
		<i>Opera in the Domain</i>	
		<i>Would you like Music with That</i>	
		<i>Midnite</i>	
		<i>Carmen 'Sing your Own Opera'</i>	
	Opera Queensland	Mainstage Opera	<i>Carmen</i>
			<i>Don Pasquale</i>
			<i>A Masked Ball</i>
		Regional	<i>Don Pasquale</i>
		Concert / Free / Other	<i>The Creation</i>
	<i>The Food of Love</i>		
	SOSA	Mainstage Opera	<i>Das Rheingold</i>
			<i>Die Walküre</i>
			<i>Götterdämmerung</i>
			<i>Siegfried</i>
		Concert / Free / Other	<i>Undertow</i>
		<i>Einstein on the Beach</i>	
WAO	Mainstage Opera	<i>Cinderella</i>	
		<i>Faust</i>	
		<i>Norma</i>	
		<i>Batavia</i>	
	Regional	<i>Regional Baby Grand Opera</i>	
	Concert / Free / Other	<i>Evening with Dennis O'Neil</i>	
<i>Christmas Chorus Concert</i>			
<i>Carmina Burana</i>			

<i>Year</i>	<i>Company</i>	<i>Type</i>	<i>Production</i>
2007	Opera Australia	Mainstage Opera	<i>The Marriage of Figaro</i>
			<i>La traviata</i>
			<i>Alcina</i>
			<i>Rusalka</i>
			<i>The Barber of Seville</i>
			<i>Il trovatore</i>
			<i>Abduction from the Seraglio</i>
			<i>A Streetcar Named Desire</i>
			<i>Il Trittico</i>
			<i>The Tales of Hoffman</i>
			<i>Tannhäuser</i>
			<i>Don Giovanni</i>
			Mainstage Operetta
		<i>The Gondoliers</i>	
		Mainstage Musical	<i>Sweeney Todd</i>
		Regional	<i>Carmen</i>
		Concert / Free / Other	<i>Carmina Burana</i>
			<i>New Year's Eve Gala</i>
			<i>Opera in the Domain</i>
	<i>Opera on the Bigscreen</i>		
	<i>Opera in the Bowl</i>		
	<i>Top of the Ops</i>		
	<i>Music by Moonlight</i>		
	<i>The Pirates of Penzance (With Adelaide Festival Centre Trust)</i>		
	<i>Christmas at the House (with SOH)</i>		
	Opera Queensland		Mainstage Opera
		<i>Hansel and Gretel</i>	
		<i>The Love of The Nightingale</i>	
		<i>Nabucco</i>	
		Regional	<i>The Food of Love</i>
	SOSA	Mainstage Opera	<i>The Elixir of Love</i>
			<i>A Masked Ball</i>
			<i>The Barber of Seville</i>
Concert / Free / Other		<i>Satyagraha</i>	
		<i>Little Women</i>	
WAO	Mainstage Opera	<i>The Love of The Nightingale</i>	
		<i>Rigoletto</i>	
		<i>La bohème</i>	
	Regional	Regional presentations of the Oz Opera production of <i>Carmen</i> in Western Australia are attributed to Opera Australia	
	Concert / Free / Other	<i>Baby Grand Opera</i>	
		<i>WAO Chorus 40th Anniversary Concert</i>	

<i>Year</i>	<i>Company</i>	<i>Type</i>	<i>Production</i>	
2010	Opera Australia	Mainstage Opera	<i>A Midsummer Night's Dream</i>	
			<i>Bliss</i>	
			<i>Der Rosenkavalier</i>	
			<i>La Sonnambula</i>	
			<i>La traviata</i>	
			<i>Manon</i>	
			<i>Rigoletto</i>	
			<i>The Girl of the Golden West</i>	
			<i>The Marriage of Figaro</i>	
			<i>Tosca</i>	
		Mainstage Operetta	<i>The Pirates of Penzance</i>	
			<i>Die Fledermaus</i>	
		Mainstage Musical	<i>A Little Night Music</i>	
		Regional	<i>La traviata</i>	
	Concert / Free / Other	<i>Opera in the Domain</i>		
		<i>Top of the Ops</i>		
		<i>Community Tribute Concert</i>		
	Opera Queensland	Mainstage Opera	<i>The Elixir of Love</i>	
			<i>Aida</i>	
		Mainstage Operetta	<i>The Merry Widow</i>	
	Regional	<i>The Merry Widow</i>		
	SOSA	Mainstage Opera	<i>Aida</i>	
			<i>Hansel and Gretel</i>	
			<i>The Pearl Fishers</i>	
		Regional	<i>Pagliacci</i>	
		Concert / Free / Other	<i>Different Fields</i>	
<i>Le Grand Macabre</i>				
<i>Maria de Buenos Aires</i>				
WAO	Mainstage	<i>Peter Grimes</i>		
		<i>Carmen</i>		
		<i>Cavalleria Rusticana and Pagliacci</i>		
		<i>La Sonnambula</i>		
	Concert / Free / Other	<i>Peet Concert 1 Sublime</i>		
		<i>Peet Concert 3 Bravura</i>		
		<i>Opera In the Park</i>		
2013	Opera Australia	Mainstage	<i>A Masked Ball</i>	
			<i>Albert Herring</i>	
			<i>Don Pasquale</i>	
			<i>Falstaff</i>	
			<i>Il trovatore</i>	
			<i>La bohème</i>	
			<i>La traviata</i>	
			<i>Orpheus in the Underworld</i>	
			<i>The Force of Destiny</i>	
			<i>Tosca</i>	
			<i>Aida</i>	
			<i>Partenope</i>	
			<i>Das Rheingold</i>	
			<i>Die Walküre</i>	
			<i>Götterdämmerung</i>	
			<i>Siegfried</i>	
			<i>La bohème (New Year's Eve)</i>	
			Mainstage Musical	<i>South Pacific (Sydney)</i>
			Musical	<i>South Pacific (other capitals)</i>

Year	Company	Type	Production
		Regional	<i>Don Giovanni</i>
			<i>Bungalow Song</i>
		Concert / Free / HOSH / Other	<i>Great Opera Hits</i>
			<i>Great Operatic Choruses</i>
			<i>New Year's Eve Gala</i>
			<i>An Evening with Mandy Patinkin</i>
			<i>HOSH – Carmen</i>
			<i>Opera in the Domain</i>
			<i>Opera in the Bowl</i>
			<i>Ring Festival</i>
	Opera Queensland	Mainstage	<i>Otello</i>
			<i>Cinderella</i>
		Regional	<i>Abandon</i>
			<i>Opera at Jimbour</i>
			<i>Opera in the Vineyard</i>
			<i>Robert Channon Wines Concert</i>
	Concert / Free / Other	<i>Waltzing our Matilda</i>	
		<i>St Matthew Passion</i>	
	SOSA	Mainstage	<i>Opera on the Riverstage</i>
			<i>La Forza del Destino</i>
			<i>Madama Butterfly</i>
		Regional	<i>Salome</i>
			Regional presentations of the Oz Opera production of <i>Don Giovanni</i> in South Australia are attributed to Opera Australia
			<i>Gala Concert</i>
			<i>Bundaleer Twilight</i>
		Concerts	<i>State Opera SA & ABC</i>
			<i>Ode to Nonsense</i>
WAO	Mainstage	<i>Don Giovanni</i>	
		<i>La bohème</i>	
		<i>La traviata</i>	
	Regional	<i>Highlights and Delights</i>	
2014	Opera Australia	Mainstage	<i>Opera in the Park - Rigoletto</i>
			<i>La bohème</i>
			<i>The Magic Flute</i>
			<i>The Turk in Italy</i>
			<i>Carmen</i>
			<i>Eugene Onegin</i>
			<i>Rigoletto</i>
			<i>Otello</i>
			<i>Don Giovanni</i>
			<i>The Elixir of Love</i>
			<i>Tosca</i>
			<i>Don Pasquale</i>
			<i>Falstaff</i>
		<i>NYE La bohème</i>	
		Mainstage Musical	<i>The King and I (Sydney)</i>
		Musical	<i>The King and I</i>
			<i>South Pacific</i>
Regional	<i>Magic Flute</i>		
	<i>Opera on the Beach</i>		

<i>Year</i>	<i>Company</i>	<i>Type</i>	<i>Production</i>
		Concert / Free / HOSH Other (does not include Sydney Salon Series)	<i>Jonas Kaufmann Concerts</i> <i>New Year's Eve Gala</i> <i>Sydney Opera House Sunday Concerts/ December Concerts</i> <i>Opera in the Domain</i> <i>Opera in the Bowl</i> <i>HOSH – Madama Butterfly</i> <i>Western Sydney Community Choir</i>
	Opera Queensland	Mainstage	<i>La bohème</i> <i>The Perfect American</i> <i>Rigoletto</i>
		Regional	<i>La bohème</i> <i>Opera in the Vineyard</i> <i>Opera Acoustics</i>
		Concert / Free / Other	<i>Abandon</i>
	SOSA	Mainstage	<i>Otello</i> <i>Akhnaten</i> <i>Einstein on the Beach</i> <i>Satyagraha</i> <i>La traviata</i>
		Concert / Free / Other	<i>Summer Showcase</i> <i>CSO Shell Proms 2014</i> <i>Passion</i>
	WAO	Mainstage	<i>Il trovatore</i> <i>Otello</i> <i>Magic Flute</i>
		Regional	<i>Albany Chorus Concert</i>
		Concert / Free / Other	<i>Opera in the Park - Tosca</i>

Attachment 2: Young artist programme participants by name and Major Opera Company 2012-2015*

<i>Company</i>	<i>Year</i>	<i>New participants in year</i>	<i>All participants in year</i>
OA	2012	Kiandra Howarth Jonathan Abernethy Sam Roberts-Smith	Kiandra Howarth Jonathan Abernethy Sam Roberts-Smith Nicole Car John Longmuir
	2013	Natalie Aroyan	Natalie Aroyan Jonathan Abernethy Sam Roberts-Smith
	2014	Anna Dowsley	Anna Dowsley Natalie Aroyan Jonathan Abernethy
	2015	Julie Lee-Goodwin	Julie Lee-Goodwin Jonathan Abernethy Anna Dowsley
SOSA	2012	Andrew Georg Joanna McWaters Jeremy Tatchell	Andrew Georg Joanna McWaters Jeremy Tatchell
	2013	Desiree Frahn David Lampard	Andrew Georg Joanna McWaters Jeremy Tatchell Desiree Frahn David Lampard
	2014	Joshua Rowe Sarah-Jane Pattichis Lisa Cannizzaro Naomi Hede Fiona McArdle Thomas Millhouse	Joshua Rowe Sarah-Jane Pattichis Lisa Cannizzaro Naomi Hede Fiona McArdle Thomas Millhouse Andrew Georg Joanna McWaters Jeremy Tatchell Desiree Frahn David Lampard
	2015	Penelope Cashman Branko Lovrinov James Nicholson Beau Sandford Hew Wagner	Desiree Frahn Lisa Cannizzaro Penelope Cashman Naomi Hede David Lampard Branko Lovrinov Fiona McArdle James Nicholson Joshua Rowe Sarah-Jane Pattichis Beau Sandford Jeremy Tatchell Hew Wagner

<i>Company</i>	<i>Year</i>	<i>New participants in year</i>	<i>All participants in year</i>
WAO	2012	Richard Symons Sarah Guilmartin Caitlin Cassidy	Richard Symons Bernadette Lucarnus Harriet O'Shanessey (nee Marshall) Lucy Mervik David Costello Sarah Guilmartin Caitlin Cassidy
	2013	Lochlan Brown	Lochlan Brown Sarah Guilmartin Caitlin Cassidy
	2014		Lochlan Brown Sarah Guilmartin Caitlin Cassidy
	2015	Ileana Rinaldi Sam Roberts-Smith	Ileana Rinaldi Sam Roberts-Smith

* Not all participants are fully remunerated.

Attachment 3: Categorisation of Australia's Major Opera Companies: 2000 Cultural Ministers Council

Opera Australia: Australian Flagship Company: Resident

- The company's product is recognised as being internationally competitive by:
 - Acceptance of the company's position in its artform from leading international companies;
 - Positive critical responses when the company undertakes showcase international tours;
 - The company's ability to regularly attract leading international creative and performing artists; and
 - The company's ability to establish artistic/management exchange programmes with leading international companies in the artform;
- The company presents an extensive and broad-ranging mainstage programme annually; and
- The company plays a leadership role in its artform nationally, particularly in relation to the development of artists.
- For a resident company: Where the company's economics do not support regular touring within Australia, it will focus its mainstage activities on its primary markets. Any other capital city or regional touring which it undertakes will be on a break-even or marginal surplus basis.

State Opera of South Australia: Specialist Company

- The company's mainstage product focuses on a particular part of the artform repertoire or on a particular type of work;
- The company seeks to access an audience within Australia and/or internationally which is of a sufficient size to support its product;
- The company is likely to undertake regular partnerships with major Australian festivals to develop distinctively Australian product (particularly of works of scale);
- In cases where the company's distinctively Australian product becomes highly successful, the international festival circuit should be used as one way of securing international presentations of such work; and
- The company plays a national leadership role in its artform in relation to its niche product, particularly with respect to the development of artists and possibly education.

Opera Queensland and West Australian Opera: State Flagship

- The company's product is of high quality, with aspirations to international standards. This is recognised by:
 - Local and national acceptance of the company's position in its artform within its state;
 - The company's ability to regularly attract leading national creative and performing artists and also, in some cases, to attract international artists of quality; and
 - Positive local and national critical response;
- The company presents a broad ranging mainstage programme annually;

- The company plays a leadership role in its artform within its state, particularly in relation to the development and employment of local artists;
- The company undertakes annual intrastate regional touring; and
- The company undertakes a significant education programme within its state.

Attachment 4: 2011 Cultural Ministers Council: Criteria for being a Major Performing Arts Company

In place of the strategic categorisation embedded in the 2001 recommendations, the following criteria were provided in 2011.

Definition of an MPA company

- Present work of a high artistic quality;
- Foster a vibrant and sustainable cultural sector, including building the sector's economic and artistic potential through collaborations with small to medium performing arts companies on the development and/or presentation of works;
- Demonstrate a leadership role in the development of performing arts encompassing the development of artists, a commitment to the creation of professional development opportunities for young and emerging artists, artists in multicultural communities and Indigenous and artists with disabilities;
- Demonstrate a leadership role in the development of audiences including young and disadvantaged audiences, multicultural audiences and more equal access for people with a disability;
- Demonstrate commitment to engaging with audiences in regional communities;
- Be governed by a responsible board that plans future activities in accordance with best practice governance guidelines and with respect to the company's financial capacity;
- Exhibit strong financial management which includes a mix of strong reserves, working capital and operating margin (Fiscal performance benchmarks to be negotiated with companies and agreed to by governments and must be met within 5 years of 2012);
- Make ongoing improvements to its business which strengthen sustainability and reduce reliance on government subsidy over time including through productivity gains and establishing a broad income base comprising strong box office, sponsorship and philanthropy; and
- Achieve earned (non-grant) income of \$1.6 million adjusted annually for CPI.

It was also stated that companies must:

- Deliver increased innovative and new programming including new Australian work;
- Collaborate with the small to medium sector particularly with regard to increasing the quality and diversity of work in Australia and increasing the breadth and depth of Australian artists;
- Deliver education programmes into regional areas;
- Diversify the revenue base;
- Increase attendance levels
- Identify and nurture new talent; and
- Use a diversity of delivery platforms.

Attachment 5: Opera and musicals definitions

Opera

A dramatic performance with costumes, scenery and action wholly or mostly sung to an orchestral accompaniment. Opera evolved in Italy in the late 1500s and spread in successive centuries throughout Europe and into the New World. It represents a collaboration of text and music in which dramatic story-telling combines with music's power to arouse strong emotions and create mood and atmosphere. It requires classically trained singers as principals and members of a large chorus generally performing without amplification. Throughout the history of opera, great virtuoso singers—Caruso, Melba, Callas, Sutherland and Pavarotti—have thrilled audiences around the world and become a source of immense national pride. Opera has many variations, including grand opera, comic opera and operetta. It has attracted many of the most renowned composers in musical history, such as Monteverdi, Mozart, Rossini, Verdi, Wagner, Puccini and Britten to write masterpieces for the lyric stage that endure as popular entertainments today.

Musicals

The major antecedents to the form of popular music theatre of the 20th Century—consisting of musical numbers integrated into a dramatic framework—are found in comic opera, operetta, vaudeville and burlesque. Using a range of more direct popular vocal styles than the classical vocal technique on which operetta was based, musicals are generally heavily amplified and showcase the talents of performers who can act, sing and dance. In the 21st century, musicals have progressively replaced operetta as the predominant form of non-classical popular musical theatre. They often involve lavish stagings and feature celebrity artists from the disciplines of film and television to attract large audiences, alongside the occasional singer with a classical operatic background.

Attachment 6: Location of opera performances

While Opera is still predominantly performed in traditional proscenium arch opera houses with an orchestra pit, in more recent times, a wide range of alternative venues have been tried and tested—usually to attract greater audience numbers and provide a unique outdoor entertainment experience in summer. The first century Roman amphitheatre—the Arena di Verona—seats 15,000 people and since 1913 has been the location for festival performances of large-scale popular operas. Similar venues exist in Rome and Athens. In Bregenz in Austria, spectacular operas have been performed on Lake Constance in summer. This has provided the inspiration for Sydney’s Handa Opera on Sydney Harbour. Santa Fe Opera in New Mexico has a covered stage and pit area and a partially covered auditorium, with open sides and dramatic open-air views to the west. In London, commercial entrepreneurs stage operas in the Royal Albert Hall. Concert and semi-staged opera is performed in arenas, parks and concert halls by opera companies and symphony orchestras throughout the world. Staged operas are given as “events”—on beaches, in paddocks and caves. *Aida* has been performed in the open air against the background of the great pyramids of Egypt and in 1998 *Turandot* was staged in the Forbidden City in Beijing. Most of these large-scale performances require amplification.

Glossary

<i>Acronym or term</i>	<i>Definition</i>
ABS	Australian Bureau of Statistics.
AMPAG	Australian Major Performing Arts Group.
AOBO	Australian Opera and Ballet Orchestra.
Artistic Director	An executive in an opera company that has responsibility for setting the company's artistic direction and vision.
ASO	Adelaide Symphony Orchestra.
Australia Council	The Australia Council is the Federal Government's arts funding and advisory body.
Box office income	Revenue derived from the sale of tickets to performances.
cagr	Compound annual growth rate. The average annual rate of growth or decline, measured over a number of years.
Capital Fund	Opera Australia Capital Fund. A controlled entity of Opera Australia, which is the predominant beneficiary of the Fund. The Fund is supported by donations from the public and earned income from investments. Opera Australia receives an annual transfer from the Fund.
CEO	Chief Executive Officer.
CMC	Cultural Ministers Council. In 2012, the Meeting of Cultural Ministers was established to follow the work of the CMC (see MCM below).
Conductor	A musician who directs and musically leads an operatic work in the rehearsal studio and for both orchestra pit and stage in performance.
Contribution	The financial contribution (positive or negative) made by an activity by one of the Major Opera Companies. Also expressed as a contribution to overheads.
Co-production	A production of an operatic work for which two or more organisations collaborate on its creation and cost.
Core funding	Funding from government for a company's overall annual programme and operating activities.
Costs	<p>The costs associated with staging opera are analysed according to their nature as fixed, semi-fixed or variable.</p> <p>Fixed costs are those that are essential for a company to operate and stage opera, such as overhead staff costs.</p> <p>Semi-fixed costs are integral to the company, but may vary depending on the level of activity being undertaken. Examples of semi-fixed costs are those associated with venue rental or maintaining an orchestra such as the AOBO.</p> <p>Variable costs are those which can be higher or lower depending on a specific project. Fees paid to performers, costs associated with</p>

<i>Acronym or term</i>	<i>Definition</i>
	marketing a production, or building sets are all examples of variable costs. Variable costs are by nature more able to be controlled by a company than fixed or semi-fixed costs. Direct costs are those which can be directly attributed to an activity, such as a specific production or school programme.
Creative team	People responsible for the creative, rather than the performance or administrative aspects of a production, e.g. director, lighting designer, costume designer, set designer, composer, choreographer.
Dark night	Evening within a season on which no performance takes place, sometimes to allow for major stage or technical rehearsals and sometimes to allow performers to rest vocally between performances of major roles.
DGR	Deductible Gift Recipient. A DGR is an entity that can receive tax deductible gifts under tax law.
Direct line funding	Government funding provided by a minister through his or her department, rather than by an agency operating at arm's length from government.
Discretionary income	An individual's Income spent on discretionary, rather than essential, goods and services. Such expenditure includes the performing arts.
Earned income	Direct revenue such as box office, performance fees, sponsorship, donations and merchandise sales that is earned as a result of a company's activities. Does not include government funding.
Education programmes	A range of activities carried out by the companies, usually free of charge, designed to increase the knowledge and awareness of opera by current and future audiences.
Endowment fund	A fund established to receive and invest donations. The company usually only has restricted access to the income from such funds and then only for specific purposes. Such funds can also be known as capital funds.
Endowment income	Revenue earned from endowment funds.
ENO	English National Opera.
Flying	Raising and lowering – usually by means of a counterweight system – scenery, curtains and lights as part of the scenic realisation of a design on stage.
GFC	Global Financial Crisis.
HOSH	Handa Opera on Sydney Harbour. An annual event staged by Opera Australia and supported by Dr Haruhisa Handa.
Indirect support	Implicit government support which comes from foregone revenue as opposed to direct expenditure, e.g. tax deductions for donations to companies, subsidised rent.

<i>Acronym or term</i>	<i>Definition</i>
Lead time	The length of time that is required between a company committing to the performance of a production and the first performance.
Librettist	Author of a sung text (a libretto).
Mainstage	The performance venues in which a company usually performs its repertoire during a season.
Mainstage musicals	Fully staged musicals performed by Opera Australia in Sydney Opera House.
Mainstage opera productions	Fully staged operas performed in the Major Opera Companies' principal performance venues. Excludes concerts and musicals.
Mainstage performances	Performances designed and directed to be performed in the principal performance venues in cities in which a Major Opera Company performs, often as part of a subscription season.
Mainstage touring performance	Performances that are usually part of the subscription season of a company in its home city and are then toured to other cities or towns.
Major Opera Companies	Collectively: Opera Australia, Opera Queensland, State Opera of South Australia, West Australian Opera.
MCM	Meeting of Cultural Ministers. The MCM convenes annually and comprises arts and culture ministers from all states and territories in Australia, plus the Australian Government Minister for the Arts. MCM was established in 2012 to follow the work of the Cultural Ministers Council.
MEAA	Media, Entertainment and Arts Alliance
MPAB	Major Performing Arts Board. The Board was established within the Australia Council with responsibility for the oversight of the major performing arts companies. It was formed in 2000 and was replaced by the Major Performing Arts Panel in 2013.
MPAI	Major Performing Arts Inquiry. <i>Securing the Future</i> – an Inquiry into Australia's major performing arts companies.
MPAP	Major Performing Arts Panel. The Panel was established in 2013, replacing the MPAB (see above). The Chair of the MPAP reports to the Board of the Australia Council. The Chair and members are appointed by the Australia Council Board.
Musicals	<p>The major form of popular music theatre of the 20th century – consisting of musical numbers integrated into a dramatic framework. Its main antecedents are found in comic opera, operetta, vaudeville and burlesque.</p> <p>Using a range of more direct popular vocal styles than the classical vocal technique on which operetta was based, musicals are generally amplified and showcase the talents of performers who can act, sing and dance.</p> <p>In the 21st century, musicals have progressively replaced operetta as the predominant form of non-classical popular musical theatre. They often involve lavish stagings, and feature celebrity artists from the</p>

<i>Acronym or term</i>	<i>Definition</i>
	disciplines of film and television to attract large audiences, alongside the occasional singer with a classical operatic background.
Music theatre	A term used to characterise a type of opera or musical production in which dramatic impact and theatrical design are emphasised over purely musical factors. They are often performed in smaller venues than conventional proscenium arch opera houses. The term was first used in the 1960s to describe the small-scale musico-dramatic works by composers of the post-war generations that proliferated in Western Europe and America during that decade.
OA	Opera Australia
Opera	A dramatic performance with costumes, scenery and action wholly or mostly sung to an orchestral accompaniment. Opera evolved in Italy in the late 1500s and spread in successive centuries throughout Europe and into the New World. It represents a collaboration of text and music in which dramatic story-telling combines with music's power to arouse strong emotions and create mood and atmosphere. It requires classically trained singers as principals and members of a large chorus generally performing without amplification. Throughout the history of opera, great virtuoso singers – Caruso, Melba, Callas, Sutherland and Pavarotti – have thrilled audiences around the world and become a source of immense national pride. Opera has many variations, including grand opera, comic opera and operetta. It has attracted many of the most renowned composers in musical history, such as Monteverdi, Mozart, Rossini, Verdi, Wagner, Puccini, and Britten to write masterpieces for the lyric stage.
Opera Conference	The partnership of the Major Opera Companies designed to encourage collaboration among the companies and to assist with the expense of staging new opera productions. It also supports regional touring by Opera Australia. Governments provide an annual amount to the companies as part of their core funding. These funds are then used for the development and construction of new productions which can be presented by the companies.
OQ	Opera Queensland. Also known as OperaQ.
Performance	A performance is the actual presentation of an opera or musical on the stage.
Pit orchestra	An orchestra whose principal activity is performing in the orchestral pit of a lyric theatre supporting a staged performance, usually for ballet or opera. The Australian Opera and Ballet Orchestra is an example of a pit orchestra.
Philanthropic income	Philanthropic support, or donations, to companies by individuals or corporations given without any expectation of returns.
Private sector income/support	Revenue from individuals or corporations in the form of donations, fundraising income and sponsorship (cash or in-kind).
Production	A production is the theatrical realisation of an opera.

<i>Acronym or term</i>	<i>Definition</i>
Physical production values	The physical attributes of the sets, props, costumes and staging of a production, including their quality, complexity, impact and appropriateness.
Project funding	One-off funding supplied to a company for a specific purpose.
Regional touring	Touring to non-capital cities or towns, either interstate or intrastate.
Repertoire	The complete list of operas that a company is prepared and able to perform.
Repertory company	A company that presents and performs a number of different operas during a season, usually on alternate nights in one venue in the course of a season.
QPAC	Queensland Performing Arts Centre
Repetiteur	A vocal coach in an opera company, usually a pianist with a knowledge of language and vocal technique who rehearses individual singers and small ensemble groups of principals in the early stages of rehearsal before the conductor and director join the rehearsal process. At this stage the repetiteur often becomes a rehearsal pianist for the work being readied for performance.
Revival	The restoration of an existing production for it to be performed again.
Season	A season is the number of performances of the same program in a specific venue, or a collection of productions that are performed in repertory over a defined period (such as a Summer Season for a period of weeks, or a subscription season for a year).
Self-entrepreneuried production	A production which is promoted and presented by the producing organisation (company, festival or venue), which thereby assumes the box office risk.
Single tickets	Tickets sold to a specific performance as distinct from tickets sold as part of a subscription package.
SOSA	State Opera of South Australia
Sponsorship income	Income (such as cash, goods or services) provided to the companies by corporations in exchange for benefits to a business.
Staging	A staging refers to the presentation of an opera production involving one or more performances in the same venue. Separate stagings of the same opera production occur when the production is presented in different venues or at different times, such as is the case for productions that Opera Australia presents in both its Sydney and Melbourne seasons or productions that it presents in the same venue but in different seasons.
Stagione company	A company that performs its work in “seasons” of one or sometimes more operas, engaging specific artists and staff to rehearse and perform a particular work for a series of performances that are completed before another work comes to the stage for its “season” of performances.

<i>Acronym or term</i>	<i>Definition</i>
Subscription (series, seasons, packages)	The sale of a package of tickets to an audience member for a number of different productions performed over a period of time.
The Met	The Metropolitan Opera of New York
<i>The Ring</i>	A cycle of four epic music dramas by Richard Wagner under the collective title of <i>The Ring of the Nibelungs (Der Ring des Nibelungen)</i> . It was called a tetralogy by the composer and intended to be performed as a cycle – the first, <i>Das Rheingold</i> , being considered a prelude to the remaining three – <i>Die Walküre</i> , <i>Siegfried</i> and <i>Götterdämmerung</i> .
Utilisation rates	A measure of the attendance in a particular venue relative to the capacity of the venue. A full house is a utilisation rate of 100 percent.
WAO	West Australian Opera
Work (opera)	The Italian word “opera” translates to “work” in English. It is a musical and dramatic piece created by a composer and a librettist and is set down in a score with a title.