

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

85.911G Individual Study in Management

Government Funding of Theatre

SUPERVISOR: Dr R E Marks, Senior Lecturer

STUDENT: Rodney David Marks, MBA 2

4 January 1983

GOVERNMENT FUNDING OF THEATRE

C O N T E N T S

SECTION		PAGE
ONE	INTRODUCTION	1
TWO	THE RATIONALE FOR GOVERNMENT FUNDING OF THEATRE	
	2.1 Introduction	2
	2.2 Social Benefits from the Performing Arts	2
	2.3 Market Failure and other Economic Reasons	4
	2.4 Australians' Attitudes to Government Funding	5
THREE	EVALUATING GOVERNMENT EXPENDITURE ON THEATRE	7
FOUR	THE LIQUIDATION OF THE OLD TOTE THEATRE CO., SYDNEY	
	4.1 History	8
	4.2 Financial Value for Government Money	9
	4.3 Artistic Value for Government Money	15
	4.4 Managerial Value for Government Money	23
	4.5 Funding for the Arts from 1975 to 1978	25
	4.6 Survival Tactics	28
FIVE	CONCLUSIONS	32
	NOTES	33
	BIBLIOGRAPHY	34
	TABLES AND FIGURES (see following Index)	

INDEX TO TABLES AND FIGURES.

(All Tables and Figures, unless otherwise stated, present data comparing the Old Tote to the Melbourne Theatre Company.)

	PAGE	
TABLE 1	Total Subsidies as a Percentage of Total Income	10
FIGURE 1	Different Subsidies compared to Total Income	11
TABLE 2	Federal Subsidies, State Subsidies, and Total Subsidies	12
TABLE 3	Total Paid Attendances	13
TABLE 4	Subsidies per Seat Sold	13
FIGURE 2	Subsidies per Seat Sold	14
TABLE 5	Repertoire Analysis	16
FIGURE 3	Total Performances	17
FIGURE 4	Types of Plays Performed - Old Tote	18
FIGURE 5	Types of Plays Performed - Melbourne Theatre Company	19
FIGURE 6	Comparison of Types of Plays Performed	20
FIGURE 7	Australian Plays as a Percentage of Total Plays	21
TABLE 6	Numbers of Artists Employed	22
TABLE 7	Administrative Expense as a Percentage of Total Expenditure	24
TABLE 8	Total Federal Funds, Federal Grants to All Arts, Federal Grants to Theatre	26
TABLE 9	Federal Subsidies to Melbourne Theatre Company and Old Tote as Percentages of Total Federal Subsidies to Theatre	27
TABLE 10	State and Federal Subsidies as Percentages of Total Subsidies	31

SECTION ONE: INTRODUCTION TO GOVERNMENT FUNDING OF THEATRE.

This paper attempts to outline justifications for public expenditure on theatre, and suggests some guidelines for evaluating such funding. A case study on the liquidation of the Old Tote Theatre Company exemplifies this evaluation, and is a commentary on the meaning of value for money.

With an ever-widening income gap, theatre companies need to be able to (a) articulate reasons for government subsidies, and (b) understand what government agencies look for when assessing how public money is used.

Reasons for government funding of theatre include social and economic benefits. A thriving performing arts industry is something to be proud of; business and tourism improve; education for the young and old is aided; and the quality of life is promoted. Artists, technicians and administrators are trained for other media.

Because of their labour-intensive nature, the performing arts have become more dependent on private and public patronage as wages in general rise. The box office is a smaller percentage of total operating income each year: the income gap has somehow to be filled. It is generally accepted by Australians that government should support recreation and culture, which includes drama.

In order to assess how well a theatre, ballet or opera company is utilising the public money allocated to it, certain generally accepted measures have evolved. No one measure in isolation tells the whole story, and only an holistic approach will give a balanced view. Amongst these gauges are: subsidy per seat sold; artistic standards; and management expense. To obtain a fair understanding of how well one company is doing, it is important to relate it to a comparable organisation during a comparable period. In looking at the Old Tote Theatre, I was fortunate to be able to find a similar firm - the Melbourne Theatre Company - in production at the same time. Whilst researching these two companies I discovered some interesting data, which sheds light on Federal-State funding ratios. These ratios are now certainly outdated, but that they may exist allows for better planning and lobbying by administrators.

That the Old Tote lost its funding is an indication that government evaluation of how theatre subsidies are spent is a real process.

SECTION TWO: THE RATIONALE FOR GOVERNMENT FUNDING OF THEATRE.

2.1: INTRODUCTION.

The Theatre Board of the Australia Council, the Federal Government's subsidising body for the arts, skims over the reasons for government funding of theatre.¹ Essentially, the Board claims that theatre should be subsidised: because it always has been; because of the widening income gap; and because of the "very significant community benefits involved". I share the assumptions beneath these bald statements.

That drama, from the Greeks to the present, has been aided by public and private patronage, indicates an historical acceptance of the performing arts as public goods. The gap between financial costs of theatre production and financial benefits from theatre production is increasing, so that with the same attendances and number of performances, performing arts companies are making less in real dollar terms from the box office. I shall try to describe the social benefits accruing from an active theatre industry. I will go on to outline some market failure and other economic justifications for funding theatre. Finally, I will discuss some Australian attitudes to government funding of theatre.

2.2: SOCIAL BENEFITS FROM THE PERFORMING ARTS.

The prestige which is bestowed on a city, region, or country, by the quality of its aesthetic environment is something which benefits the community at large: not just those who attend opera, ballet or theatre. If an area is seen to be exciting and cultured, people may be tempted to move there, bringing with them their expertise and buying power. At the international level, imports may be enhanced if it is interesting for business-people to visit the country; an active film industry, for example, may help to sell a country's products overseas, because of its advertising element. The propaganda component is also real - a state may convince other people of the veracity of its political or social commitment by demonstrating its ability for creating beautiful or provocative things.

Business and tourism are also aided at the local level. Restaurants, hotels, shops and non-artistic attractions benefit from patrons whose primary aim in visiting a city or suburb is to attend theatre.

There are educational reasons for government funding of the arts. The bringing to life in dramatic form of dry classical texts, makes a more

lasting impression upon an audience. Exposure to different ideas and societies, and the criticism of the status quo, are valuable experiences. I believe that the following hypothesis is true: "That if children and adolescents are not exposed to artistic performance during their minority, by the time they become adults it will be too late".² Given the intrinsic merits of theatre in projecting in a gripping way the varying levels of civilisation and emotion, future populations of theatre-goers must now be introduced to the habit. Role play is the essence of moral education. It is my value judgement that attending good theatre makes one a better person. Education of the young, and the mature, is a major justification for government patronage of the performing arts.

More people watch television and go to the cinema in Australia than attend live drama performances.³ Because theatre is a training ground for many of the actors, directors, writers, designers, and technicians who work in the celluloid media, the audiences of the latter artforms also benefit from public expenditure on the arts.

Knowledge of a guaranteed minimum income via subsidy allows drama companies to experiment with styles and subjects that may not be popular. Theatres should not become museums of classical plays and staid productions. If performances are to truly reach their audiences, then they must (a) speak of new and relevant issues, and/or (b) present old themes with freshness and originality. Innovation in content or form is a necessary ingredient for a vital theatre industry.

Before going on to a "supply-side" analysis of the market failure problems of theatre, I would like to mention an article by Scitovsky, What's Wrong with the Arts is What's Wrong with Society.⁴ He believes that the explanation for the inability of the arts (in America) to be financially self-sufficient, can be partially explained by examining the economic question from the "demand-side". "If anything is wrong with the arts, we should seek the cause in ourselves, not in our economy."⁵ Scitovsky's persuasive argument is, briefly: that we are still basically puritanical in our leisure activities; that we cannot sanction the cultivation of an aesthetic sensibility; and that our main efforts are directed to increased technical productivity (i.e. work). Thus, now we are affluent enough to be able to afford recreation, we can psychologically justify only the easy pleasures - formula theatre and facile music.

Predictable endings and easily understood plots are found in theatre at the opposite end of the creativity continuum to innovation and experiment. "The safe and comfortable arts"⁶ are merely a "defence against boredom".⁷ We should encourage that "investment of time and effort in the development of mind and body, senses and spirit"⁸; only then will the demand for the performing arts come from the broad base of the populace.

I feel that there is a sense in which one becomes a better person through the social enquiry, and psychological introspection, which follows from quality art. And as the performing arts create a graphic and lasting impression in an audience, they provide social benefits well beyond their costs.

2.3: MARKET FAILURE AND OTHER ECONOMIC REASONS.

The income gap - or "Baumol's Disease"⁹ - is widening in the performing arts, making them rely more and more on government subsidies as a percentage of total operating expenditure.

There is little that can be done in the labour-intensive performing arts to increase productivity. It is not desirable to play symphonies faster or with fewer instruments, to perform Waiting for Godot without pauses (or Godot), or to choreograph Swan Lake minus the swans (or the lake). There has been a writing trend in modern theatre to have plays with few characters, wearing nondescript costumes, set in no man's land, but innovation - an essential ingredient of exciting theatre - suffers.

So, while most industries benefit from productivity ameliorations, and wages rise in the community as a whole, wages in the arts increase the cost of production. Baumol and Bowen¹⁰ feel that as ticket prices rise faster than the C.P.I., demand will fall, and with less people attending the theatre there will be less theatre produced.

Income redistribution¹¹ and equality of opportunity¹² are other reasons given for government funding of theatre. The poor should be able to attend the theatre, because of the intrinsic merits of the performing arts. Ought the financially disadvantaged receive government aid as (a) cash in hand, or (b) vouchers? Cash would increase their freedom of choice, but, in keeping with the idea held by those in superior societal positions that they know what is best for others, a kind of voucher system is favoured.

The voucher system in this case takes the form of discounted ticket prices for certain sectors of the community. Those who benefit are students, the elderly, the unemployed, and members of certain unions (e.g. Actors' Equity in Australia). Sometimes admission is free for one or more of these groups.

The failure of the market to meet the costs of the performing arts can be attributed to the "mixed" public and private goods nature of theatre. A pure public good is indivisible and available to all. Because a patron cannot buy a percentage of a theatre production, he will not subsidise those who are not prepared to pay what he is prepared to pay. There is a need, then, for the government to meet a certain fraction of the cost of production of theatre, and for individuals to pay for the rest.

There is a larger "option demand"¹³ for theatre, than there is actual demand. People like to know that the performing arts are there for them to attend, even if they do not exercise that option. There is a sense of satisfaction gained by the non-theatre-going population from the existence of a thriving performing arts industry. This is closely aligned to the social benefits arising from prestige, discussed earlier (p.2).

2.4: AUSTRALIANS' ATTITUDES TO GOVERNMENT FUNDING OF THE ARTS.

Most Australians (75.4%) believe that Commonwealth Government per capita spending on culture and recreation is not enough or is about right.¹⁴ Only a minority feel that the present subsidies are too high.

It is a long-standing tenet of economics that if the wishes and interests of the public are to be followed in the allocation of the nation's resources, this is the ultimate ground on which government expenditures must find their justification.¹⁵

Therefore, if people want culture and recreation - including performing arts - then the government has a clear mandate to aid their production.

A final comment on the justification for government funding of theatre comes from the analysis of some Australian data by Throsby and Nielsen¹⁶:

(Nonprofit performing arts) firms have on average responded to increased subsidy by containing or lowering real admission prices and by increasing their production costs.

Quality as a function of repertoire, standard of source material, production, acting and design, was found to have positive influence on demand.¹⁷

In summary, the logic of Throsby and Nielsen's argument proceeds as follows: (a) subsidies allow theatre companies to experiment; (b) experimentation in aggregate leads to improved quality of production; (c) improved quality of production creates increased demand for theatre; (d) therefore, subsidies help make theatre both better, and more popular. I find this proposition elegant and convincing.

SECTION THREE: EVALUATING GOVERNMENT EXPENDITURE ON THEATRE.

What does "value for money" mean when assessing public funding of the performing arts? Does it indicate "bums on seats", great drama, unobtrusive management, or productivity? The Australia Council (1980c, pp. 16-17) summarised the policy objectives of its Theatre Board as "quality and access", and went on to expand:

- (1) To provide opportunities for professional theatre artists to work and develop their skills;
- (2) To encourage growth in theatre attendance and the enjoyment of live theatre generally;
- (3) To provide community involvement in theatre and community-based theatre;
- (4) To extend the theatre contribution of ethnic groups within the community.

The Old Tote and the M.T.C. were in the following General Grant category:

It has been the Board's policy to support at least one properly subsidised non-commercial theatre company in each State, offering worthwhile employment for members of the theatre profession and catering to a wide audience ...

The Old Tote, when compared to the Melbourne Theatre Company, was not seen by the Australia Council to be giving value for government money. I support their verdict, and in Section Four analyse the various benchmarks of worth that the Old Tote failed to meet. All the Tables and Figures, in their present form, are the original work of this writer.

For a theatre company to receive public money, it must be able to justify that it will put the funds to good use. All uses are relative, and the government may feel that money could be better spent on another theatre, or on another sector. However, given that the Australia Council has an undertaking to support drama in N.S.W., it was up to the de facto state theatre company to prove that it was using its subsidy as effectively as the state theatre company in Victoria. It became clear that the Old Tote was not making the best use possible of its government funds: in terms of subsidy per seat sold, total performances, paid attendances, quality of performances (form/production and content/playscript), and cost of administration, the Tote was providing less value for money than the M.T.C. And the trend developed to an unacceptable level. The survival tactics employed by the company during its last few months are also discussed in Section Four, and are a fascinating insight into the political economy of the performing arts.

SECTION FOUR: THE LIQUIDATION OF THE OLD TOTE THEATRE COMPANY, SYDNEY.

4.1: HISTORY.

The Old Tote Theatre Company was founded in 1963, primarily as a place for graduates of the then recently established National Institute of Dramatic Art (NIDA) to work. Roger Covell wrote in the Sydney Morning Herald when plans for such a theatre were first mooted (14 Feb 1962), that:

The Director of the Institute, Professor Robert Quentin, and the Deputy Director, Mr Tom Brown, have not yet decided on a name (for the theatre). Why not call it the "OLD TOTE" THEATRE, in cheerful and light-hearted recognition of the history of its neighbour, the main building of the Institute. After all "OLD VIC" was not a very dignified name to begin with, and the word "TOTE" would only be an explicit recognition (and a useful reminder for students) of the fact that all theatre is a gamble.

The Old Tote presented plays in the tin shed theatre at NIDA, and then at the Parade Theatre, both on the campus of the University of New South Wales. By 1973 it had become recognised as the de facto State theatre company of N.S.W., and was invited to use the new Sydney Opera House's Drama Theatre as a permanent venue. It continued to use the Parade Theatre and the Drama Theatre until 1978, when, as a result of "financial, artistic and management problems"¹⁸ it went into liquidation on August 23. The first formal moves leading to the collapse of the Old Tote were two motions passed unanimously by the appropriate board of the Australia Council:¹⁹

- (1) That the Theatre Board resolves not to fund the Old Tote Ltd and Old Tote Holdings Ltd in 1979, as it believes the money could be used more advantageously for drama.
- (2) That the Theatre Board agrees to set up a sub-committee to discuss with the N.S.W. (Government) Division of Cultural Activities alternative ways of promoting and funding drama in N.S.W.

These issues in the economics of the performing arts shed light on the delicate relationship between government arts agencies, and the organisations they subsidise.

The reasons why the Australia Council believed that the Old Tote was not giving value for money to the public, are discussed at length in this Section.

The Sydney Theatre Company was established in 1979 and became the State theatre company for N.S.W., performing at the Drama Theatre. With uncharacteristic eloquence the Australia Council reported that it "rose like a phoenix from

the ashes of the Old Tote".²⁰

4.2: FINANCIAL VALUE FOR GOVERNMENT MONEY.

By July 1978 the Australia Council had already given the Old Tote the federal money granted to it for the year. The company was asking for part of its 1979 funding to be brought forward, as it was going through a severe cash flow crisis. By announcing that it would not fund the Old Tote in 1979, the Australia Council terminated the company's life.

The Council felt that the Old Tote was not giving value for money:²¹

It is public money which we spend, and we must be able to justify that expenditure at all times to the public and the government.

The chairman of the Theatre Board, Brian Sweeney, said:²²

To an extent the Old Tote is trapped by its uneconomical venues, but its plan for 1979 does not include any proposals to move out of these. The amount of subsidy per seat sought by the Tote for 1979 is \$7.83 per seat offered for sale; on its estimated attendance (87 per cent) this would rise to \$8.98. This compares with the equivalent Melbourne Theatre Company figures of \$2.63 and \$3.86 (all figures in nominal dollars).

This raises two interesting points. Firstly, the Theatre Board considered subsidy per seat sold as a valuable benchmark; and secondly, the Board felt that the Old Tote and the Melbourne Theatre Company were comparable organisations.

I shall make many comparisons between the Old Tote and the Melbourne Theatre Company, because they were the State theatre companies for cities of equivalent populations operating at the same time.

In Table 1 it can be seen that both the Melbourne Theatre Company and the Old Tote were heavily subsidised during the years 1975 to 1978. In Figure 1 the change in the Old Tote's position from 1977 to 1978 can be seen graphically. Table 2 is a key table. From it can be observed the accelerated subsidisation, in real terms, of the Old Tote between 1977 and 1978. Table 3 shows the number of people paying to attend performances at both Theatres. Using Tables 2 and 3, Table 4 can be calculated. Table 4 contains crucial data relating to subsidies per seat sold. In terms of value for money, in real dollars, the Melbourne Theatre Company was more effective. This is shown clearly in Figure 2. Government money was going a lot further at the Melbourne Theatre Company; and things were getting worse at the Old Tote.

Table 1: TOTAL (FEDERAL AND STATE) SUBSIDIES AS A PERCENTAGE OF TOTAL INCOME, MTC AND OLD TOTE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(Nominal \$) (\$'000)</u>				
Total subsidies (MTC) ^a	790	976	985	1042
Total subsidies (OT) ^b	581	683	746	1180
Total income (MTC) ^a	1743	2136	2493	2536
Total income (OT) ^b	1519	1836	1988	1916
<u>Percentage</u>				
Subsidies as % of total income (MTC)	45%	46%	40%	41%
Subsidies as % of total income (OT)	38%	37%	38%	62%

Sources: a. Australia Council (1980b), p. III:68.

b. Australia Council (1980b), p. III:83.

Figure 1: COMPARISON OF THE DIFFERENT SUBSIDIES RECEIVED BY THE MELBOURNE THEATRE COMPANY & THE OLD TOTE, & A COMPARISON OF THEIR TOTAL INCOME, 1975 - 1978. REAL DOLLARS.

SOURCE: Refer to Tables 1 and

(1974 \$)
(\$'000)

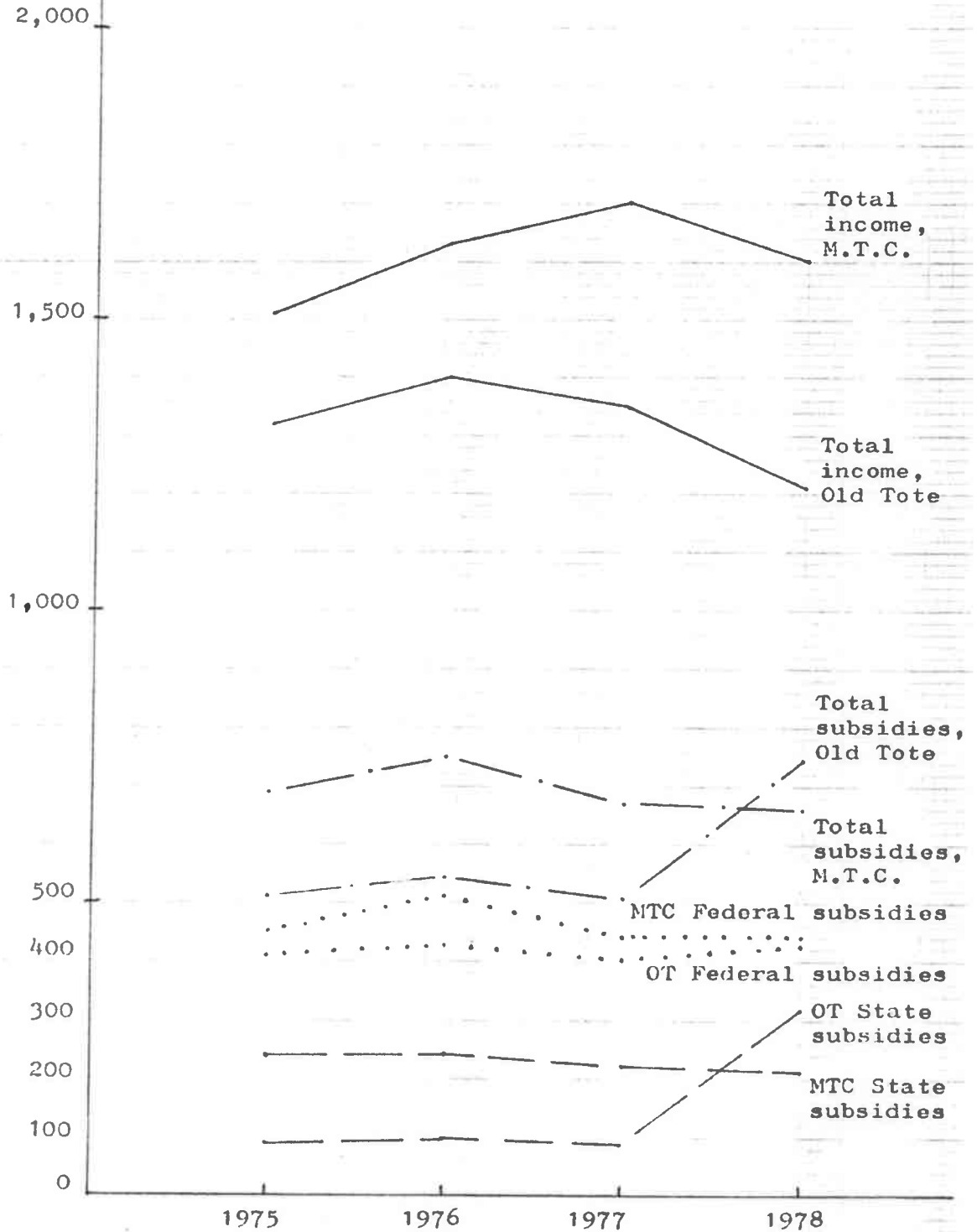


Table 2: FEDERAL SUBSIDIES, STATE SUBSIDIES, AND TOTAL SUBSIDIES
FOR MTC AND OLD TOTE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(\$'000)</u>				
Federal subs. (Nom.\$) (MTC) ^a	518	666	650	700
Federal subs. (1974\$) (MTC)	450	510	443	442
Federal subs. (Nom.\$) (OT) ^b	473	553	606	680
Federal subs. (1974\$) (OT)	411	423	413	430
State subs. (Nom.\$) (MTC)	272	310	335	342
State subs. (1974\$) (MTC)	236	237	228	216
State subs. (Nom.\$) (OT)	108	130	140	500
State subs. (1974\$) (OT)	94	100	95	316
TOTAL SUBS. (Nom.\$) (MTC)	790	976	985	1042
TOTAL SUBS. (1974\$) (MTC)	686	747	671	658
TOTAL SUBS. (Nom.\$) (OT)	581	683	746	1180
TOTAL SUBS. (1974\$) (OT)	505	523	509	745

Sources: a. Australia Council (1980b), p. III:68. All MTC data in nominal dollar form from this source. (Real dollar data discounted from nominal dollar data).

b. Australia Council (1980b), p. III:83. All Old Tote (OT) nominal dollar data from this source.

Table 3: TOTAL PAID ATTENDANCES - MTC AND OLD TOTE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>People ('000)</u>				
TOTAL PAID ATTENDANCES (MTC) ^a	382	432	416	302
TOTAL PAID ATTENDANCES (OT) ^b	236	235	224	129

Sources: a. Australia Council (1980b), p. III:69.

b. Australia Council (1980b), p. III:84.

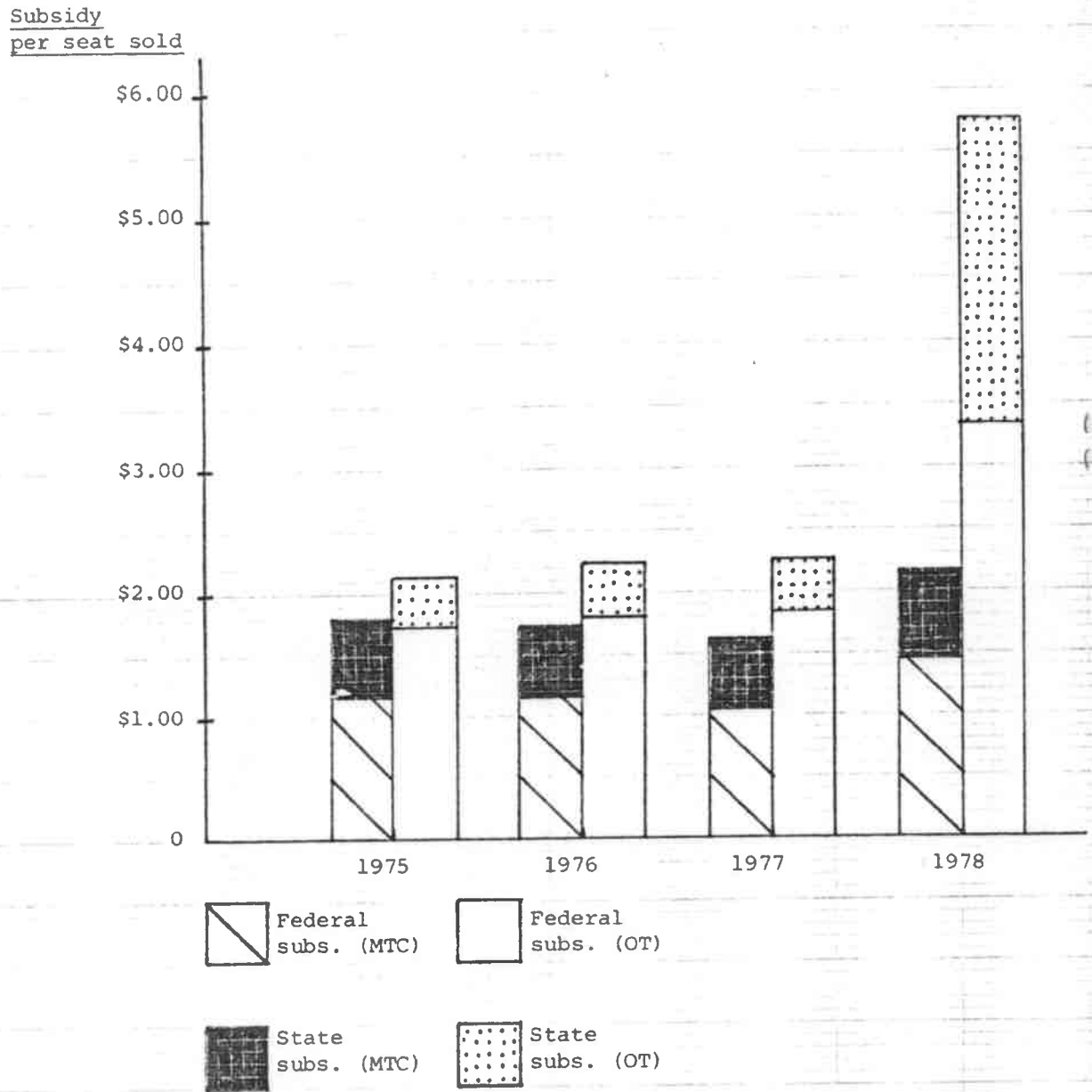
Table 4: SUBSIDIES PER SEAT SOLD - MTC AND OLD TOTE, 1975-78;^a
(Federal subsidies per seat sold, State subsidies per seat sold, total subsidies per seat sold).

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(1974\$)</u>				
Fed. subs./seat sold (MTC)	\$1.18	\$1.18	\$1.06	\$1.46
Fed. subs./seat sold (OT)	1.74	1.80	1.84	3.33
State subs./seat sold (MTC)	0.62	0.55	0.55	0.72
State subs./seat sold (OT)	0.40	0.43	0.42	2.45
TOTAL SUBS./SEAT SOLD (MTC)	1.80	1.73	1.61	2.18
TOTAL SUBS./SEAT SOLD (OT)	2.14	2.23	2.27 ^b	5.78

Sources: a. Calculated from Tables 2 and 3, by dividing the relevant subsidy by the number of total paid attendances.

b. 1¢ error due to rounding.

Figure 2: SUBSIDIES PER SEAT SOLD, MTC AND OLD TOTE, 1975-78.



SOURCE: Refer to Table 4.

4.3: ARTISTIC VALUE FOR GOVERNMENT MONEY.

Another reason that the Theatre Board of the Australia Council cut off the Old Tote's funding was dissatisfaction with its artistic policy and standard. The Old Tote had a far more conservative repertoire of plays than the Melbourne Theatre Company; was generally producing fewer plays from 1975 to 1978; and had far fewer performances each year (see Table 5).

By conservative I mean plays that are not Australian, and those that were written between 1900 and 1954. Boldness with premieres of Australian plays also greatly favoured the Melbourne Theatre Company in terms of numbers produced. Figure 3 presents the marked differences between the performances given by the two companies. (Figures 4 and 5 are self-explanatory.) In Figures 6 and 7 we can see clearly that the Melbourne Theatre Company had a more ambitious and innovative policy related to the choice of plays.

The numbers of plays produced directly affects the numbers of artists employed. More Australian playwrights had their works performed at the Melbourne Theatre Company; and the numbers of directors, designers and actors fell sharply at the Old Tote in 1978.

Dissatisfaction with the Old Tote's artistic policy was also voiced by the company's two "innovative" artistic directors, Jim Sharman and Rex Cramphorn, who resigned in December 1977 in protest over the curtailment of a season of new Australian plays. Despite large increases in government funding, artists at the Old Tote were losing out. It is not surprising, under these circumstances, that there was no outcry by the artists upon the liquidation of the Old Tote. In the middle of the August crisis, the artists were divided:²³

Some of the Old Tote chiefs came to their offices on Thursday (17 August 1978) to find the following message anonymously pinned to their desks: 'A highbrow is a kind of person who looks at a sausage and thinks of Picasso.' It's a small sign of the civil war now raging among actors for and against the continuation of the Tote.

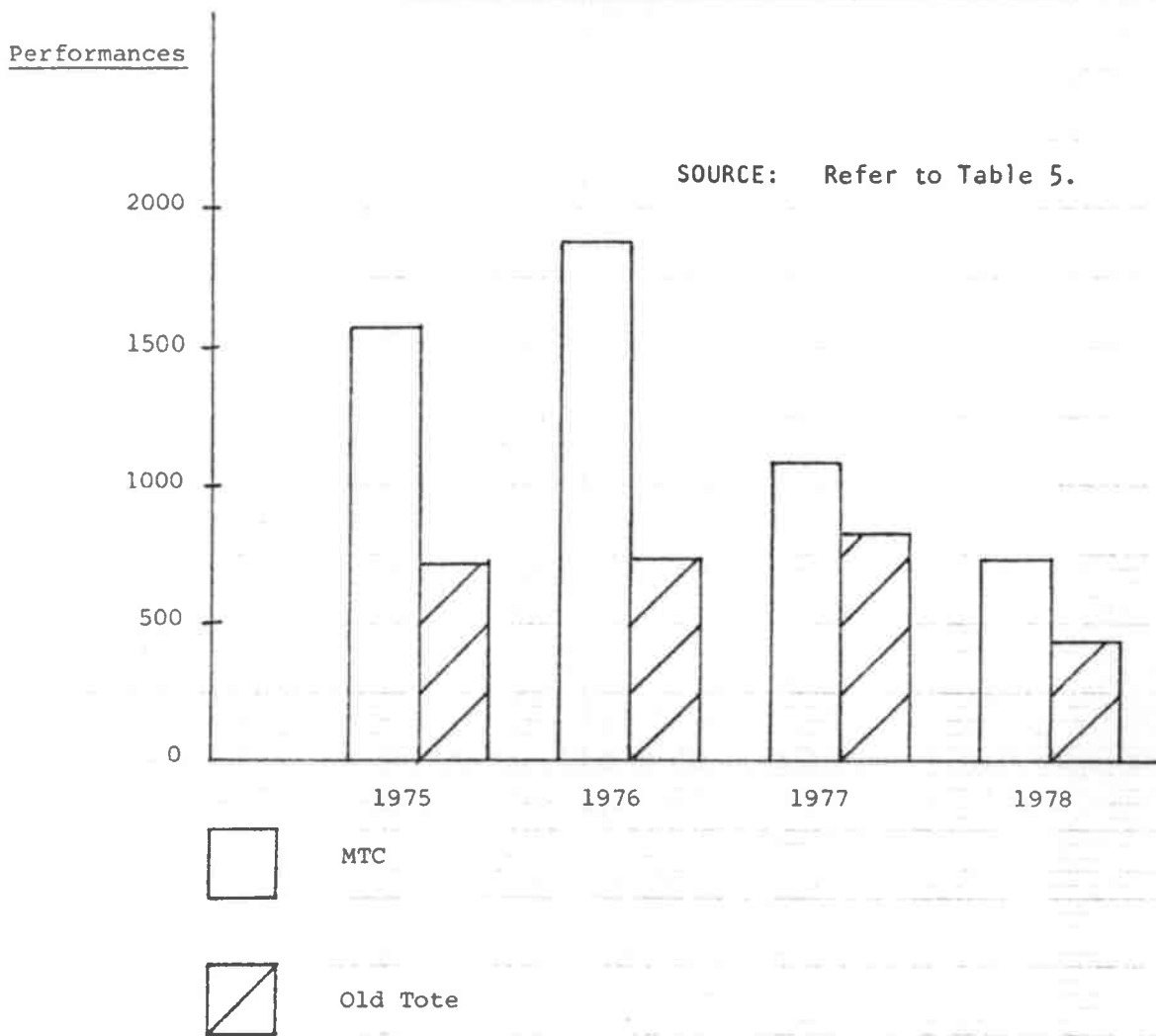
The arts community looked to the establishment of another state theatre company to make better use of government funds to drama in N.S.W.

Table 5: REPERTOIRE ANALYSIS OF MTC AND OLD TOTE, 1975-78,
 (types of plays, total plays, total performances).

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Plays</u>				
Shakespeare (MTC) ^a	1	1	1	1
Shakespeare (OT) ^b	0	0	0	1
Pre-1900 plays (MTC)	4	2	3	2
Pre-1900 plays (OT)	4	2	3	2.5 ^c
1900-1954 plays (MTC)	0	2	3	5
1900-1954 plays (OT)	2	5	5	3
1955-present plays (MTC)	3	6	1	4
1955-present plays (OT)	5	4	4	4.5 ^c
Australian plays (MTC)	5	6	7 ^e	9 ^d
Australian plays (OT)	1	2	4	0
Aust. plays premiered (MTC)	3	4	5 ^f	6
Aust. plays premiered (OT)	0	0	3	0
<u>Totals</u>				
Total plays (MTC)	13	17	15	21
Total plays (OT)	12	13	16	11
Total performances (MTC)	1567	1880	1182	746
Total performances (OT)	715	745	835	444

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- Sources: a. Australia Council (1981), pp. 39-47. Categories given.
 All MTC data used in this Table extracted from here.
- b. Australia Council (1981), pp. 80-85.
 All Old Tote (OT) data used in this Table extracted from here.
- c. Half a play means a one-act play presented in an evening of two one-act plays.
- d. This number excludes 8 Australian playreadings, as they were not fully mounted productions.
- e. This number includes: 2 new full-length Australian plays; 1 classic full-length Australian play; and 2 new one-act Australian plays presented in the one evening. I.e. there were 4 Australian plays in 3 seasons.
- f. This number includes: 1 new full-length play, plus one evening of 2 new one-act plays. I.e. there were 3 Australian plays premiered in 2 seasons.

Figure 3: TOTAL PERFORMANCES, MTC AND OLD TOTE, 1975-78.



SOURCE: Refer to Table 5.

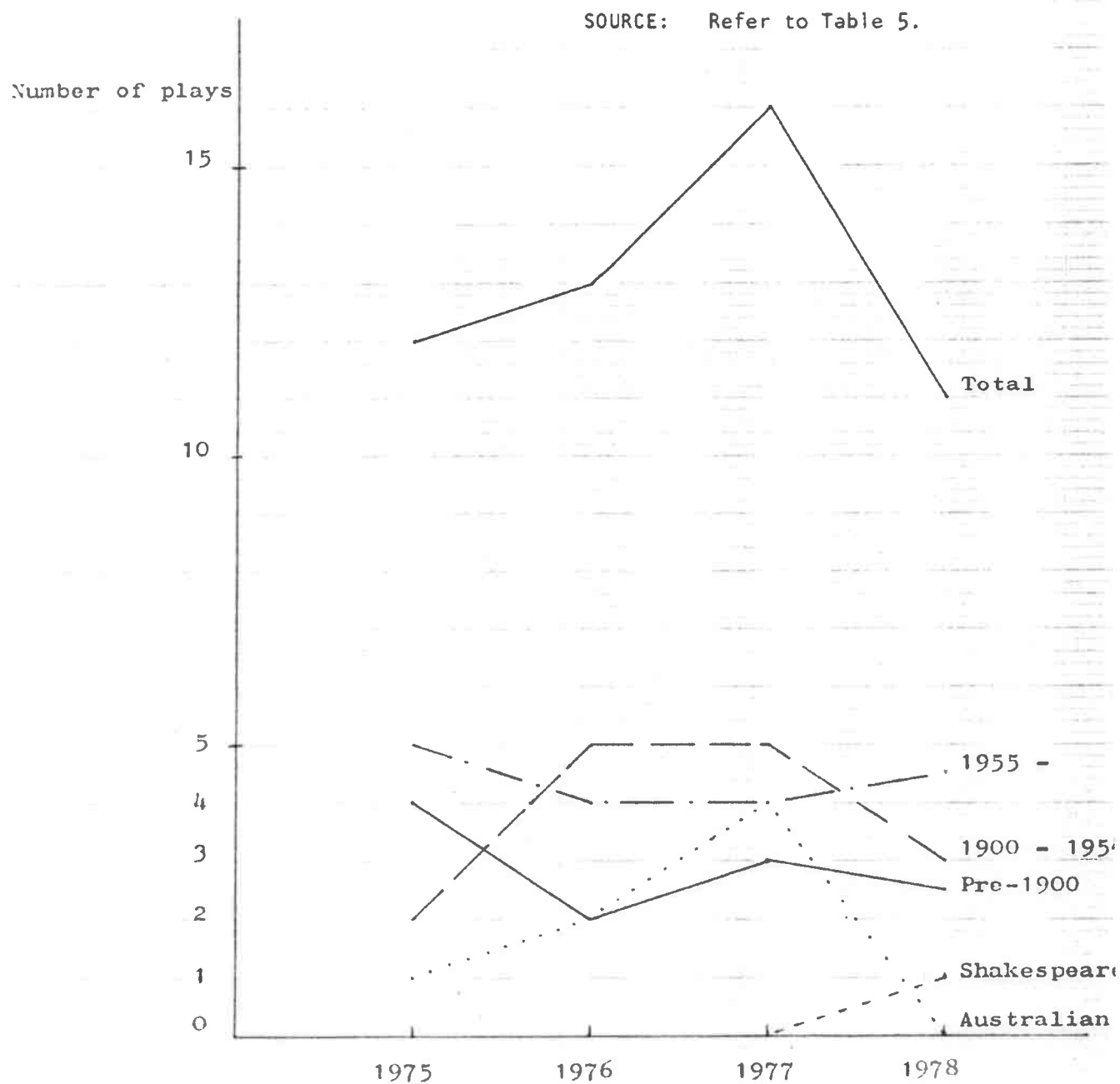
Figure 4: TYPES OF PLAYS PERFORMED BY THE OLD TOTE, 1975 - 1978.

Figure 5: TYPES OF PLAYS PERFORMED BY THE MELBOURNE THEATRE CO.,
1975 - 1978.

Number of plays

SOURCE: Refer to Table 5.

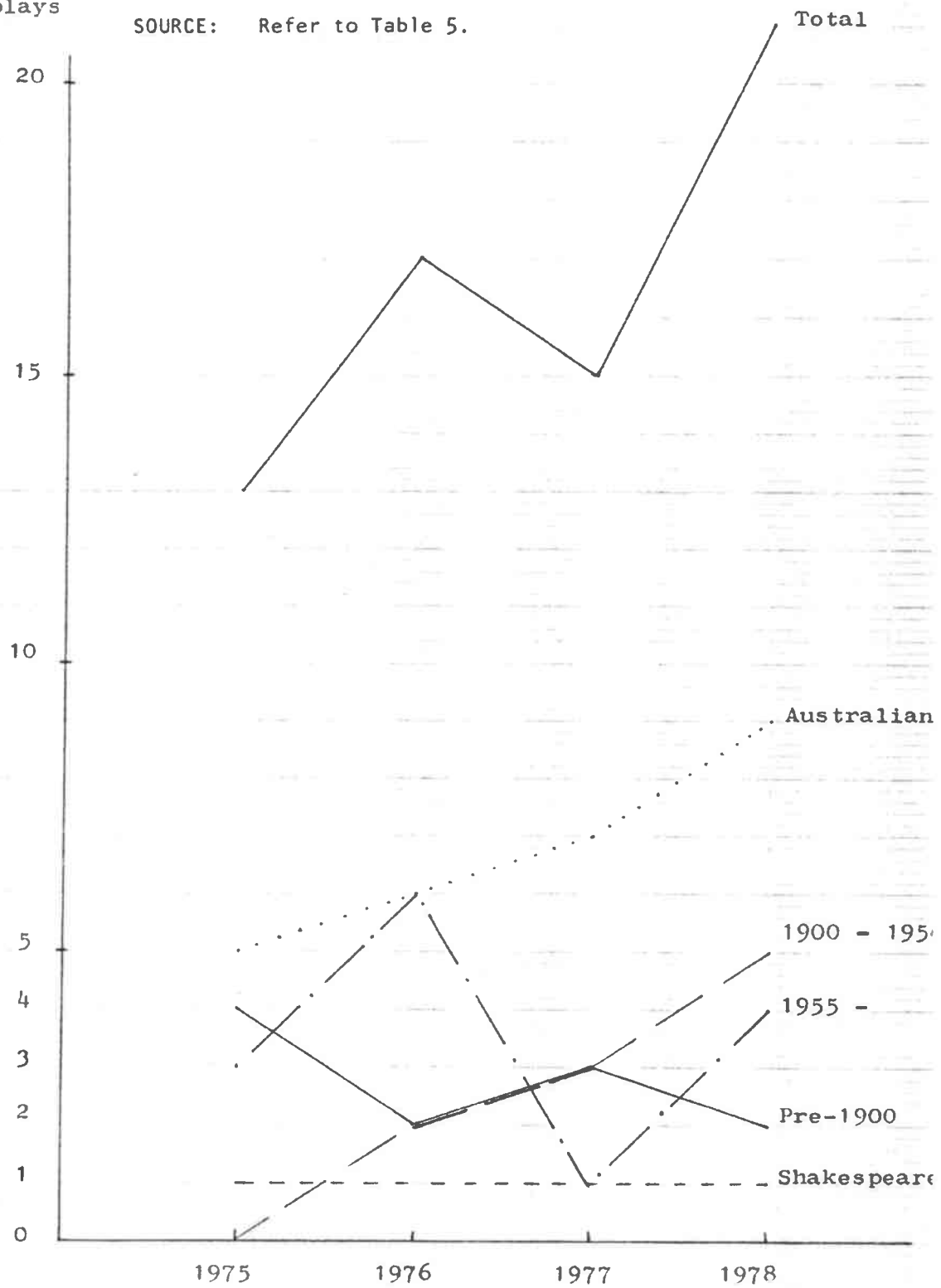


Figure 6: COMPARISON OF THE TYPES OF PLAYS PERFORMED BY THE MELBOURNE THEATRE CO. & THE OLD TOTE, 1975 - 1978:

- TOTAL NUMBER OF PLAYS;
- NUMBERS OF AUSTRALIAN PLAYS, NEW AND OLD;
- NUMBERS OF AUSTRALIAN PLAYS PREMIERED

Number of plays

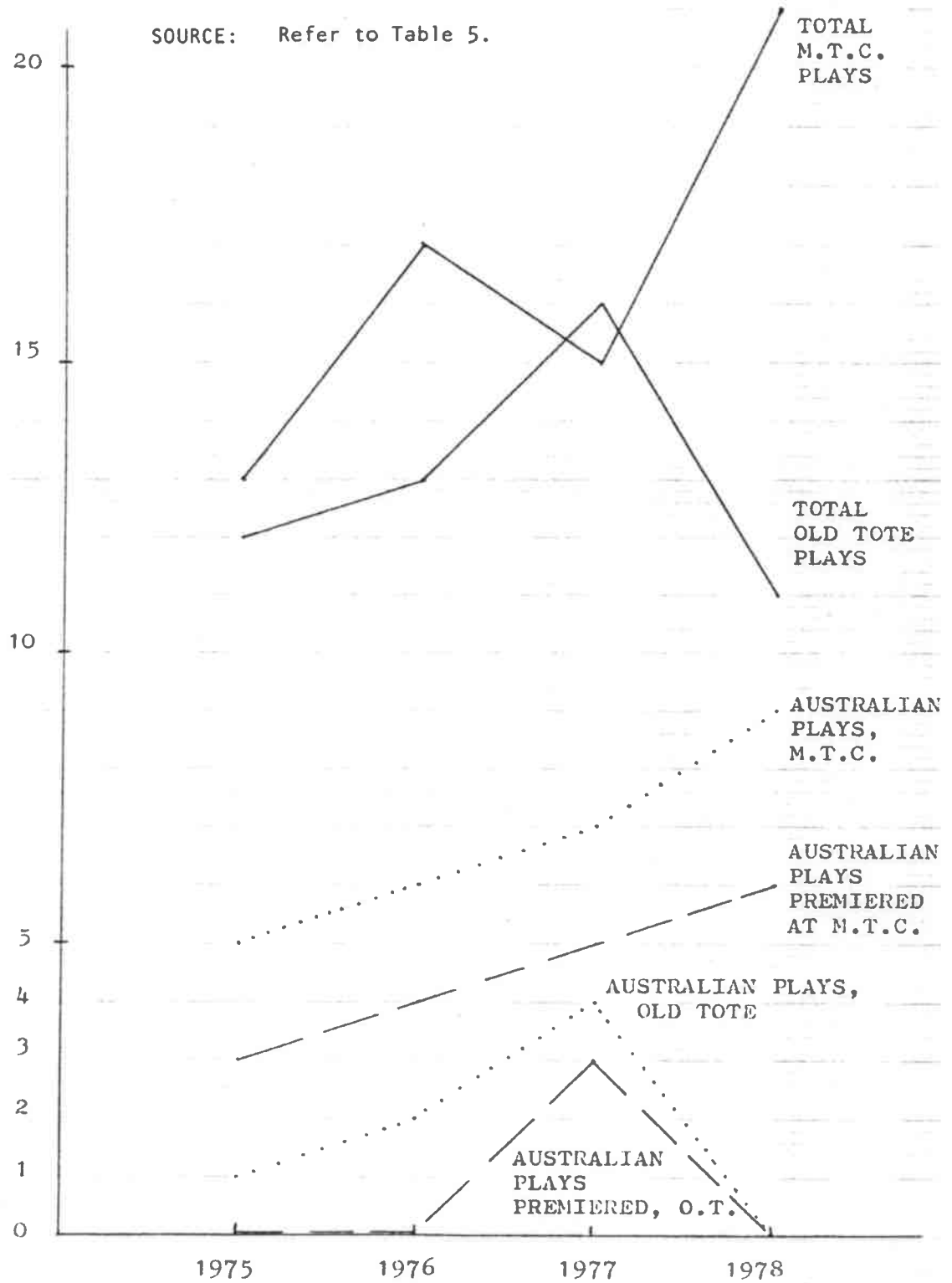


Figure 7: COMPARISON OF THE TYPES OF PLAYS PERFORMED BY
THE MELBOURNE THEATRE CO. & THE OLD TOTE, 1975 - 1978:
- AUSTRALIAN PLAYS AS A PERCENTAGE OF TOTAL PLAYS.

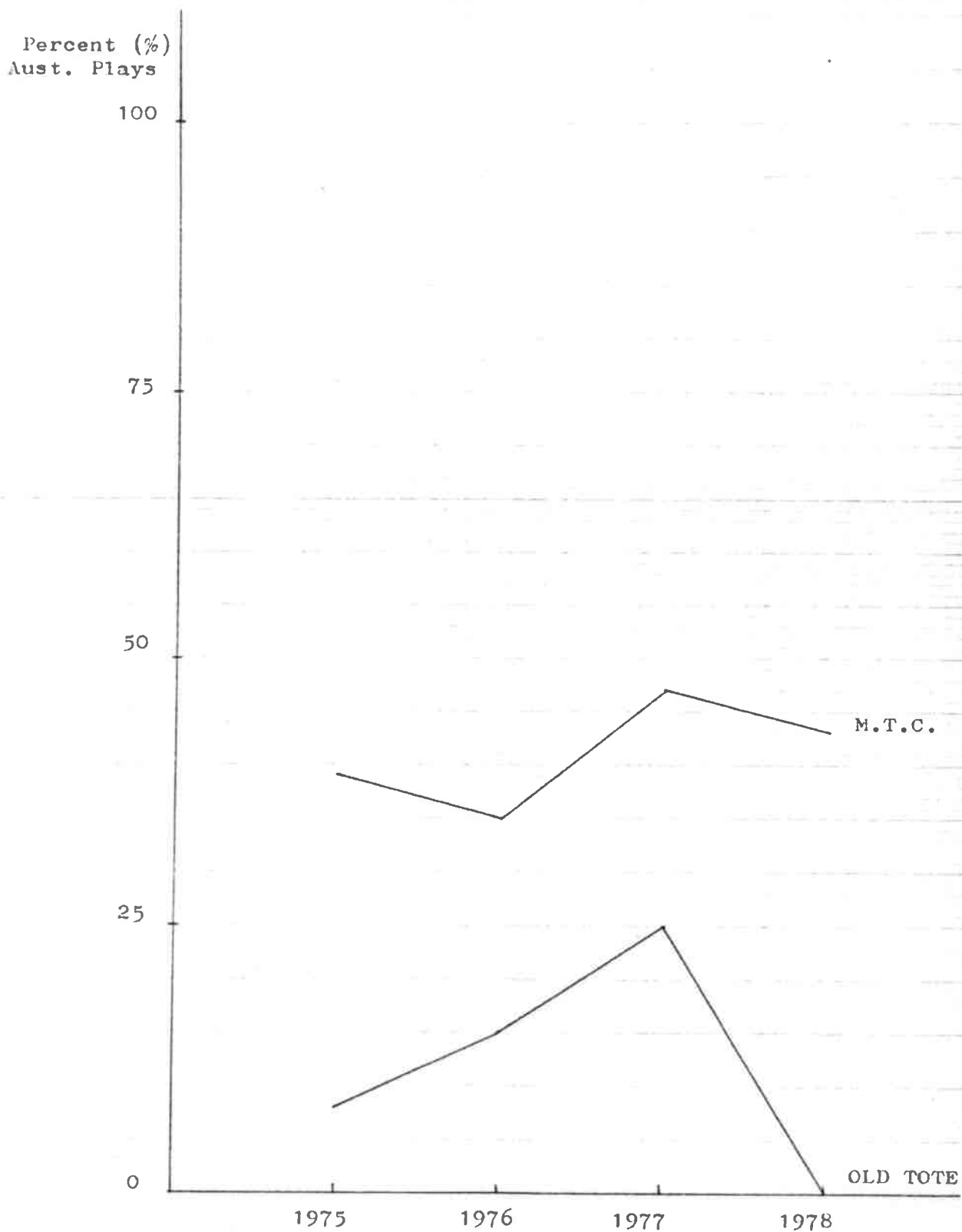


Table 6: NUMBERS OF ARTISTS EMPLOYED BY MTC AND OLD TOTE, 1975-78,^a
 (numbers of playwrights, directors, designers, "artists"^a).

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Persons</u>				
Plays by living Aust. writers (MTC) ^b	5	6	5	8
Plays by living Aust. writers (OT) ^c	1	2	3	0
Directors employed (MTC)	7	12	5	9
Directors employed (OT)	9	9	10	3
Set/costume designers (MTC)	7	9	8	7
Set/costume designers (OT)	7	8	12	5
"Artists" ^a employed (MTC) ^d	143	187	165	210
"Artists" employed (OT) ^d	168	169	208	132

Sources: a. "Artists" refers to: directors plus designers plus composers plus actors.

b. Australia Council (1981), pp. 39-47. All MTC data in this Table extracted from this source.

c. Australia Council (1981), pp. 80-85. All Old Tote (OT) data in this Table extracted from this source.

d. Australia Council (1980c), p. 109. Data collated by multiplying out the average number of artists per performance by the number of performances. The figures may be exaggerated slightly due to the "doubling" of roles by actors.

4.4: MANAGERIAL VALUE FOR GOVERNMENT MONEY.

The administration of the Old Tote was the most costly of the state theatre companies: Melbourne Theatre Company (Victoria), State Theatre Company of South Australia, Queensland Theatre Company, the National Theatre (Western Australia), and the Tasmanian Theatre Company.²⁴ It was also the most costly Sydney theatre company, compared with Nimrod, the Ensemble, and Marion Street.²⁵ By "costly" I mean administration as a percentage of total operating expenditure. The Australia Council defines "administration" as:²⁶

General expenditure (excluding wages and salaries) which relates to an administrative, rather than artistic, function, including: Audit and accountancy fees, bad debts, bank charges, cleaning of office, depreciation, entertaining, first aid supplies, interest, legal fees ... rates and taxes ... rental of administrative offices.

The relevant benchmark for the Old Tote is the Melbourne Theatre Company. As can be seen in Table 7, administration as a percentage of total operating expenditure at the Old Tote between 1975 and 1978 was considerably more expensive than at the Melbourne Theatre Company. This expensive and ineffective administration became the butt not only of Theatre Board criticism, but also of complaints by other theatres in Sydney who felt that the quasi-state theatre company was an unreasonable drain on federal funds allocated to drama in N.S.W.

There were also problems in segmenting the market into the various types of theatre-goers. The Old Tote lost \$42,565 due to the cancellation of the season of new Australian plays that were to be performed in 1978 at the Seymour Centre's York Theatre. "Even if the company was able to stage seasons at the three theatres it was unlikely to achieve success because the Old Tote's management has planned the more adventurous non-commercial plays for the largest venue (York Theatre, 783 seats) and the more commercial plays for the smallest venue (Parade Theatre, 338 seats). One could not argue with the choice of the Drama Theatre (544 seats) for the classics."²⁷

Another poor management decision was to purchase an administration building at Alexandria for over \$900,000, mainly on short term credit.²⁸ This was at a time when the Old Tote's income gap was rapidly increasing.

Table 7: ADMINISTRATIVE EXPENSE AS A PERCENTAGE OF TOTAL EXPENDITURE BY MTC AND OLD TOTE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(Nominal \$) (\$'000)</u>				
Administration ^a (MTC) ^b	52	127	128	120
Administration ^a (OT) ^c	255	218	285	180
Total operating exp. (MTC)	1743	2007	2542	2587
Total operating exp. (OT)	1563	1870	2512	1582
<u>Percentage</u>				
Admin. ^d as % Tot. op. exp. (MTC)	3%	6%	5%	5%
Admin. ^e as % Tot. op. exp. (OT)	16%	12%	11%	11%

Sources: a. "Administration" means: "General expenditure (excluding wages and salaries) which relates to an administrative, rather than artistic, function, including: Audit and accountancy fees, bad debts, bank charges, cleaning of office, depreciation, entertaining, first aid supplies, interest, legal fees...", Australia Council (1980b), p. IV:1.

b. Australia Council (1980b), p. III:68. All MTC data in this Table from this source.

c. Australia Council (1980b), p. III:83. All Old Tote (OT) data in this Table from this source.

d. Australia Council (1980b), p. III:70. Can also be calculated from this Table.

e. Australia Council (1980b), p. III:85. Can also be calculated from this Table.

4.5: FUNDING FOR THE ARTS FROM 1975 TO 1978.

The total Australia Council budget decreased significantly in the years up to and including 1978. Consequently, total Australia Council grants to all arts decreased during this period. However, total Australia Council grants to theatre remained about the same. As a percentage of total Australia Council grants to all arts, total Australia Council grants to theatre actually increased (see Table 8).

It is interesting to note the stability, in real dollar terms, of the Australia Council's subsidies to the Melbourne Theatre Company and the Old Tote during the 1975 to 1978 period. Even more coincidentally there appears to be a zero sum game between the Melbourne Theatre Company and the Old Tote, when observing their subsidies as percentages of total federal theatre subsidies. However, as we are only looking at four data points, this conclusion can only be tentative. (See Table 9).

In any case, it is clear that the Old Tote was faring much better in subsidy allocation than most of its competitors in theatre, and other art forms.

Table 8: TOTAL FEDERAL (AUSTRALIA COUNCIL) FUNDS, TOTAL FEDERAL GRANTS TO ALL ARTS, AND TOTAL FEDERAL GRANTS TO THEATRE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(1974\$) (\$'000)</u>				
Total Australia Council ^a budget	n.a. ^b	17 773	16 114	14 997
Total Australia Council grants to all arts	16 767	14 858	13 588	12 800
Total Australia Council grants to theatre	4 730	4 011	3 988	4 042
<u>Percentage</u>				
Total A.C. grants to theatre as % of total A.C. grants to all arts	28%	27%	29%	32%

Sources: a. All data in this Table is from the Australia Council's Annual Reports, 1974/75, 1975/76, 1976/77, 1977/78.

b. The Australia Council was established in 1975, replacing the Australian Council for the Arts. The Australia Council's budget for 1975 is thus not comparable. However the Australia Council's & the Australian Council for the Arts' grants to all arts and theatre are comparable, and hence are included here.

Table 9: FEDERAL SUBSIDIES TO MTC AND OLD TOTE, 1975-78, AS PERCENTAGES OF TOTAL FEDERAL SUBSIDIES TO THEATRE; (Federal subsidies in 1974 dollars to MTC, Old Tote, and all theatre; and these numbers in percentage form).

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>(1974 \$) (\$'000)</u>				
Federal subsidy (MTC) ^a	450	510	443	442
Federal subsidy (OT) ^b	411	428	413	430
Total Fed. theatre subs. ^c	4730	4011	3988	4042
 <u>Percentage</u>				
MTC subs. as % of total Fed. theatre subs.	9.5%	12.7%	11.1%	10.9%
Old Tote subs. as % of total Fed. theatre subs.	8.7%	10.7%	10.4%	10.6%
MTC + Old Tote subs. as % of total Fed. theatre subs.	18.2%	23.4%	21.5%	21.5%

Sources: a. Australia Council (1980b), p. III:68.

b. Australia Council (1980b), p. III:83.

c. Australia Council (1980c), p. 93.

4.6: SURVIVAL TACTICS.

The Old Tote's reaction to the loss of Australia Council funding was to launch a three-pronged attack on the Theatre Board. The Tote requested that the Federal Government intervene on its behalf at the Australia Council. The theatre stood on "State's rights", and asked the N.S.W. State Government for financial assistance. And it cried "noble struggle" to the Press, which loudly supported it.

The Sydney Morning Herald, in its editorial on 31 July 1978, stated that:

To abandon the Tote now can only spread uncertainty throughout the Australian subsidised world. Which will be next for execution 'to encourage the others'? Art cannot thrive in such a climate.

An editorial in The Australian on 3 August 1978, asked for "one more chance", and suggested that there was a new factor to be considered - the appointment of Sir Robert Helpmann as artistic director of the Old Tote, planned for 1979.

Another Sydney Morning Herald editorial on 7 August 1978 demanded that, "Mr Fraser should initiate a critical re-examination of the operation and responsibilities of the Australia Council to determine which of these, for realistic cultural reasons, would be better decentralised". On 24 August 1978 the Sydney Morning Herald ran an editorial entitled "Theatre vacuum":

In effect, the Australia Council, its Theatre Board and the State Government have combined to say: 'Go, bid the soldiers shoot'. So the Old Tote is going into liquidation. It is a black day for theatre in Australia's largest city ...

The Australia Council and its Theatre Board, having brutally severed the Old Tote's financial lifeline, have a particularly heavy responsibility. They are supposed to foster the performing arts, not kill them ...

The Board ... should resist any temptation to behave like cultural commissars. It should help, not dictate.

The Federal Minister for Home Affairs, which includes the arts, Mr Bob Ellicott, did in fact ask the Australia Council for an explanation of why its Theatre Board terminated the Old Tote's funding (31 July 1978). This move turned out to be counter-productive to the Old Tote's cause. Senator Susan Ryan, Federal Opposition spokesperson for the arts, accused Ellicott of:²⁹

... 'cavalier interference' with a statutory body ... everyone has known for a long time about the Tote's difficulties. If Mr Ellicott was seriously interested he would have said something before the Australia Council and the Theatre Board - which, I believe, have behaved responsibly - announced their decisions.

So the concern became one of freedom from political interference in the arts, and the demise of the Old Tote was put to one side whilst the question of principle was debated. Katherine Brisbane, a leading theatre critic, the playwrights Alexander Buzo and Dorothy Hewett, and the director and academic Philip Parsons, co-authored a letter to the editor of the Sydney Morning Herald (4 August 1978) in which they articulated the feelings of many in the arts community:

Do you really want arts funding to be determined by political influence from Canberra?

The Australia Council was created precisely to insulate arts funding decisions from party politics ... Not politics but informed public debate should be the arbiter of arts subvention.

We have sent a telegram to Mr Ellicott urging the (Federal) Government to withdraw from this issue without prejudice to the merits of the case and to reaffirm the independence of the Australia Council.

On 18 August 1978 a second telegram, signed by 121 well-known theatrical personalities, was sent to the Minister. It read:³⁰

The Australia Council was formed to remove politics from the arts (stop) The Old Tote is appealing the umpire's decision (stop) We the undersigned members of the theatrical profession in Sydney support and trust the Australia Council's integrity and will defend the independence and autonomy of the Council from Government interference.

Phillip McCarthy, writing in the National Times (12 August 1978), echoed the same sentiment:

The central reason for the creation of the Council as a statutory body in 1975 was to take government patronage of the arts out of politics.

The Australia Council approved the Theatre Board's decision concerning the Old Tote, and Bob Ellicott quickly reported that he was satisfied. The tactic of requesting Government intervention completely backfired for the Old Tote.

The Tote fared little better in its tactic in seeking State Government help. Neville Wran, N.S.W. Premier, described the Australia Council's decision to discontinue the Old Tote's subsidy as "intolerable".³¹ His indignation did not stem from a great commitment to the arts by the N.S.W. Government. Except for 1978, the State Government was receiving back from the Company in

payroll tax and Opera House Drama Theatre rental more than it was giving in subsidy.³² A comparison of state and federal funding illustrates the different levels of concern (see Table 2). Upon closer inspection, Wran - who was also responsible for the arts - backed off from attacking the Federal Government, and concentrated on formulating plans to establish a state theatre company to replace the Tote. However he did increase State funds to the Old Tote in 1978 so that the final five productions of the Company, once it was in liquidation, could still be produced.³³

The Board of the Old Tote then turned its attack to the State Government:³⁴

The continuing failure of Mr Wran to fulfil his commitment to pay the Tote a special grant of \$150,000 and for the failure to release the balance of the amount promised for the six months ending December 31, 1978, have meant inevitably that the Tote cannot keep faith with its employees, subscribers, and creditors for the current 1978 season.

Wran claimed that his grant had been linked to the Federal subsidy: "It was clearly impossible for the State Government to meet the total subsidies needed for the Old Tote's operations next year".³⁵ The Old Tote had alienated yet another ally in its panic to stay alive.

Some interesting ratios of state to federal funding are presented in Table 10. It is generally denied that there is a formula for state and federal funding of theatre. Nevertheless, as state budgets come out after the federal budget each year, and usually after the Theatre Board has allocated its funds, it is possible for state governments to give a regular percentage compared to federal theatre subsidies. For instance, in 1975, 1976, and 1977, the N.S.W. State Government gave about \$1 to the Old Tote for every \$4 that the Australia Council gave. (The 1978 ratio is distorted because of emergency state funding. In the years 1975 to 1978, the Victorian State Government gave \$1 to the Melbourne Theatre Company for every \$2 provided by the Australia Council. Thus the N.S.W. State Government was much less generous to its State Theatre than was its Victorian counterpart. Again, this apparent formula is not based on enough longitudinal evidence to be conclusive. It seems unlikely, however, that the Australia Council's claim that "No Commonwealth/State funding ratios are specified"³⁶ is true from the States' perspective.

Table 10: STATE AND FEDERAL SUBSIDIES AS PERCENTAGE OF TOTAL SUBSIDIES,^a
MTC AND OLD TOTE, 1975-78.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Percent (%)</u>				
State subs. as % of total subs. (MTC)	34%	32%	34%	33%
State subs. as % of total subs. (OT)	19	19	19	42
Federal subs. as % of total subs. (MTC)	66	68	66	67
Federal subs. as % of total subs. (OT)	81	81	81	58

Sources: a. Calculated from Table 2, by dividing the relevant
subsidy by the total subsidies, and multiplying by 100.
(Data rounded to whole numbers).

SECTION FIVE: CONCLUSIONS.

"Value for money" is not such a nebulous term when assessing government funding of theatre. There are several criteria used by arts agencies when comparing across companies and over time. These benchmarks include:

- . number of plays presented (annually);
- . number of performances;
- . number of premieres;
- . number of certain types of plays (e.g. Australian);
- . innovative work: quality of the art;
- . artists employed;
- . paid attendances / subsidy per seat sold;
- . cost of management as a proportion of total expenditure;
- . general managerial competence.

Public subsidies to the performing arts can be validated economically, and socially. For the reasons discussed in Section Two, it is clear that the benefits accruing from a healthy theatre industry greatly outweigh the costs. In Australia there is general approval for the present level of funding.

The question then becomes: which theatre companies warrant subsidising, and to what extent? It is up to the individual theatres, in my opinion, to prove their relative worth. The finite public resources allocated to the performing arts will be most effective if the money goes to those companies presenting quality theatre, with low associated non-artistic costs, to the largest possible number of people. "Quality" can be judged and recognised, if not defined. If comparable organisations have different costs pertaining to administration, it is reasonable for government arts bodies to ask why. The number of people attending a theatre annually is not a reliable measure of value for all kinds of theatre companies: an intimate theatre by its very nature cannot cater to the same size audiences as an opera theatre. However, there is comparability within categories. It is possible to measure the popularity of theatres which specialise in one style of play or presentation; and it is possible to compare the audiences of state theatre companies - as long as they are in similar states.

When the Australia Council found that the Old Tote was not giving value for money when compared to the Melbourne Theatre Company, the Tote lost its funding. I applaud the Council's judgement, and their action.

NOTES.

Notes 1 to 17 refer to Section Two;
notes 18 to 36 refer to Section Four.

- 1 Australia Council (1980c), pp. 10-11.
- 2 Moore (1976), p. 50.
- 3 Throsby and Withers (1979), p. 174, and Chapter 10 passim.
- 4 Scitovsky (1976), p. 58.
- 5 Ibid., p. 65.
- 6 Ibid., p. 64.
- 7 Ibid., p. 62.
- 8 Ibid., p. 62.
- 9 Peacock (1976), p. 71.
- 10 Baumol and Bowen (1966), Chapter VIII passim.
- 11 Moore (1976), p.28.
- 12 Baumol and Bowen (1966), pp. 378-9.
- 13 Throsby and Withers (1979), pp. 173-5.
- 14 Australia Council (1980a), p. 32.
- 15 Moore (1976), p.55.
- 16 Throsby and Nielsen (1980), p. 159.
- 17 Ibid., p. 165.
- 18 Throsby and Nielsen (1980), p. 153.
- 19 Press Statement (Attachment 36), Theatre Board, 28 July 1978.
- 20 Australia Council (1980c), p. 75.
- 21 Press Statement, op. cit.
- 22 Sweeney, Brian. Letter to the editor, Sydney Morning Herald, 1 Aug 1978.
- 24 Australia Council (1980b), pp. III:55-115.
- 25 Ibid., pp. III:55-115.
- 26 Ibid., Glossary.
- 27 Australia Council (1980c), p.76.
- 28 Ibid., p. 75.
- 29 The Age, 2 Aug 1978.
- 30 Copy available: Arts coordination, Australia Council.
- 31 Sydney Morning Herald, 5 Aug 1978.
- 32 Australia Council (1980c), p. 76.
- 33 Sydney Morning Herald, 23 Aug 1978.
- 34 Ibid.
- 35 The Age, 23 Aug 1978.
- 36 Australia Council (1980c), p. 17.

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