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4 June 2009

Senator McEwen
Chair
Environment, Communications and the Arts-
Legislation Committee
Parliament House
Canberra
Act 2600

Dear Senator,

I am aware that various issues were raised about orchestras in the recent Estimates hearings. In particular, the increased costs as a consequence of the adverse terms under which orchestra companies were transferred from ABC ownership and for many orchestras, uncompetitive salaries impacting on their artistic standards and their ability to deliver broad access to their communities.

I take this opportunity to provide advice to you and your Committee colleagues on those issues.

You will be aware that the Government is now considering the deferred 2009 MPAI Funding Model Review. I enclose the SOMA Submission to the Funding Model Review which goes to the questions raised in Estimates.

As background you may also be aware that The Australia Council had in 2008 commissioned consultants LECG to undertake an evaluation of the outcomes of the 2005 review of orchestra chaired by James Strong which led to the ownership change. While the resulting *Evaluation of the Orchestras Review 2005 Funding Package* was never released or full contents disclosed to the sector, a Summary Document was subsequently made available. I enclose a copy of the LECG Summary Document.

As noted in the SOMA Submission;

‘As the Australia Council’s consultants LECG make plain in the Evaluation of the Orchestras Review 2005, while the *“injection of government funding from 2006 relieved the immediate financial pressure ...the underlying economics and financial outlook for the individual orchestras has not significantly improved”*. Indeed, *“divestment increased the financial vulnerability of the separate independent orchestras”*.

More particularly the LECG Summary Document observed;

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

The Costs of Ownership Change.

As backgrounded in the SOMA Submission;

The Australian Government Orchestras Review (Orchestras Review) recommended that the six orchestras' companies wholly owned by the ABC be divested, by transferring the shares to new holding companies. (WASO, ASO, TSO, MSO, SSO, TQO). The proposed change was underpinned by the two key supporting recommendations that existing musicians maintain their continuing membership of the Australian Government superannuation schemes. These contingent recommendations were rejected by the Government and as a flow-on consequence, orchestras were also excluded from Comcare.

The SSO and MSO for example calculate that the total additional costs imposed on them as a direct consequence of the forced divestment is in excess of \$0.5m a year. Costs of the proportionate order were also imposed to the other formally owned ABC orchestras

As noted in the recently published SSO 2009 Annual Report;

"The Sydney Symphony continues to bear the additional exceptional costs due to its divestment from the ABC in 2007, totaling \$479,616 in 2009. The burden of these additional costs is being borne by the Company"

The SOMA Submission notes;

The only other Recommendations not agreed by Government, downsizing of the ASO, TSO and QO resulted in additional funding by Government to cover the impact of higher costs than was anticipated by the Review.

No additional funds were provided to cover the higher costs as a result of not adopting the superannuation recommendations and the forced movement to State workers compensation jurisdictions.

The SOMA Submission observes that;

Each of the Key Elements of the 2005 Funding package were allocated for a discrete purpose, many of them one off; none of the elements were intended to and do not compensate for the consequential costs of the divestment.

- *The \$4.7m allocated to ensure ongoing sustainability in response to the Recommendation to provide full indexation was also agreed for the other companies of Major Organisations Board so that adjustment of funding over time more realistically reflected general cost increases.*
- *\$4.1m was principally to the pay off accumulated debts of QO, and ASO and was one off.*
- *\$9.9m was to cover the consequent cost of the Government decision to not downsize TSO, ASO, and QO.*

- *\$3.1m was a time specific programme to cover the cost of transitioning musicians out of the orchestras.*
- *\$0.4m was health and safety project specific.*
- *\$1.0m was for Symphony Australia*

Investing in Artistic Standards

As the SOMA Submission outlines;

The achievement of artistic excellence by an orchestra is contingent upon:

- *Attracting and retaining the best available musicians,*
- *Stable and consistent membership of the orchestra,*
- *Artistic leadership from the best available conductors and guest artists, and a*
- *Diverse and challenging repertoire.*

The SOMA Submission refers to a 2008 report to the Australia Council “**Anticipating Change in the Major Performing Arts:** which observes;

“Today, the movement of artistic, managerial and technical personnel is global, and companies must maintain competitive pay and opportunities to find and keep the best talent. Personnel costs make up the majority of the MPA companies expenses, and talented people are arguably the most important resource that the companies have”.

I enclose a summary of current rates of pay paid by Australian orchestras.

The SOMA Submission refers to rates as they were at July 2009. There is not a significant change in the disparities, if any thing they have increased as funding pressures on orchestras increased. The observations made are as follows;

“It is evident that there is a significant disparity between many of the orchestras and the market leaders, SSO and MSO.

The Experienced Ensemble musician rate in six of the eight orchestras is less than the Ensemble entry rate for the SSO. That is, in six of the eight orchestras, experienced musicians of 10 or more years earn less than a first year musician in the SSO.

The Experienced Section Leader rate in six of the eight orchestras is less than the Experienced Ensemble musician of the SSO. That is, in six of the eight orchestras, a rate paid to the supervisory position is less than paid to the supervised in the SSO. Indeed in three of the eight orchestras the Experienced Section Leader is paid less than the Ensemble entry rate in the SSO.

The Queensland Orchestra, the lowest paid of all orchestras, would need to increase its Experienced Ensemble musician rate by 65% to match the equivalent SSO rate.

The rates paid by the market leaders SSO and MSO are modest in the context of remuneration paid to experienced professionals in other occupations and the increasing global market for arts professionals.

The competitive gap between the professional rates paid by the market leaders and the others presents significant risks to the ability of the low-wage orchestras to attract and retain the best available musicians and consequently puts at risk their artistic standards.

Indeed, the size of the competitive gap between the market leaders and the low-wage orchestras raises serious questions about the delivery of the access objectives endorsed by Cultural Ministers if world-class orchestral performances are increasingly to be restricted to Melbourne and Sydney.

The professional levels of remuneration paid by the SSO and MSO to attract and retain the best available musicians reflects not just the larger markets of Melbourne and Sydney, but is only possible because of the deliberate additional investment in the artistic standards in those orchestras by respective Australian Governments.

Recognising the global context of classical music, an additional \$2m to strengthen artistic standards was provided to the SSO as part of the Creative Nation initiative in 1996. This additional investment now forms part of SSO base funding.

Similarly, and for the same purpose, an additional \$1.6m was provided to the MSO by the Coalition Government as part of its response to the Major Performing Arts Inquiry report of 1999, Securing the Future.

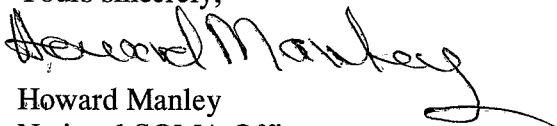
As the SOMA Submission argues;

If the access objectives of Cultural Ministers are to be achieved, similar investment in the low-wage orchestras is required.

The SOMA Submission also notes the 2005 Orchestras Review observation that the current funding model has been misapplied in determining orchestral salary costs and we make recommendations how this is best addressed in the funding model now under review

If you could distribute copies of this correspondence and attachments to your Committee colleagues I would be most appreciative.

Yours sincerely,



Howard Manley
National SOMA Officer

Comparative salaries as at June 2010

	Ensemble Musician Entry level \$	Experienced Ensemble Musician \$	Experienced Section leader \$
Sydney Symphony Orchestra (SSO)	77 942	97,428	120,810
Melbourne Symphony Orchestra (MSO)	61,805	80,345	95,179
Australian Opera & Ballet Orchestra (AOBO)	59 053	73 816	88 580
Orchestra Victoria (OV)	53,849	64 943	79 734
Adelaide Symphony Orchestra (ASO)	48,987	61,920	75,609
West Australian Symphony Orchestra (WASO)	48,469	61,262	74,804
Tasmanian Symphony orchestra (TSO)	45,416	57,405	70 095
The Queensland Symphony Orchestra (QSO)	45,263	57,211	69,857

Rates for Experienced Ensemble Musician and Experienced Section Leader are for musicians of 10 or more years experience in the position