

## Cultural agencies

### Introduction

- 3.1 As outlined in chapter 1, 'smaller agencies' are defined as those with an operational budget (i.e., departmental as distinct from administrative appropriations) of \$150 million per annum or less.
- 3.2 This threshold captures a variety of cultural agencies and the inquiry received submissions from the National Gallery of Australia, the National Library of Australia, the Australian War Memorial, the Australian Institute of Aboriginal and Torres Strait Islander Studies, and the Australian National Maritime Museum amongst others.
- 3.3 There are a number of features that distinguish cultural agencies from other agencies. Of particular note is that these agencies often hold a large number of valuable assets and have a high proportion of relatively fixed costs related to maintaining those collections and the buildings in which they are housed. Many of their discretionary functions, such as travelling exhibitions, serve to benefit large numbers of regional and rural communities. Importantly, collecting institutions are also often subject to a mandate to grow their collections.

## The evidence

3.4 The inquiry received seven submissions from cultural agencies.<sup>1</sup> The Committee also took oral evidence from a number of individuals and organisations. This evidence is presented below.

### Non-discretionary and fixed costs

3.5 The Committee notes that while there is some inconsistency about whether costs related to labour, utilities, maintenance costs and the like are non-discretionary and/or fixed, there was a clear consensus that depreciation is a non-discretionary and fixed cost. There was also agreement that the application of the efficiency dividend, calculated as a percentage of an agency's total appropriation, which includes depreciation, is perceived by these agencies as a disproportionate disadvantage.

3.6 Cultural agencies very often hold significant numbers of valuable assets that are subject to depreciation funding. The National Gallery of Australia (NGA), for example, holds assets including the national collection of artworks valued<sup>2</sup> at \$3.2 billion. The NGA's total appropriation funding of approximately \$41.8 million in 2008-09 includes approximately \$16.5 million in depreciation funding.<sup>3</sup> Similarly, the Australian National Maritime Museum (ANMM) submit that of the \$23.6 million baseline appropriation funding it received in 2008-09, approximately \$9.6 million is appropriated for depreciation for asset replacement.<sup>4</sup> The Australian War Memorial (AWM) also provided evidence that of its annual appropriation for 2008-09 of \$38.6 million, \$15.4 million is related to expenditure on depreciation.<sup>5</sup>

3.7 The Committee heard that as a result of these high proportions of depreciation costs, the efficiency dividend is in reality actually higher. This is because agencies with high non-discretionary costs such as those related to depreciation, must find the 3.25% from a smaller funding base. As Mr Froud of the National Gallery of Australia states:

---

1 This includes Questacon, which is featured in chapter 5.

2 As at June 2007.

3 National Gallery of Australia, sub 6, pp 1-2.

4 Australian National Maritime Museum, sub 15, p 1.

5 Australian War Memorial, sub 26, p 1.

[Depreciation] is the given and everything else changes around it. That is why, in our case, we are saying the 3.25 per cent efficiency dividend is actually a five per cent cut in our operating expenses because the depreciation expense cannot change.<sup>6</sup>

- 3.8 Similarly, the National Library of Australia makes the claim that the impact of the combined 3.25% efficiency dividend effectively represents a 4.6% reduction in the funds available for operating expenses.<sup>7</sup>
- 3.9 In addition to suffering a disproportionate impact because they hold a large number of assets, some cultural agencies also referred to the disadvantage they suffer as a result of the methodology used to adjust for inflation. Of particular concern is that while the efficiency dividend is applied to total net departmental appropriations (including depreciation)<sup>8</sup>, indexation adjustments are not applied to depreciation expenses. This naturally means, again, that agencies holding a large number of assets suffer an additional disadvantage.
- 3.10 It is clear to the Committee that the indexation arrangements around depreciation disadvantage agencies that hold a significant number of assets, particularly high value assets such as those held by cultural agencies. However, the Committee also notes that depreciation funding arrangements are currently being examined by the net cash funding working group in the context of the Department of Finance and Deregulation's *Operation Sunlight*<sup>9</sup>. The Committee keenly awaits the outcome of that review.

## Rising costs

- 3.11 No agency, large or small, is immune from the rising costs of leasing property, water, electricity and the like. However, the Committee heard that an additional burden is placed on cultural agencies responsible for the management of high-value, high-maintenance assets. For example, as at 30 June 2008, the National Capital Authority (NCA) was responsible for more than \$670 million in administered assets. Over the past seven financial years, the value of assets managed by the NCA has doubled (from \$335 million in 2001-02 to \$672 million in 2007-08).<sup>10</sup> However, since

---

6 Mr Alan Froud, transcript, 21 August 2008, p 38.

7 National Library of Australia, sub 41, p 2.

8 See Department of Finance and Administration, *Estimates Memorandum – 2007/42*, p 6.

9 Operation Sunlight is the Government's plan to improve Budget accountability and transparency – see The Hon Lindsay Tanner MP, *Appointment of Senator Murray to Advise on Improving Budget Transparency*, media release, 24 March 2008.

10 National Capital Authority, sub 47, p 3.

1999, the NCA has not received any additional funding to manage these cultural assets despite the fact there have been hefty rises in the cost of water and electricity.<sup>11</sup> The NCA also refer to other increases specific to agencies that manage cultural assets as follows:

...increase in the horticultural contracts costs, dam maintenance cost increases, construction costs, et cetera which are not only location specific but also driven by national and international price movements, such as the price of oil increases and the effect that that has on the price of bitumen for road maintenance and the like.<sup>12</sup>

3.12 At the hearings on 21 August, 8 September and 19 September 2008, representatives from the National Gallery of Australia, the National Archives of Australia, the Australian War Memorial, the Australian National Maritime Museum and the Office of the Official Secretary to the Governor-General gave evidence. All raised the imposition on their agencies of rising energy and water costs in addition to other factors such as international freight, petrol costs and lease price increases.

3.13 Dr Ron Radford of the National Gallery of Australia referred to the financial peculiarities around maintaining artwork appropriately as follows:

Our electricity bill went up \$500,000 this year with no appropriation to make up for that, so that is added on top of what the NCA might charge on top of the efficiency dividend. There is no way that we can reduce electricity charges, because it is the environmental control that looks after the \$3.3 billion collection and lights the collection when people come to visit. There are costs like that that you cannot reduce. You cannot show the collection in darkness and you cannot turn off the air conditioning to preserve this \$3.3 billion collection...Looking after the collection in environmental conditions and showing the collection is at our core.<sup>13</sup>

3.14 Mr Ross Gibbs, Director General of the National Archives of Australia, outlined the particular difficulties his organisation faces in light of rising costs and the imposition of the efficiency dividend:

---

11 National Capital Authority, sub 47, p 5.

12 Mr Christopher Doogan, transcript, 19 September 2008, p 67.

13 Dr Ron Radford, transcript, 21 August 2008, p 32.

One thing I want to stress is that the efficiency dividend is not the only impact on the Archives or the other cultural agencies. It is a combination of a range of things... I think you have got the message about rent and energy cost increases. We are paying 11 to 64 per cent but we have had heard figures even higher than that... Because of the contracts we are in we are actually sharing the same cost increases. They are massive cost increases. They have a unique effect on the Archives because we are all over the country. We have 13 buildings – from Darwin to Hobart, from Perth to Brisbane, as well as four in Canberra – so these increases have a real knock-on effect for us. The impact of that really began and hit us in 1996, when the former government sold off our buildings and we had to lease them back. So we are a captive of lease price increases as well as energy cost increases. In that sense, among the cultural institutions, we are uniquely affected.<sup>14</sup>

- 3.15 Major General Gower of the Australian War Memorial also referred to what he described as a ‘knock on effect’ as a result of the imposition of the efficiency dividend on the National Capital Authority:

[The National Capital Authority] have invited us to find a quarter of a million dollars per year for ground maintenance. We are challenging that but it seems to be a very nebulous argument at the moment. That is going to cause an extra impost of a quarter of a million dollars for looking after our grounds. People expect the Australian War Memorial to be maintained in an outstanding condition.<sup>15</sup>

- 3.16 Ms Williams of the Australian National Maritime Museum referred to the increasing cost of international freight as an issue for cultural institutions:

...one of the areas that a lot of museums face an increase in cost is through international freight. Before terrorism, it used to be a lot cheaper and freight companies were more generous.<sup>16</sup>

- 3.17 Mr Brien Hallett, Deputy Official Secretary to the Governor-General, also outlined the challenges his office faces in managing the rising utility costs associated with two heritage properties, two heritage gardens and effectively two function centres:<sup>17</sup>

---

14 Mr Ross Gibbs, transcript 21 August 2008, p 6.

15 Major General Steve Gower, transcript, 21 August 2008, p 4.

16 Ms Mary-Louise Williams, transcript, 8 September 2008, p 70.

17 Mr Brien Hallett, transcript, 19 September 2008, pp 55-56.

...if you look at supply costs...we believe that rates and utilities have increased 19 per cent in the last year. Most Commonwealth agencies lease their buildings, but we have to cover property and cleaning costs ourselves, and we believe that it will be about a 26 per cent increase.<sup>18</sup>

- 3.18 Mr Hallet also outlined some particular costs facing agencies responsible for managing heritage buildings:

...in July...the sea wall facing Sydney Harbour, which was a 19th century sandstone wall, collapsed. We had to get that fixed very quickly, both for the safety of people using the Harbour and the safety of guests, staff and the Governor-General at Admiralty House. That was \$80,000...Every time there is a storm in Canberra, we sometimes have problems with trees...If you lose three or four trees in one storm, we are talking \$20,000. That is not even in the budget, if you like. The other experience with old properties is that you tend to pull up a floorboard, so to speak, and find several other problems, whether it is dampness or whatever.<sup>19</sup>

- 3.19 Similarly, Mr Rake highlighted the particular difficulties of the National Capital Authority that is responsible for street and traffic lights:

...it is very difficult to try to find a way of saving electricity there, where we cannot turn the traffic lights off for half of the day.<sup>20</sup>

## Core functions

- 3.20 The Committee notes that, like 'fixed costs', 'core functions' are not easy to define. For the purposes of this inquiry the Committee assumes that maintaining and developing collections, and making those collections accessible to the Australian public is considered a core function of many of the national cultural institutions.

- 3.21 The Committee heard evidence to suggest that while cultural agencies overall have maintained their core functions, this has not universally been the case. It has neither been without difficulty nor is it sustainable. For example, the Australian National Maritime Museum (ANMM) submitted that, as a result of increasing costs, the ANMM would no longer be able to undertake one of its core functions to grow the national collection:

---

18 Mr Brien Hallett, transcript, 19 September 2008, p 58.

19 Mr Brien Hallett, transcript, 19 September 2008, p 59.

20 Mr Gary Rake, transcript, 19 September 2008, p 71.

Unfortunately, measures that impact on the museum's core functions must now be taken...for the 2008/09 financial year, the museum has cancelled a major exhibition and scaled back and deferred another exhibition.<sup>21</sup>

...

The ANMM, after 20 years of its application, no longer has the ability to pay the dividend without compromising its core functions.<sup>22</sup>

- 3.22 Similarly, Mr Larkin of The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) outlined the particular difficulties his organisation is facing in terms of maintaining a repository of cultural heritage materials:

The efficiency dividend erodes our capacity to care for our collections and, equally importantly, to provide Aboriginal and Torres Strait Islander people with access to their own cultural heritage materials. The potential for expanding the collections under current financial restrictions is now minimal. We are currently racing against time to digitise the most vulnerable parts of our collections before analogue technologies become completely obsolete. If we fail, these items will be lost forever. Yet we have had to reduce our staffing in this program by eight positions to comply with the requirements of the dividend.<sup>23</sup>

- 3.23 The National Library of Australia (NLA) stated that it has made significant reductions to its functions (these functions are set out in Section 6 of the *National Library Act 1960*). These reductions are set out in the NLA's submission as follows:

- Withdrawal of the Library's A-based officer from Jakarta, effective from late 2009. This officer manages the acquisition of Indonesian publications, and selectively collects from the wider region, for the Library and for six other Australian libraries. This will mean an inevitable decline in the quality of the Library's world-class Indonesian collection.
- A reduction in the number of staff providing services in reading rooms, and in the number of staff undertaking collection processing. While these reductions have been carefully targeted to minimise the impact on readers, there will be

---

21 Australian National Maritime Museum, sub 15, p 4.

22 Australian National Maritime Museum, sub 15, p 6.

23 Mr Steven Larkin, transcript, 21 August, 2008, p 3.

inevitable reductions in the level of access to the Library's collections.

- A reduction in outreach programs.
- A moratorium on loans for exhibitions for all borrowers except other Commonwealth institutions and state libraries.
- A reduction in the Library's national and international leadership and collaborative activities, including a reduction in the assistance which the Library provides to other libraries in the Asia/Pacific region.
- A reduction in the Library's investment in new technology.<sup>24</sup>

3.24 A supporting view was expressed in the submission of the National & State Libraries Australia (NSLA), an organisation that represents National, State and Territory Libraries of Australia and New Zealand. It made the following specific points about what it called the NLA's core functions:

The efficiency dividend is affecting the core functions of the National Library by:

- Forcing cuts to services provided in reading rooms;
- Reducing opening hours;
- Cutting core collecting activities, particularly for the Asia/Pacific region where the staff presence based in Indonesia has had to be withdrawn;
- Reducing capacity to assist other national libraries in the region and participate in international forums; and
- Falling behind other national libraries in digital collecting and preservation responsibilities.<sup>25</sup>

3.25 The Australian Library and Information Association also submitted that the core functions of the NLA would be compromised by the ongoing efficiency dividend:

ALIA is concerned that the National Library's capacity to perform the core function of collecting the nation's recorded knowledge, information, and creative works is severely diminished by the effects of the efficiency dividend.<sup>26</sup>

3.26 The reason some agencies have been able to maintain their core functions is because they have sought new sources of funding. For example, the Australian War Memorial sought non-government sources of funding to maintain its core functions:

---

24 National Library of Australia, sub 41, p 4.

25 National & State Libraries Australia, sub 39, p 3.

26 Australian Library and Information Association, sub 53, p 2.



...we, for this coming financial year, budgeted for \$7 million from non-government sources. That is quite important because it enables us to do much more on our core functions of ceremonies, interpretation, events and things like that which are essential for a very active museum and cultural institution. Without that money, we would be very lessened in what we can achieve and contribute as an institution.<sup>27</sup>

- 3.27 As outlined above, while cultural agencies appear to have been able to 'keep their head above water' in terms of providing core functions to date, many of them argue that the application of the efficiency dividend in its current form is not sustainable over the long term particularly when these institutions are governed by a mandate to 'grow' their collections. For example, Section 6 of the *National Library Act 1960* states:

The functions of the Library are, on behalf of the Commonwealth:

(a) to maintain and develop a national collection of library material, including a comprehensive collection of library material relating to Australia and the Australian people...

- 3.28 The Collections Council of Australia Ltd also notes:

A core function of collecting institutions is to develop their collections.<sup>28</sup>

- 3.29 Dr Cathro from the NLA argues that it is this mandate to grow that makes the imposition of the current funding arrangements on small cultural agencies inappropriate:

The collecting institutions are impacted not only because we are small but because we are required by statute to collect and that means we are required by statute to grow. Each year, obviously, our collections are larger than the year before. With that growth comes additional cost in collection management, storage and housing preservation of the collections. So what we really need, ideally, is a funding formula that takes account of the growth that our statutes require us to make; instead, we have a funding formula that does the opposite.<sup>29</sup>

- 3.30 In a supplementary submission to the inquiry, the Academy of the Humanities states:

---

27 Major General Steve Gower, transcript, 21 August 2008, p 3.

28 Collections Council of Australia Ltd, sub 55, p 4.

29 Dr Warwick Cathro, transcript 21 August 2008, p 5.

Our core point is that the efficiency dividend is the wrong instrument to employ if the objective is to keep mission-directed agencies delivering services as their charters require. These organisations have been charged with a task by government, with the consent and support of the public at large, but they are increasingly hampered in their ability to deliver on their responsibilities due to the tightening strictures of the efficiency dividend. Their service charters, organisational structures and missions make them entirely unlike the departments, yet they are subject to a measure that was designed for application to the departments (and with which the departments are able to find ways to live).<sup>30</sup>

- 3.31 Ms Meredith Hinchliffe, a private individual who describes herself as a ‘stakeholder in Australia’s collecting institutions’<sup>31</sup> succinctly makes the point that a number of witnesses had expressed to the Committee in the following statement:

There appears to be a contradiction in the imposed decrease in operational funding for collecting institutions and their acknowledgement, acceptance and expectations of their roles to develop and grow national collections with associated public access and storage requirements. I think that is a real issue.<sup>32</sup>

- 3.32 The Committee is mindful of the potential risks of cultural agencies not being able to meet the expectations of this mandate. Particularly in light of the findings of a 1981 Joint Committee of Public Accounts inquiry into the conservation and curatorial function of the Australian War Memorial<sup>33</sup> which arose as a result of unfavourable findings of the Auditor-General.<sup>34</sup>

- 3.33 Ms Meredith Hinchliffe also makes a similar point when she said:

I think we could look back to reports from perhaps 25 years ago when the War Memorial was in quite a deal of trouble because it was not looking after its collection and the Australian National Audit Office produced quite a scathing report on the condition of the collections. While I am not suggesting for a second that that is

---

30 Academy of the Humanities, sub 11.1, pp 1-2.

31 Ms Meredith Hinchliffe, sub 19, p 1.

32 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 43.

33 Joint Committee of Public Accounts, *Report 196 Australian War Memorial – Curatorial and Conservation Functions*, 1982.

34 *Auditor-General’s Report*, March 1981.

the case now, I think there is a risk that could become a problem in the future.<sup>35</sup>

- 3.34 The National Capital Authority also referred to a reduction in promotional activity, one of the NCA's core outputs, as a result of a reduction in staff funding to support volunteer contributions. This translates into fewer tours:

We do a reduced number of tours. Over at the National Capital Exhibition, we have produced a teacher information pack so that teachers accompanying school groups basically self-guide through the exhibition rather than having an interpretive guide to go with them.<sup>36</sup>

- 3.35 In its submission to the inquiry, the National Capital Authority also outlined how funding just one staff position to coordinate the activities of volunteers, and paying the costs of uniforms, training and insurance had resulted in gaining over one hundred volunteers. However, as a result of the ongoing efficiency dividend and recent budget savings initiatives the NCA was no longer able to fund that position. Mr Rake described the impact of cutting the position that coordinated volunteers in the following way:

It is an activity where we leverage the greatest benefit. For an investment of \$60,000 or \$90,000, an employee might produce a couple of hundred thousand worth of benefit. In assessing that value for money context, we were aware that it was not a particularly efficient way to cut but we ran out of other discretionary options.<sup>37</sup>

- 3.36 The Committee notes the comments of Mr Stephen Jones, National Secretary of the CPSU:

When we are talking about cultural institutions, let us not forget these museums, galleries and centres of excellence are not elaborate wardrobes for storing cultural artefacts. They are a core part of this nation's attempt to instil cultural diversity, to celebrate our cultural past and, hopefully, to set beacons for where we would like to go as a nation.<sup>38</sup>

---

35 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 43.

36 Mr Gary Rake, transcript, 19 September 2008, p 69.

37 Mr Gary Rake, transcript, 19 September 2008, pp 76-77.

38 Mr Stephen Jones, transcript, 20 August 2008, p 37.

## Discretionary activities

- 3.37 As alluded to above, there is not necessarily a clear distinction between 'core' and 'discretionary' functions. However, on the basis of the evidence it received, the Committee believes that cultural agencies are making significant cuts to what appears to fall within their discretionary spending. Of particular note were travelling exhibitions and cooperative ventures.

## Regional impact

- 3.38 Although it was acknowledged that the impact of these reductions was hard to measure,<sup>39</sup> it seemed clear that rural and regional areas would be disadvantaged by any reduction in travelling exhibitions. It may also be that the full impact of such a reduction is yet to be felt:

It is also true to say that most of the national institutions have maintained these outreach programs to date...It is really in the latest iteration of that process that they have expressed, and we have observed them expressing, that concern about their ability to do so...Given that many institutions develop these programs up to two or four years in advance, it will take some time for that impact to be felt on the ground.<sup>40</sup>

- 3.39 The National Archives of Australia (NAA) submitted that it had reduced its travelling exhibitions and they were now undertaken only when the Archives could secure third-party sponsorship to fund the venture.<sup>41</sup> The NAA claimed that the impact of this change was to:

...significantly decrease the reach of public access to the records of the Commonwealth, to people outside capital cities.<sup>42</sup>

- 3.40 The National Gallery of Australia also advised that the number of travelling exhibitions displayed in Australia and abroad had reduced from fourteen to nine this financial year compared to last. Only one new exhibition will be released this year compared to an average of four in previous years.<sup>43</sup>

The cut back in new releases will have an impact particularly in rural and regional communities in coming years.<sup>44</sup>

---

39 Mr Ross Gibbs, transcript, 21 August 2008, p 30.

40 Ms Judy Kean, transcript, 17 September 2008, p 3.

41 National Archives of Australia, sub 27, p 3.

42 National Archives of Australia, sub 27, p 3.

43 National Gallery of Australia, sub 6, p 3.

44 National Gallery of Australia, sub 6, p 3.

- 3.41 At the hearing on 8 September 2008, Ms Williams advised that the Australian National Maritime Museum had cancelled a major exhibition program being conducted in conjunction with a museum in Paris and had scaled down another project, making it less challenging and adventurous.<sup>45</sup> The Committee also notes the impact of these arrangements on the reputation of the Museum.<sup>46</sup>
- 3.42 The Committee heard that one of the consequences of scaling back touring exhibitions is that regional and rural staff lose opportunities for professional development through the influx of staff from major cultural institutions.<sup>47</sup> This is particularly important in a context where highly-skilled staff (e.g., curators, conservators and archivists) are difficult to find.<sup>48</sup>
- 3.43 Some further intangible losses from scaling down travelling exhibitions and the like can be inferred from Ms Hinchliffe's description of the advantages to be gained by engaging in outreach activities:

It is an amazing thing to reach out to those communities – and they will be in rural and regional communities on the whole – to bring all the things...: that leadership role, that confirmation of involvement in their own communities, that celebration of what is in their communities. It also gives people the courage to actually see what is around in their communities, work with it, do something with it and celebrate it.<sup>49</sup>

- 3.44 A similar sentiment was expressed in Museums Australia's submission:

In comparison with the remit of their state and local colleagues, the role of the national institutions is to develop programs that seek to reach out in all directions simultaneously, and to all Australians, no matter how far-distant from the national capital they may be. It is the outward-directed institutional orientation, the orbital communication drive, access provision and services delivery by the national institutions that play a hugely important role – often quiet and insufficiently championed – in support of a *shared national identity*.<sup>50</sup>

---

45 Ms Mary-Louise Williams, transcript, 8 September 2008, p 69.

46 See transcript, 8 September 2008, p 69.

47 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 46.

48 See transcript 21 August 2008, p 21.

49 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 58.

50 Museums Australia, sub 46, p 3.

- 3.45 The Committee is deeply concerned about the impact this reduction in discretionary spending would have on rural and regional areas. The Committee agrees with the following comments from the Community and Public Sector Union (CPSU) about the reduction in NGA's touring exhibitions:

The gallery may be saving money and balancing their budget, but at what cost?<sup>51</sup>

### Cooperative projects

- 3.46 In addition to scaling back their travelling exhibitions, the Committee heard that agencies were also reducing the number of cooperative projects they are engaged in. This was of particular note in relation to the work of the NLA. The following concern, expressed by the Australian Dictionary of Biography, was echoed by others:

The on-going efficiency dividend's impact on the National Library of Australia (NLA) is adversely affecting not only individual researchers but also cultural organizations, such as the Australian Dictionary of Biography (ADB), that rely on the many innovative, online bibliographic services developed by the NLA.<sup>52</sup>

- 3.47 The Victorian Public Library and Information Network (Viclink) also made the following comment:

The NLA is heavily relied upon both locally and nationally in terms of digital preservation and access to cultural collections. As part of the service, the Inter-Library loans and document delivery transactions have substantially increased public accessibility to library collections across Victoria and Australia. The NLA is also an essential part of Australia's national information infrastructure enabling libraries to operate efficiently by supporting resource sharing, cooperative collection development, cataloguing and reference.<sup>53</sup>

- 3.48 A number of organisations, such as the Australian Map Circle,<sup>54</sup> and individuals who rely heavily of the NLA for research purposes also provided submissions outlining their concern about the impact of the

---

51 Community and Public Sector Union, sub 58.1, p 4.

52 Australian Dictionary of Biography, sub 45, p 1.

53 Viclink, sub 33, p 1.

54 Australian Map Circle, sub 44, p 1.

ongoing efficiency dividend on the NLA's capacity to facilitate research and learning.<sup>55</sup>

- 3.49 The submission of the Libraries Australia Advisory Committee referred to the Libraries Australia service which is used by 1,400 libraries in the management of their collections and is an avenue for cooperation between libraries nationally and internationally. Libraries Australia provides advice to staff on how to use the services effectively and it holds an annual forum for librarians to maintain their currency and share professional knowledge. The Libraries Australia Advisory Committee further suggests that these key activities are 'jeopardised by the continuance of the efficiency dividend'.<sup>56</sup>
- 3.50 It is worth noting that the inquiry also received a number of submissions regarding the scaling back of the NLA's Indonesian Acquisitions Project. Again, whether this forms a core or a discretionary part of the NLA's activities is not clear cut. What is certain, however, is that this action has elicited a great deal of concern amongst individuals<sup>57</sup> and academics.<sup>58</sup> The concerns centred on the importance of maintaining high-quality research resources in areas that are strategically important to Australia and on the concern that Australia is becoming less appealing to overseas students.
- 3.51 Mr Larkin, Principal of AIATSIS, also outlined a key project that could not be pursued as a result of meeting the obligations imposed by the efficiency dividend. Return of Materials to the Indigenous Communities program (ROMTIC) was a project in partnership with a number of main communities where artefacts, which had been accumulated in the past, sometimes without the consent of Indigenous people, were to be returned to them.
- 3.52 The loss of projects such as this, which would also have incorporated a number of traineeships for Indigenous people, is significant in the current context:

The tragedy of it has been that, in the wake of the national apology and the efforts to close the gap – and with the importance of

---

55 See submissions 5, 20, 30.

56 Libraries Australia Advisory Committee, sub 4, pp 1-2.

57 Mr Andrew Gosling, sub 32.

58 See in particular submissions from Mr Tom Campbell (sub 20), Associate Professor John Butcher (sub 36), Professor David Hill (sub 37), Dr Jemma Purdey (sub 43), Associate Professor Charles Coppel (sub 48), Professor CC MacKnight (sub 49) and Asian Studies Association of Australia (sub 51).

cultural heritage and the transmission of culture as building blocks of people's social identity and self-esteem – we have had to compromise that program at the point where we were starting to see runs on the board.<sup>59</sup>

- 3.53 The Committee also notes the role the National Capital Authority plays in maintaining the grounds of other cultural institutions. Where in the past the NCA undertook maintenance of the grounds for the War Memorial, the National Gallery and the High Court, this arrangement is no longer viable for the organisation:

Unfortunately our budget has reached a point where we are unable to continue those arrangements any longer, and we have recently had to contact those agencies and withdraw from the [memoranda of understanding].<sup>60</sup>

- 3.54 The Committee also notes that the NCA's withdrawal from memoranda of understanding with institutions such as the AWM, NGA and the High Court could result in a 'false economy'. That is, rather than the one contractor maintaining the grounds of these three institutions under direction from the NCA, the same contractor may now be doing the same work in accordance with three separate contracts.<sup>61</sup>

## Innovation/digitisation

- 3.55 One key aspect of the work of the cultural institutions relates to their capacity for innovation. As outlined in the following quotes, there are rising public expectations that these agencies be innovative and forward-thinking:

The cultural agencies are, without any doubt, currently struggling to fulfil core functions, let alone respond to public and government expectations to continue innovating, expanding and finding new ways to serve their various constituencies.<sup>62</sup>

Business processes in an agency gradually change due, for example, to new technologies and the overall expectations by government and the community for the agency. For instance, if

---

59 Mr Steven Larkin, transcript, 21 August 2008, p 28.

60 Mr Gary Rake, transcript, 19 September 2008, p 72.

61 See transcript 19 September 2008, p 74.

62 Australian Academy of the Humanities, sub 11, p 3.



cultural agencies have objects in their collections it is now expected by most these should be able to be viewed on-line.<sup>63</sup>

- 3.56 The point was made by AIATSIS, however, that innovation tended to be restricted in the following manner:

Unfortunately, innovation has been largely driven by the need to find alternative ways to maintain the current capacity to perform core functions rather than by considerations of growth and development.<sup>64</sup>

- 3.57 Of particular note is the capacity of agencies to digitise their collections in a context of a rapidly shrinking budget:

...in the last 10 or 15 years – many of the collecting institutions have been doing their best to deal with an almost overwhelming challenge which we call the ‘digital deluge’ – that is, we have to respond to the fact that large and growing portions of our cultural heritage are now created in digital form.<sup>65</sup>

- 3.58 At the hearing on 21 August 2008, Mr Gibbs of the National Archives of Australia indicated that while they are currently ‘up to speed’ in the digital arena, they are fearful that they will not be in a position to build on their current knowledge in this area:

We have done the clever bit, the bit that is relatively cheap, but, for the bigger bit – that is, to build a digital archive – we do not have the resources and cannot find them within our current budget with the pressures we have.<sup>66</sup>

- 3.59 A similar story was expressed by Dr Cathro of the National Library:

...I think we are rating up there in terms of the approaches, the degree of innovation and the work we have done with others in harvesting web resources and also in things like digitising newspapers. We are struggling in terms of the volumes and quantities...<sup>67</sup>

- 3.60 Overall, it can be said that many of the major cultural agencies are struggling to meet the challenges posed by digitisation as evidenced in the following quotes from representatives of the NLA, NAA, and the NGA:

---

63 Australian Society of Archivists, sub 7, p 2.

64 Australian Institute of Aboriginal and Torres Strait Islander Studies, sub 57 (B), p 5.

65 Dr Warwick Cathro, transcript, 21 August 2008, p 5.

66 Mr Ross Gibbs, transcript, 21 August 2008, p 7.

67 Dr Warwick Cathro, transcript, 21 August 2008, p 16.

We are doing our best to respond to this challenge but, in order to meet this digital deluge challenge, we really need more resources not less.<sup>68</sup>

Eighty-three per cent of our use is now online. To get stuff online you have to scan it. We are doing that from all parts of our budget. We have our state officers doing it in their spare time. But increasingly we are not able to do that, and it is one of the areas in which our budget is suffering because of these efficiency dividends.<sup>69</sup>

We have digitised 20 per cent of our collection, and we had aspirations to digitise 10 per cent a year. We have been unable to do that because of staffing restrictions.<sup>70</sup>

- 3.61 The submission from the Hume Libraries made reference to the importance of the National Library's role as a leader in the digitisation and the consequences of its diminishing funding:

...the NLA is a leader in the use of digital preservation and access to cultural collections. It's PictureAustralia, MusicAustralia, Pandora, Australia Dancing, and Australian Research Online services facilitate collection, preservation and access to the cultural history of our nation...Without funding these services will lose their dynamic appeal and become merely static archives.<sup>71</sup>

- 3.62 The relevance of digitisation to Indigenous communities was highlighted by the Academy of the Humanities:

The digitised forms – the electronic mode – are absolutely critical. So you can palpably feel it when it is there. If that is not to keep on growing, you just sort of wonder what happens to those kinds of communities. Will they ever really be integrated in the best sense of a diverse society?<sup>72</sup>

- 3.63 Mr Larkin from AIATSIS identified a number of challenges around digitising its collection to make it more accessible. This includes the race to complete the process prior to analogue technology becoming obsolete in 10 to 15 years:

---

68 Dr Warwick Cathro, transcript, 21 August 2008, p 5.

69 Mr Ross Gibbs, transcript, 21 August 2008, p 7.

70 Dr Ron Radford, transcript, 21 August 2008, p 14.

71 Hume Libraries, sub 9, p 1.

72 Professor Deryck Schreuder, 21 August 2008, p 58.

There is not a large proportion digitised; there is a large proportion to digitise...that will be compromised by the speed that we can digitise to get those materials on that archive, otherwise people will have to physically come to Canberra to view and access them.<sup>73</sup>

- 3.64 The one agency that appears to have less difficulty in meeting the digitisation demand is the Australian War Memorial, however, this is because they have chosen to use funding for their digitisation program from elsewhere:

We have a major digitisation program at the Australian War Memorial. It is not affected, as you would appreciate, because we have chosen to take the hit in depreciation funding.<sup>74</sup>

- 3.65 While the Committee heard that there has been some attempts by cultural agencies to collectively put in proposals for funding to digitise their collections, the Committee was also told that a 'one-size fits all' approach to digitisation may not be appropriate for agencies that have mixed collections (such as the Australian War Memorial).<sup>75</sup>

- 3.66 All agencies are in agreement about the importance of keeping up to date with the latest technological advances. However, there is a great deal of concern that the growth will not be able to continue in the current climate:

I think that at a time when we ought to be having a dialogue about growth and development what we are having is one about trying to tread water and keep our heads above it.<sup>76</sup>

I think what we are all saying is that we have modest programs running that barely meet our requirements. What we need and what we look to in other jurisdictions, particularly overseas, are some serious, large programs which could ensure that this material is preserved forever and is also available online throughout Australia. We have not had the resources to do the big projects that are required.<sup>77</sup>

---

73 Mr Steve Larkin, transcript, 21 August 2008, p 11.

74 Major General Steve Gower, transcript, 21 August 2008, p 12. It should be noted that in its evidence to the inquiry the Department of Finance Deregulation stated that it was acceptable for agencies to apply depreciation funding to other uses, provided these amounts were later replaced: Dr Ian Watt, transcript 19 September 2008, p 14.

75 See transcript, 21 August 2008, pp 13-14.

76 Mr Steve Larkin, transcript, 21 August 2008, p 39.

77 Mr Ross Gibbs, transcript, 21 August 2008, p 13.

## Economic and community benefits

- 3.67 Although difficult to quantify, the Committee was interested to hear evidence about the importance of these cultural institutions to the Australian community both in economic and non-economic terms.
- 3.68 For example, the Committee heard that the recently held *Turner to Monet* exhibition was visited by 180,000 people<sup>78</sup> and added nearly \$30 million to the Canberra economy.<sup>79</sup> Similarly, the *National Treasures from Australia's Great Libraries* exhibition went to all capital cities and was seen by 420,000 people.
- 3.69 The National Gallery of Australia had half a million visitors over the last year and 564,000 visitors to travelling exhibitions that went to 88 venues around the country.<sup>80</sup>
- 3.70 Ms Mary- Louise Williams of the Australian National Maritime Museum provided the Committee with insight into the importance of the ANMM's assets to the community as follows:
- ...we have a submarine and a destroyer out in the water near a very busy area— And we have Endeavour, of which we are hugely proud... We have the Welcome Wall as well, and we have nearly 20,000 names on that wall, which is a celebration of migration to Australia by sea. And we now have inadvertently, I have to confess, a fantastically valuable folk database of migration history in Australia because of the Welcome Wall... We have 5,000 people twice a year who come to celebrate the Welcome Wall. It is phenomenal.<sup>81</sup>
- 3.71 Ms Williams further demonstrated the commitment of all the cultural agencies in the following comment:
- We face the community; we do not put our backs to the community and we work very hard with them. We had Peruvian Day there a few weeks ago and we had, on Sunday, nearly 8,000 people and three llamas at the museum, and it was just fantastic. That is not a traditional museum-going community. So we do try to extend beyond what is imagined to be the museum community.<sup>82</sup>

---

78 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 55.

79 Dr Ron Radford, transcript, 21 August 2008, p 5.

80 Ms Meredith Hinchliffe, transcript, 21 August 2008, p 55.

81 Ms Mary-Louise Williams, transcript, 8 September 2008, p 78.

82 Ms Mary-Louise Williams, transcript, 8 September 2008, p 78.

3.72 At the hearing on 21 August 2008, Dr Cathro of the NLA also made the following points about the importance of cultural institutions to the community:

I think the economic benefit of what we provide is very hard to quantify. Basically, we provide information that supports research, lifelong learning, education and so on for a wide range of different users. As Ross Gibbs commented earlier, we did have an Access Economics cost-benefit analysis of the development of our digital collections which indicated a sixfold benefit, depending on how you model this in terms of user access model and the value of user access. But some of these benefits in education, lifelong learning and research support are very hard to quantify.<sup>83</sup>

3.73 In its submission to the inquiry, the Australian Federation of Friends of Museums described the loss of benefits to the community as a 'trickle-down effect'.<sup>84</sup> More particularly they reiterate the loss to communities when access to cultural experiences and educational programs is restricted by reducing travelling exhibitions. They also argue that as museums and Friends groups feel powerless and neglected, they will have less to offer volunteers which will translate into a loss of membership and subsequent funds and subscriptions.<sup>85</sup>

## Conclusion

3.74 The Committee was impressed by the commitment and dedication exhibited by all the cultural agencies that provided evidence to the inquiry. This is particularly so in light of the financial difficulties these agencies have had to face since the imposition of the efficiency dividend.

3.75 The Committee notes the significant role the Australian War Memorial plays in the Australian community and is concerned about any matters that may erode or diminish that role. Similarly, the Committee notes the pivotal role of the National Library of Australia in supporting a range of individuals and other knowledge-based organisations. The Committee is also keenly aware of the particular benefit of organisations such as AIATSIS to the ongoing development of Indigenous communities.

---

83 Dr Warwick Cathro, transcript, 21 August 2008, p 25.

84 Australian Federation of Friends of Museums, sub 67, p 1.

85 Australian Federation of Friends of Museums, sub 67, p 1.

- 3.76 Having considered the evidence, the Committee is of the view that it is inappropriate that smaller public sector agencies holding significant numbers of assets and whose appropriation funding centres on depreciation of those assets should be subject to the same financial constraints as those applied to agencies who do not hold such assets.
- 3.77 Moreover, the Committee finds that while there is some operational diversity across these cultural agencies, there are a number of common features that make the imposition of the efficiency dividend in its current form inappropriate. Of most significance is the incongruity between the legislated mandate of these agencies to grow and develop their collections at the same time as needing to find productivity improvements beyond those in the general economy and delivering a wider range of services due to technological change.
- 3.78 On the basis of the evidence it received and the diversity evident across these organisations, the Committee is not in a position to make a prescriptive recommendation about the type of funding model that might be appropriate for all these cultural agencies. The Committee believes that determining the details of such funding models is best left to these agencies in consultation with Finance and the Australian Public Service Commissioner.

### **Recommendation 3**

- 3.79 **The Department of Finance and Deregulation, the Australian Public Service Commissioner and each cultural agency jointly develop a new funding model for cultural agencies. This model should recognise the importance of funding the mandate for growth and development of collections and the proportion of their expenses apportioned to depreciation. The Committee notes that recommendation 8 will also apply to these agencies.**

