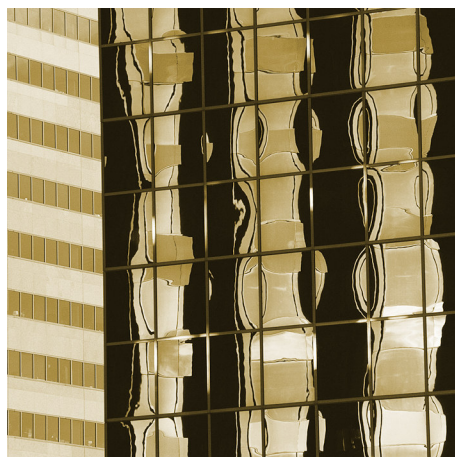
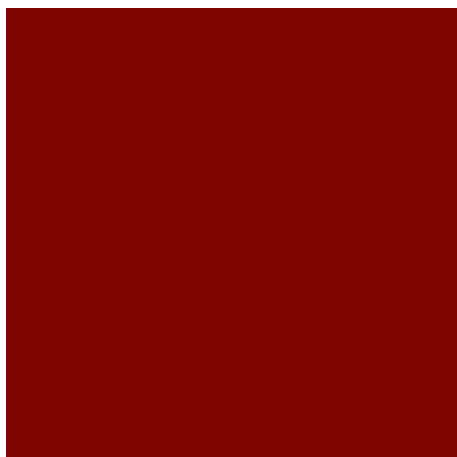


# Evaluation of the *Orchestras Review 2005* funding package implementation

Summary Document



## About LECG

LECG is a global expert services firm with highly credentialed experts and professional staff with specialist knowledge in public policy, regulation, economics, finance and statistics, as well as in-depth knowledge of specific markets and industries. The company's experts provide independent testimony, original authoritative studies and strategic advice to both public and private sector clients including legislative, judicial, regulatory, policy and business decision-makers.

LECG is listed on the NASDAQ Stock Exchange and has approximately 1000 experts and professional staff worldwide. These experts are renowned academics, former senior government officials, experienced industry leaders and seasoned consultants.

### CANBERRA

Level 6, 39 London Circuit  
PO Box 266  
Canberra City ACT 2601  
Ph: (61 2) 6263 5941  
Fax: (61 2) 6230 5269

### SYDNEY

Darling Park Tower 2, Level 20,  
Suite 2032, 201 Sussex Street  
GPO Box 220  
Sydney NSW 2001  
Ph: (61 2) 9221 2628  
Fax: (61 2) 9006 1010

### MELBOURNE

Level 31, 570 Bourke Street  
GPO Box 3179  
Melbourne VIC 3000  
Ph: (61 3) 9606 2805  
Fax: (61 3) 9606 2899

### WELLINGTON

Level 9, Axon House, 1 Willeston  
Street  
PO Box 587  
Wellington 6001, New Zealand  
Ph: (64 4) 472 0590  
Fax: (64 4) 472 0596

### For information on this report please contact:

Name: Roger Fisher  
Telephone: 02 6263 5941  
Mobile: 0419 205 204  
Email: RFisher@lecg.com

# 1 Introduction

LECG was engaged in July 2008 to evaluate the outcomes of the \$25.4 million Australian Government *Orchestras Review 2005* funding package (the 2005 Package), provided to assist the six state symphony orchestras<sup>1</sup> with divestment from the ABC and establishment as fully independent companies.

This document is a short summary of a commercial-in-confidence Full Report that LECG provided to the Australia Council in September 2008. It is intended to complement the overview statement on the evaluation written by Mr Peter Grant and should be read in conjunction with that document.

Terms of Reference for the evaluation are provided at Appendix A. Recommendations of the *Orchestras Review* are provided at Appendix B. The Australian Government response to that Review is provided at Appendix C.

The evaluation is in two parts – implementation of the 2005 Package and the impact of the 2005 Package on the financial sustainability of the orchestras.

## 2 Implementation of the 2005 Package

### 2.1 Settling the measures

The Australian Government's response to the *Orchestras Review* was announced in the 2005 Budget but was subject to a number of conditions that required the cooperation of State governments, the ABC and the orchestras.

Initial reactions to the 2005 Package amongst orchestra Boards and managements, State governments and musicians were mixed. Different orchestras had more or less to gain, depending on the extent to which they had already embarked on internal reforms and their financial outlook for 2005. The response to the 2005 Package was also influenced by the overlay of workplace reforms and changes to superannuation and workers compensation arrangements for orchestral players mandated by then Australian Government as a condition of additional government funding.

Through 2005 and 2006, the orchestras and most State governments agreed to the 2005 Package measures. The NSW Government did not agree to all the measures and only provided co-funding for certain aspects of the 2005 Package. Table 1 shows the distribution of agreed allocations to each of the six symphony orchestras to be paid over the calendar years 2006 to 2009.

---

<sup>1</sup> Sydney Symphony Orchestra, Melbourne Symphony Orchestra, The Queensland Orchestra, West Australian Symphony Orchestra, Adelaide Symphony Orchestra, Tasmanian Symphony Orchestra

**Table 1: Agreed allocations to state Symphony Orchestras**

	Divestment	Extinguish debt (establishment)	Ensemble support and ED compensation	Loss of proficiency (LOP)	Occupational health & safety (OH&S)	Administrative efficiencies	Human resource advice	TOTAL
<b>Sydney</b>	\$76,200	-	\$920,045	-	-	-	\$100,000	\$1,096,245
<b>Melbourne</b>	\$80,700	-	\$881,711	\$295,371	\$50,438	-	\$100,000	\$1,408,220
<b>Queensland</b>	\$71,500	\$1,468,610	\$3,274,700	\$722,945	\$44,688	-	\$100,000	\$5,682,443
<b>West Australian</b>	\$76,400	-	\$1,550,015	\$421,572	\$47,750	-	\$100,000	\$2,195,737
<b>Adelaide</b>	\$76,600	\$1,991,600	\$4,078,787	\$207,523	\$47,875	\$363,000	\$100,000	\$6,865,385
<b>Tasmanian</b>	\$80,000	\$208,800	\$2,448,113	\$211,474	\$50,000	\$284,000	\$100,000	\$3,382,387
<b>Total Australian Government</b>	<b>\$461,400</b>	<b>\$3,669,010</b>	<b>\$13,153,371</b>	<b>\$1,858,885</b>	<b>\$240,751</b>	<b>\$647,000</b>	<b>\$600,000</b>	<b>\$20,630,417</b>
Total State Government	\$138,600	\$1,245,990	\$4,103,764	\$605,296	\$71,751	\$182,000	-	\$6,347,401
<b>Combined Australian Government / State Government total</b>	<b>\$600,000</b>	<b>\$4,915,000</b>	<b>\$17,257,135</b>	<b>\$2,464,181</b>	<b>\$312,502</b>	<b>\$829,000</b>	<b>\$600,000</b>	<b>\$26,977,818</b>

## 2.2 Governance and accountability

Most of the orchestras were divested on 31 December 2006. Adelaide Symphony Orchestra and The Queensland Orchestra were divested on 1 January 2007.

As companies limited by guarantee, the orchestras are required to meet governance and accountability requirements as unlisted public companies under Commonwealth corporations law. In all but one case, membership of the companies that control the orchestras is confined to Directors. One orchestra has promoted a broader membership base from the general public.

We note the potential for tension in such an arrangement between the interests of the Directors of the newly divested orchestras and the public policy objectives and accountability requirements of government funding agencies.

This risk has been mitigated to some extent by additional reporting and disclosure requirements under funding agreements with governments. For example, the orchestras produce Annual Reports incorporating audited financial statements and an outline of achievements against key performance indicators.

However, operational and financial decisions by the orchestras continue to have the potential to create financial and public policy risks for governments. We note for example that not all of the orchestras have an investment policy for management of their reserves approved by their Boards. Others have policies approved by their Boards or are in the process of developing policies that could expose government funding agencies to financial and policy risks in relation to the investment of funds.

Given the level of public funding received by the orchestras, there is a good case for the Australia Council to continue to take a very strong interest in the investment decisions and emerging business strategies of the divested orchestras.

## 2.3 Workplace reforms

The orchestras were required to implement a series of specific workplace reforms as a condition of the 2005 Package. These included changes to allowances and loadings and implementation of performance management arrangements.

The orchestras had different views about the merits of these proposals. While the orchestras generally believe that the new workplace arrangements have provided some additional operational flexibility, some of the orchestras felt that the changes complicated the transition to their new form and would have only a limited impact on their capacity to earn increased commercial revenue.

The specific workplace obligations were implemented in different ways, reflecting the different views of orchestras about the merits of these measures and the extent to which they would support the business strategies and cultures that they were seeking to develop. However, the funding agreements were not prescriptive about how or to what

extent the measures were to be implemented and at this stage all the orchestras seem likely to acquit their obligations under those agreements.

## 2.4 Superannuation

As part of the 2005 Package, the then Australian Government decided that musicians of the newly divested orchestras would no longer have access to the Commonwealth superannuation schemes (the CSS and PSS). This created a significant workplace relations and implementation challenge for the orchestras as they sought to work with their musicians in moving to a new and more flexible company model.

The orchestras decided to top-up their employer contributions to the musicians' superannuation schemes to provide a broad equivalence to the benefits to which the musicians would have been entitled had they remained in their previous schemes. In one case, an orchestra also adjusted salaries for new employees who had not previously been members of the CSS or PSS.

Supplementation for the cost of compensating former members of the CSS and PSS was not provided in the 2005 funding package. However, we note that the decision to compensate the players was in each case a management decision taken in the light of each orchestra's assessment of its long term needs and obligations to employees.

We note that calculation of the cost of this initiative is extremely complex, and likely to change over time.

The individual orchestras appear to have accepted that the net cost of the new superannuation arrangements will change over time. In our view, the long term cost will converge to the community standard as defined by the Superannuation Guarantee Contribution plus the effect of additional benefits provided by the orchestra. The orchestras would in this case bear costs in the short term but derive a net benefit over the longer term.

## 2.5 Workers compensation

One of the consequences arising from the then Australian Government's decisions about how divestment would proceed was that orchestra members would no longer be covered for workers' compensation insurance by the Australian Government provider (Comcare) and that they would instead be covered by separate State arrangements.

The orchestras had very different opinions about the effect of this change on their position. Some orchestras claimed that the change in coverage had a significant impact on their costs. Other orchestras claimed that overall they had benefited from some small net savings. Most orchestras felt that the cost to orchestras of workers compensation would increase over time as the residual Australian Government's liabilities (relating to the costs associated with injuries incurred by orchestra members prior to divestment) washed out of the system.

## 2.6 Relationship with the ABC

Though the orchestras have now formally separated from the ABC, all the orchestras see the quality of their relationship with the ABC as critical to their ability to develop their audience and to their commercial future.

Each of the orchestras has entered into a Service Level Agreement with the ABC relating to broadcasts, recordings and other operational matters. These agreements are slightly different on some details and will run for varying periods, with current agreements expiring between December 2008 and December 2013. Two of the agreements will expire in the next year.

While these agreements provide some short-term certainty for the orchestras, there is a view that divestment has reduced the orchestras' access to the ABC's expanding platforms, opportunities to exploit new technologies and broader access to Australian and international markets, and made the orchestras more vulnerable to changes in personnel and policies at the ABC. We note the commercial imbalance in the relationship between the individual orchestras and the ABC and the difficulty for the orchestras in vigorously pursuing their interests, given their reliance on the ABC for the promotion and distribution of their musical performances.

## 2.7 General observations

Despite some initial misgivings, the orchestras managed a remarkably smooth transition to the new arrangements. The logistical and organisational challenges in establishing the new independent companies while developing new superannuation, workers compensation and governance arrangements were considerable for what are in the main relatively small operations without specialist skills in these areas. Though funding support was available to assist with many of these tasks, there were some costs that were not fully supplemented at the time.

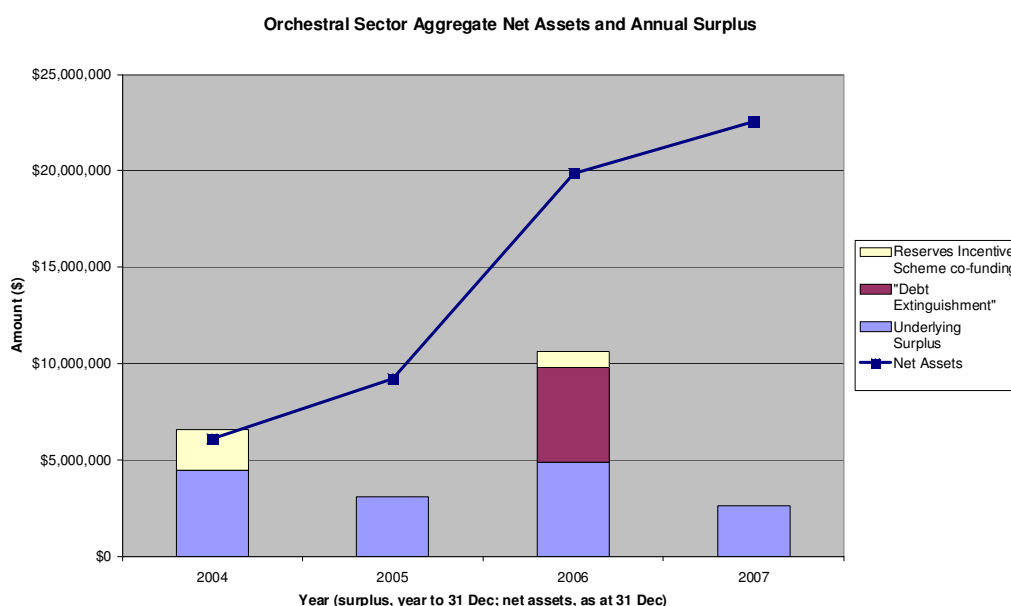
The orchestras are developing distinctive business models that have gone some way to realising the Orchestras Review's vision that over time they would acquire their own unique identities.

Since divestment, each of the orchestras has innovated in different ways. Each orchestra has done something special, and each has made a valuable contribution to the musical and cultural life of its community.

### 3 Assessment of impact on financial sustainability

In announcing the package of reforms in 2005, the then Minister for the Arts and Sport said that the funding package would “secure the long-term sustainability of the orchestral sector and improve the financial and artistic outlook for the orchestras”. (The Minister’s full statement is provided at Attachment C).

The injection of government funding from 2006 relieved the immediate financial pressures on the smaller orchestras and provided opportunities for those orchestras to expand and improve the quality of their musical offerings, strengthen their balance sheets and seek new sources of revenue. The sector’s overall net asset position improved from \$9.2 million at end 2005 to \$22.6 million at end 2007, as shown in the chart below.



Note: The surplus columns show the aggregate headline surplus as well as the underlying surplus that excludes certain abnormal one-off revenue items – primarily the “debt extinguishment” payments to three orchestras provided as part of the 2005 Package and Reserves Incentive Scheme contributions from governments. In the year of divestment from the ABC, accounting recognition of one-off non-cash revenue in consolidated accounts (being the difference between the acquisition cost and the value of the net assets acquired) has been omitted.

However, the underlying economics and financial outlook for the individual orchestras has not significantly improved. The workplace reforms provided a little more flexibility for the orchestras, but did not markedly enhance opportunities to earn commercial revenue, and in some cases involved additional costs for the orchestras.

The independent divested orchestras remain fragile as businesses. They lose money on their concert performances and operate on very narrow margins. While one-off payments to three orchestras in 2006 allowed for the extinguishment of negative net equity, it did not have a significant impact on the gross level of assets available to the orchestras. The orchestras have few assets to generate income or provide a buffer against lean years.



All the orchestras face significant challenges and risks into the future.

In some ways, divestment increased the financial vulnerability of the separate independent orchestras. At divestment, the orchestras lost direct access to services and alternative distribution channels controlled by their previous owner and are now more vulnerable to changes in their external environment. As separate legal entities, the orchestras are also vulnerable to changes in the priorities of other organisations in ways that may not have been the case while they remained as a single body within the ABC.

A number of the orchestras are now seeking to establish their own investment vehicles and endowment funds. While this may help improve the resilience of the orchestras over time, the funds will only grow slowly, and are unlikely to provide a significant source of income in the short term. They also carry some financial and probity risks, and some orchestras may need to develop investment policies that provide a better balance between their longer term financial requirements and their capacity to absorb risk.

Several of the orchestras face significant pressure on accommodation and salary costs that they would have difficulty meeting given their underlying business model and forecast revenues.

In addition, as the orchestras diversify their sources of revenue they are also becoming increasingly subject to economic cycles. With a buoyant economy and additional government funding over recent years, orchestras have experienced relatively benign or favourable trading conditions. More difficult trading conditions in 2008 already appear to be impacting on ticket sales and levels of sponsorship.

Depending on economic conditions and management responses, some of the more vulnerable orchestras could again have minimal net assets by 2011.

There is scope for some of the orchestras to improve the identification and management of risks to their financial outlook, and to re-consider current business strategies, but short of fundamental change to business models, these measures would improve but not turn-around their current outlook. Significant modelling of the feasibility and impacts of alternative operational arrangements would be required before embarking on this kind of reform.

It would be difficult to conclude that the 2005 measures have successfully secured the long-term sustainability of the orchestral sector.

## 4 Conclusion

Each of the six symphony orchestras, in their different way, has embraced the spirit of the reforms and the opportunities they provide. The orchestras made a remarkably smooth transition to independent companies limited by guarantee, particularly given the uncertainty around some aspects of workplace relations.

The injection of additional funding from 2006 relieved immediate financial pressures on the smaller orchestras and provided an opportunity to their strengthen balance sheet and take measured risks to seek new sources of revenue.

However, the independent divested orchestras remain fragile as businesses. They operate on narrow margins with low levels of reserves or other assets with which to absorb adverse shock. The orchestras are highly dependent on government subsidy for ongoing operations and are increasingly vulnerable to fluctuations in economic cycles.

Endowment funds and investment vehicles that are currently being established by some of the orchestras will only grow gradually over time. Some of these strategies may help secure the orchestras across many generations. Others may fail.

The strategies and business models of the different orchestras are still developing. The orchestras are in new territory and are still learning as they go. They are experimenting with different approaches to workplace relations, executive management and governance. While the orchestras are likely to learn from one another and other organisations and adapt successful practices as they learn, insufficient time has yet elapsed for the lessons to be clear.

The full impact of the 2005 Funding Package and reforms will only emerge over a number of years, but at this time it would be difficult to conclude that they have successfully secured the long-term sustainability of the orchestral sector.

All of the orchestras face significant challenges and risks into the future.

Depending on economic conditions and management responses over the next year, the financial situation of the more vulnerable orchestras may need to be addressed prior to the outcome in 2011 of the 2009 Review of the Funding Model for Major Performing Arts companies.

Over the longer term, the orchestras are likely to require continuing external support, or access to significant income generating assets, if they are to continue to operate in their current form.

## Appendix A: Terms of Reference

### Scope of the evaluation

The evaluation will cover the outcomes of the \$25.4 million Australian Government *Orchestras Review 2005* funding package, provided to assist orchestras with divestment from the ABC and establishment as fully independent companies, and the ramifications of implementing the key government-agreed recommendations of *A New Era: Report of the Orchestras Review 2005*.

### Key elements

The evaluation will assess the effectiveness of the following key elements of the Australian Government funding package in delivering the desired outcomes:

- \$9.9 million to ensure that the current size of orchestras in Tasmania, Queensland, South Australia and Western Australia can be maintained;
- Over \$4.1 million to establish the orchestras as independent companies limited by guarantee;
- \$3.1 million for a two-year program to improve artistic standards in the orchestras;
- Approximately \$0.4 million for an initiative to improve the occupational health and safety standards and conditions for orchestral musicians;
- \$4.7 million to secure the longer-term sustainability of the orchestras; and
- \$1 million to implement alternative service delivery arrangements to those formerly provided by Symphony Australia.

This additional funding was matched by appropriate additional contributions from each of the State governments and was linked to orchestras' acceptance of the key workplace changes recommended in the *Orchestras Review Report*.

The evaluation will also consider the extent to which these required workplace changes have been implemented, including:

- The establishment of the six state symphony orchestras as fully independent companies, no longer owned by the ABC, and the development of service level agreements between the ABC and the orchestras to preserve the mutual benefits;
- Significantly strengthened governance and accountability requirements for the orchestras;
- More flexible workplace arrangements for musicians, allowing the orchestras greater ability to earn commercial revenue.

Other issues to be considered as part of the evaluation include:

- The current financial position of orchestras in comparison to that reported in the *Orchestras Review 2005*;
- The financial impact of the six state symphony orchestras' greater organisational independence, including consideration of government funding as a proportion of total income;
- The impact of transferring employees' superannuation from Australian Government to equivalent private schemes;
- The impact of transferring workers compensation insurance to State government schemes; and
- The impact of organisational changes on community ownership of, and investment in, the six state symphony orchestras."

Extract from Request for Tender: Evaluation of *Orchestras Review 2005* Funding Package (p.15-16), Australia Council for the Arts

## Appendix B: Recommendations of the *Orchestras Review 2005*

“The review makes 20 recommendations, set out below, to improve the sustainability of symphony and pit orchestras in Australia.

### **Responsible governance (see Chapter 3)**

1. The six symphony orchestras which are currently subsidiaries of the ABC should be divested from the ABC, wound up and reconstituted as public companies limited by guarantee. This change should be made as soon as possible, but in any event completed by no later than 1 January 2006.

Governments should provide up to \$100 000 per orchestra to facilitate establishing the new public companies, for the necessary legal, accounting and administrative services involved.

2. In order to satisfy the requirements for their incorporation as public companies limited by guarantee, governments should provide the funding required to eliminate accumulated deficits of the six symphony orchestras at the point of incorporation. Any increases in an orchestra’s deficit beyond its 2005 budget as previously approved by the Australia Council and the relevant state funding agency have to be deducted from its base grant for 2006.

3. Service-level agreements should be negotiated between each symphony orchestra and the ABC to preserve the mutual benefits of current arrangements in terms of promotion and broadcasting of performances. These agreements should be negotiated and concluded before 1 January 2006 as a condition of funding for each orchestra.

4. Existing employees of the six symphony orchestras should maintain their current superannuation benefits, including their membership of the Australian Government superannuation schemes, when the companies are reconstituted as public companies limited by guarantee. However, new employees from the date of incorporation should have access to an accumulated benefits scheme providing benefits at the current community standard.

5. The appointment of directors to the new boards of the independent state symphony orchestras should have regard to the level of responsibility required for public companies limited by guarantee. To begin this new era of governance, the initial chair of each new board should be appointed following close consultation between the Australian Government and the relevant state government.

6. Each of the eight professional orchestras should be required to publish an annual report of its artistic, educational, commercial and other activities which includes a set of audited financial statements and an outline of its achievements against key performance measures. Annual reports are to be issued within four months of the end of a company’s financial reporting period.

**Realistic financing (see Chapter 4)**

7. Governments remove the current ‘efficiency dividend’ and provide full indexation of their ongoing base grants to the eight professional orchestras. Full indexation should be made conditional upon the orchestras accepting and committing to implement the changes recommended in this report as adopted by governments.

8. In the event that the efficiency dividend is not removed for the eight professional orchestras, a new funding model needs to be developed which makes realistic assumptions as to the limited flexibility of the predominant cost of people and to the growth in non-government income which can be achieved to offset the declining value of government funding.

**Viable employment arrangements (see Chapter 5)**

9. Orchestra management and musicians must continue to negotiate to achieve improvements in workplace flexibility and productivity, particularly in the following areas:

(a) The exclusion of non-playing calls from musicians’ daily and weekly call limits and annual call count.

(b) The removal of the small ensemble loading to enable increased opportunities for orchestras to earn revenue.

(c) The reduction of the maximum entitlement payable to musicians under loss-of-proficiency provisions from 77 weeks of salary to 48 weeks of salary, in line with the Orchestral Musicians Award 1999. Processes surrounding the management of loss-of-proficiency cases should also be reviewed and streamlined in the interests of greater efficiency.

(d) The development and implementation by musicians and management of a formal and transparent procedure for managing artistic proficiency.

(e) Other innovations to improve the efficiency and productivity of orchestras and thereby the future career prospects of musicians.

10. A program should be established to assist orchestras with the funding of loss-of-proficiency cases, on the condition that the maximum payout is 48 weeks pay at the relevant salary rate and dependent on length of service. A one-off amount of \$4 million over two years should be provided by governments for this program.

Payments under this program are only available to orchestras that have implemented a formal proficiency management procedure as described in Recommendation 9(d).

11. The six state symphony orchestras should be supplemented for increases in their public sector superannuation costs on the same basis as Australian Government departments and agencies. This supplementation should commence from 1 January 2006.

12. Governments should provide one-off financial support of \$0.5 million to engage specialist services to develop and implement improved occupational health and safety injury prevention strategies in the eight professional orchestras.

**Sustainable structures (see Chapter 6)**

13. The review recommends that The Queensland Orchestra reduce the size of its ensemble to triple wind or approximately 74 full-time equivalent musicians and governments provide up to \$1.1 million in one-off funding to assist The Queensland Orchestra to meet its redundancy cost obligations, depending on actual costs incurred. The funding proposed in Recommendation 2 to eliminate the orchestra's deficit should be made conditional upon acceptance and implementation of this recommendation.

14. The review recommends that Adelaide Symphony Orchestra reduce the size of its ensemble to double wind or approximately 56 full-time equivalent musicians and governments provide up to \$1.3 million in one-off funding to assist Adelaide Symphony Orchestra to meet its redundancy cost obligations, depending on actual costs incurred. The funding proposed in Recommendation 2 to eliminate the orchestra's deficit should be made conditional upon acceptance and implementation of this recommendation.

15. The review recommends that Tasmanian Symphony Orchestra reduce the size of its ensemble to that of a small double wind orchestra of approximately 38 full-time equivalent musicians and governments provide up to \$1.1 million in one-off funding to assist Tasmanian Symphony Orchestra to meet its redundancy cost obligations, depending on actual costs incurred. The funding proposed in Recommendation 2 to eliminate the orchestra's deficit should be made conditional upon acceptance and implementation of this recommendation.

16. In addition to the funding recommended under Recommendations 13, 14 and 15, governments should provide one-off funding of \$300 000 in total to assist The Queensland Orchestra, Adelaide Symphony Orchestra and Tasmanian Symphony Orchestra to manage the consequential process of structural adjustment.

17. Governments need to initiate an urgent examination of future governance and funding arrangements to apply to the delivery of orchestral services in support of the Sydney and Melbourne seasons of Opera Australia and The Australian Ballet.

The examination should be conducted in accordance with the principles established by the current review (responsible governance, realistic financing, viable employment arrangements, and sustainable structures), and be completed to allow all new arrangements to be implemented by 1 January 2006.

18. As an interim measure only, the review recommends that governments provide \$1.5 million in 2005 to assist Opera Australia to cover the operating costs of the Australian Opera and Ballet Orchestra until the new arrangements are agreed and implemented.

19. The Australian Government should provide \$100 000 annually to each of Canberra Symphony Orchestra and Darwin Symphony Orchestra to enable them to build their

relationships with the six state symphony orchestras and to access the support services available to those orchestras.

20. The orchestras should determine and implement alternative arrangements for the delivery of the services and programs currently provided by Symphony Australia, in consultation with the ABC. All new arrangements should be implemented no later than 1 January 2006.”

*A New Era: Report of the Orchestras Review 2005*, Australian Government Department of Communications, Information Technology and the Arts, Commonwealth of Australia 2005, pp.9-12



## Appendix C: Australian Government response to the *Orchestras Review 2005*

### “Orchestras Review 2005—Australian Government Response

The Australian Government will commit \$25.4 million over four years to Australia’s symphony and pit orchestras as part of its response to the Review of Orchestras conducted by James Strong.

The funding will secure the long-term sustainability of the orchestral sector and improve the financial and artistic outlook for the orchestras.

“The Government’s response to the recommendations of the Strong Review will put orchestras on a strong financial footing, and help them become independent organisations with responsibility for their own artistic and financial future,” the Minister for the Arts and Sport, Senator Rod Kemp, said.

“It is important that all governments, together with orchestra boards, management and musicians, work together now to build a more viable independent orchestral sector.”

Recognising the important contribution orchestras make to the musical life of their cities, the Government has agreed to provide additional funding to the Tasmanian Symphony Orchestra, The Queensland Orchestra, the Adelaide Symphony Orchestra and also to the West Australian Symphony Orchestra to allow these orchestras to maintain their ensemble sizes.

The Government has agreed to the implementation of the key recommendations of the Strong Report including:

- funding to ensure that the current size of orchestras in Tasmania, Queensland, South Australia and Western Australia can be maintained, costing \$9.9 million;
- establishing the orchestras as independent companies limited by guarantee, at a cost of over \$4.1 million;
- a two-year program to improve artistic standards in the orchestras, at a cost of \$3.1 million;
- an initiative to improve the occupational health and safety standards and conditions for orchestral musicians, costing approximately \$0.4 million;
- funding to secure the longer-term sustainability of the orchestras, at a cost of \$4.7 million; and
- funding of almost \$1.3 million to the Australian Opera and Ballet Orchestra in Sydney to assist with the orchestra’s running costs while a further examination of opera and ballet in Sydney and Melbourne is under way.

This additional funding must, however, be matched by appropriate additional contributions from each of the State governments and will be linked to orchestras’

acceptance of the key workplace changes recommended by the Report. Consultations with the State governments will continue over coming months to finalise these arrangements.

In responding to the Report, the Government has agreed to the key recommendations put forward by James Strong, particularly that:

- the six State symphony orchestras become fully independent companies, no longer owned by the Australian Broadcasting Corporation (ABC), noting that the service level agreements will be developed between the ABC and the orchestras to preserve the mutual benefits (Recommendations 1, 2 and 3);
- the governance and accountability requirements for the orchestras will be significantly strengthened (Recommendations 5 and 6);
- workplace arrangements for musicians will become more flexible allowing the orchestras greater ability to earn commercial revenue (Recommendation 9);
- a range of initiatives will provide improved artistic standards for orchestras, and will provide funding to develop occupational health and safety strategies for orchestras (Recommendations 10 and 12);
- funding be provided to the Australian Opera and Ballet Orchestra, preliminary to a further examination of the issues surrounding the delivery of orchestral services in support of the Sydney and Melbourne seasons of Opera Australia and The Australian Ballet (Recommendations 17 and 18);
- consistent with Recommendation 19, the Australian Government is prepared to make a commitment to the Canberra Symphony Orchestra and the Darwin Symphony Orchestra to improve their artistic success; and
- orchestras, in consultation with the ABC, should determine and implement alternative arrangements for the delivery of services and programs currently provided by Symphony Australia (Recommendation 20). Funding of up to \$1 million will be available to assist with this process of change.

In recognition of the financial difficulties faced by many of the orchestras considered in the Report, the Government has agreed to provide a \$4.7 million funding package to secure their long-term sustainability.

The Government has not agreed to the following recommendations:

- reductions in the size of the ensembles of the TSO, TQO and ASO (Recommendations 13 – 16); and
- allowing orchestra members who currently belong to Australian Government superannuation schemes to retain their membership of those schemes once the orchestras are established as companies independent of Government (Recommendations 4 and 11). This is consistent with general government policy. Existing members will not lose their accrued benefits.”

Media release, Senator the Hon Rod Kemp, Minister for the Arts and Sport,  
10 May 2005