



**Council** for the  
humanities, arts  
& social sciences

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**COUNCIL FOR THE HUMANITIES, ARTS AND SOCIAL SCIENCES**

**Submission to**

**The Review of Private Sector Support for the Arts in Australia**

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## 1. Terms of Reference

As set out in the discussion paper, *Review of Private Sector Support for the Arts in Australia*, the Australian Government is seeking to identify new opportunities for encouraging increased private sector support for the arts and artistic practice. The Government states that it is committed to exploring ways to increase corporate and philanthropic support for artistic practice.

The Review provides an opportunity for the Government to reaffirm its recognition of the critical role of the arts in Australian culture and creativity and strengthen its commitment to ensuring adequate funding and support for the arts. The submission and consultation phase of the Review provides an important opportunity for organisations and individuals to contribute their knowledge and views to the Review. As a peak body representing professionals, practitioners, teachers and researchers in the arts, the Council for the Humanities, Arts and Social Sciences (CHASS) has the capacity to make critical input to the Review.

CHASS notes that the terms of reference for the review are to:

- 1. Examine current Australian Government arrangements for encouraging private sector support for the arts in Australia and consider any potential enhancements to existing Australian Government measures.*
- 2. Consider the potential efficacy and feasibility of possible new models for encouraging private sector support within the Australian context and provide an assessment of emerging international models that may be relevant to the Australian setting.*
- 3. As appropriate, develop policy options for the Australian Government's consideration, including in the context of the National Cultural Policy.*

## **2. Council for the Humanities, Arts and Social Sciences (CHASS)**

The Council promotes and provides advocacy services for the humanities, arts and social sciences. Established in 2004, the Council serves as a coordinating forum for academics, researchers, students, business, practitioners and the broader community.

Providing a strong voice, the Council supports ninety-two member organisations including the major national arts and cultural institutions, peak bodies in the creative and performing arts disciplines of Australian Universities, such as the National Association of Tertiary Music Schools, Museums Australia, Ausdance, Craft Australia, and the Australian Major Performing Arts Group. The Council also supports the Academy of Social Sciences in Australia (ASSA) and the Deans of Arts, Social Sciences and Humanities (DASSH) and in their relationships with policy makers and the broader community. The Council is an important network for knowledge and skills and helps members to contribute to public debate through programs for knowledge exchange and media awareness.

The humanities, arts and social sciences (HASS) are major contributors to prosperity and productivity and drive activity in major organisations and institutions across Australian society. They play a key role in the national innovation system and underpin the development of our society, culture and individual identity. Galleries, museums and publishers use HASS skills and knowledge to reach out to Australian communities.

CHASS members are specialists in the knowledge and skills of their disciplines and professions and are major advocates and networks for practitioners and professionals in their fields.

In February 2010, CHASS made a submission to the development of a National Cultural Policy and will continue to make input to this process. This submission to the Review of Private Sector Funding for the Arts is additional to those inputs. On 2 August 2011, the Council is convening a national workshop entitled *Communicating Big Ideas: National Cultural Policy*. The workshop will be a key forum in the process for response to the Government's framework paper for a national cultural policy.

### 3. Current trends in private sector support for the arts

CHASS notes the summary in the Review discussion paper of private sector support for the arts, including the overall increase in private sector support since 2000. However, as the Discussion paper pointed out, total revenue from corporate sponsorship, private donations and fundraising for the major performing arts sector decreased in 2009 by 0.3 per cent possibly as a reflection of global economic circumstances. Whatever the reason for the downturn, it at least suggests that we should not rely on continued or steady growth in private sector support.

The discussion paper includes an outline of current Australian Government measures which promote private sector support in Australia, including arts-specific measures, tax incentives, sponsorship and volunteering.

Given the inclusion of volunteering, it is surprising that the brief summary of volunteering measures fails to include mention of the significant contribution to the arts and our cultural institutions by volunteer workers in heritage and arts organisations across Australia. This was estimated by the Australian Bureau of Statistics<sup>1</sup> at around 207,200 volunteers providing over 30.6 million hours of work in a twelve-month period, with the total number of involvements in heritage and arts organisations estimated at 223,700 (with this larger number reflecting the fact that some volunteers work across more than one institution).

Government sponsorship also allows the added contribution of a stable funding base which serves to attract and encourage philanthropic donations from private organisations. For example the Sydney Biennale increased its ratio of government funding to private philanthropy from 17:1 in 2004 to 2:1 in 2008.

#### 3.1 Models of philanthropy in support for the arts

The Council notes that there is scope within the review for consideration of possible new models for encouraging private sector support within the Australian context.

Attracting significant resources from the private sector to support the arts and arts institutions requires a culture of giving and asking. Where there is a desire to increase philanthropic support new donors need to be attracted and a stronger culture established. The existing Australian model is a combination of promotion and assistance and tax-based incentives to encourage private sector contributions to the arts. In general, Australians recognise the role of government in supporting the arts and the cultural institutions and, accordingly, expect to see an appropriate proportion of their taxes allowed to be invested in the arts and cultural institutions.

A significant new player that is to be congratulated is the new Museum of Old and New Art (MONA) in Hobart. MONA is the largest privately funded museum in Australia and presents antiquities, modern and contemporary art from the collection compiled by Tasmanian, David Walsh. Although initially free to the public, in May 2011 it was announced that the museum would end its policy of free entry and introduce an entry fee to interstate and overseas visitors, while remaining free for Tasmanians.

While MONA is already a significant addition to Tasmania's, and indeed Australia's, cultural life, the unique circumstances of its establishment may not lend themselves to the identification of new models of philanthropy. In any case, the donation is *access* to a new private cultural institution, rather than *support for* existing institutions.

Other models of note include the Australia Council's Artsupport program (which has facilitated \$55 million in new philanthropic income to arts and culture), the Australian Business Arts Foundation (AbaF) and the New Models New Money Foundation for the Arts.

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<sup>1</sup> Australian Bureau of Statistics, *4172.0 – Arts and Culture in Australia: A Statistical Overview*, 2009

### 3.2 International models

The Council has noted the intention by the Review team to assess any emerging international models that may be relevant to the Australian setting, and as such it is instructive to consider international developments, particularly in the United States and the United Kingdom (Britain).

In terms of country comparisons of philanthropic contributions, the UK and Britain rank most strongly. A 2005 ranking of giving (to various causes) shows the total philanthropic contributions in the US as a share of gross domestic product comprising 1.7 per cent, followed by the United Kingdom with 0.73 per cent, then Canada with 0.72 per cent, Australia with 0.69 per cent and South Africa with 0.64 per cent and then rapidly declining to such countries as Germany with 0.22 per cent and France with 0.14 per cent.<sup>2</sup>

The **United States** (US) has long been considered a model for philanthropy for the arts with an established culture of asking and giving. The US model uses tax incentives to encourage giving by private foundations, corporations and individuals for indirect subsidy for arts and cultural nonprofits. However, concerns arise that the culture of giving in the US is changing, including an increasing tendency for corporations to want something in return for their donations.

Currently, the sustainability of the US model is in considerable doubt. The American experience reveals a downward trend in philanthropy overall as well as in the amount of funding provided to the arts and as a proportion of overall philanthropy, indicating that philanthropic support may shift from the arts and culture to other charitable areas. The Council notes that private sector giving to the arts and culture in the US shows a long-term downward trend, as a proportion of total philanthropy, reaching its lowest proportion of only 4.0 per cent in 2005 and 4.0 per cent again in 2009, by comparison with a 14-year average of 5.0 per cent. In particular, in the aftermath of the global financial crisis, the US has experienced a significant decline in philanthropic donations to the arts in response to a growing pressure for philanthropists to support economic victims. This pressure includes increased Congressional oversight of where and how donations are targeted.

The literature reports that midsize cultural organisations are the worst affected, with forty-one per cent (41%) of such organisations reporting deficits in 2008, for example. Added concerns are the negative impacts of under-funding on staff and artists and the likelihood that loss of audience caused by economic constraints on exhibitions is long-lasting.

In addition, and importantly, the American model is seen as encouraging a focus on short-term gains, with longer term objectives, such as investment in artists and new art forms, losing out. Such short-termism should be seen as inconsistent with the sustainability of arts and cultural collections and institutions and, therefore, with and Australia (National) Cultural Policy.

In **Britain**, in an ongoing succession of events, the Cameron Government has announced significant cuts to support for the arts and is endeavouring to increase philanthropy in a clear attempt to substitute government funding with private support for the arts. The consistent success of the moves to increase philanthropy is critical for replacing lost funding.

In May 2010, the UK Culture Secretary launched the Big Arts Give, calling on philanthropists to step in and fund the gap created by government cuts. He subsequently announced a matched funding scheme to encourage private giving to arts and cultural organisations and launched a strategy to increase endowments, “an underused tool in the English arts sector”, to provide more visible public recognition for philanthropy. He also set up a review to encourage philanthropy across the whole of government.

Between December 2010 and May 2011, the UK Government released its *Giving*, Green and White Papers, setting out a new role for government as a facilitator of giving. As a minor theme, the gift aid system and

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<sup>2</sup> UK Government, *Giving Green Paper*, 29 December 2010, p. 23

inheritance tax would be loosened to encourage philanthropy to the arts (announced in the 2011 UK Budget). The main focus of the policy is on volunteering and small regular donations by individuals, including for example, through automatic teller machine (ATM) contributions additional to everyday withdrawals. There is little rationale for the policy change, begging the question of why Britons' contributions through the tax system are considered to be insufficient to adequately support the UK's cultural institutions and artists.

While the changes to the gift aid system and inheritance tax announced in the 2011 UK Budget appear to have been cautiously welcomed, the *Giving White Paper* is generally considered unlikely to have much impact on the arts. Commentators also sounded warning notes, including the threat of public cynicism about the value of the arts and museums if the government attempts to substitute its funding with philanthropic donations. They note that government funding is a demonstration of the value it places on the arts and cultural institution. Commentators also note that the average share of total arts' income derived from individual giving is on average 8 per cent and that only 2 per cent of philanthropically active individuals contribute to the arts. They consider any growth will come from those already interested and engaged with the arts.

The Council notes that perceptions of philanthropy in the US and the UK highlight several underlying differences. Firstly, in the UK, as in Australia, museums and libraries are in the public realm, while museums are perceived to be private charities in the US. Secondly, the US has a long tradition of close relations between museums and donors built on fiscal benefits, where funding confers power on the funder. Thirdly, in the US public philanthropy is bound up with social prestige.

While the Council acknowledges there is much to be gained from examining other models of philanthropy, we note that in Australia there is a danger such relations may be seen as elitism and the opportunity for the wealthy to exercise power. These differences highlight aspects of cultural dissonance that are likely to impede the transfer of US practices, in particular, to the Australian context.

## 4. Lessons from international experience

While it is clear that there is an increasing role for private philanthropy in the support of cultural activities and organisations, the Council considers that a number of concerns follow from the international developments in private philanthropy outlined above and urges the Review Panel to take these into account in developing any policy options and measures relating to overall funding for the arts. They are as follows:

- The potential **unreliability of funding** drawn from philanthropy as fixed source of income because philanthropists may discontinue their support or shift the target of their support depending on perceived community needs or even according to the potential rewards for their philanthropy;
- The tendency for a **focus on short-term gains** rather than longer-term investments in artists and new art forms. Such “short-termism” may limit the operations and longer-term objectives of arts institutions. It is inconsistent with the sustainability of the arts and cultural institutions and, therefore, with National Cultural Policy;
- **Limitations on the activities and investments** of arts institutions, as funding may be targeted according to the wishes of philanthropists. Funding confers power on the funder, even to the extent that a commercial sponsor may expect a commercial reward for funds provided; and
- The **need to protect the arts sector** and its institutions from cuts in government funding where private sector funding is targeted as a substitute for government funding.

### 4.1 Obstacles to expanding private sector support for the arts

The Review discussion paper seeks consideration of “the barriers or impediments to accessing or providing private sector support for the arts in Australia and how could these be resolved”.

The prospect of increasing philanthropic support for the arts is attractive. However, obstacles emerge from the lessons of international experience.

- The **reliability and immediacy of private funds** can be problematic. Building endowments is inherently slow.
- In contrast to the US which can draw on a broad population with private wealth, a relatively large proportion of wealth in the UK and Australia is controlled by those with an international background. This means that **power and competition pressures** can present an obstacle to growing philanthropy.
- Donors need an incentive to give; they need to feel that their gift makes a visible difference. While arts and cultural institutions need to be able to set their own strategic directions, this imperative presents potential dangers. To meet the objectives of wealthy elite, **philanthropic grants can constrain institutional directions**, restrict artistic freedom and threaten the democratic principles underpinning public institutions.
- **Australian culture does not broadly espouse philanthropy** and Australians may be sceptical of philanthropists, considering philanthropy to be the province of a wealthy elite. However, there are clear exceptions of philanthropists whose contributions are highly valued.

## 5. Key priorities and issues

In 1994 *Creative Nation* espoused the notion that “culture creates wealth. ... Culture adds value, it makes an essential contribution to innovation, marketing and design ... It is essential to economic success.” According to the *Australia 2020 Summit Final Report* (p. 272), artists “imagine the future for society, lead the way (and) play a central role in all aspects of social endeavour.”

The Council welcomes any enhanced role for philanthropy that may result from this Review in extending and enhancing support for the Arts, including increased philanthropic contributions to the arts and cultural institutions. However, the Council would oppose any moves to shift the weight of responsibility for funding for the arts from the government to the private sector. The Council urges that the outcomes of this Review and the development of a National Cultural Policy build on the foundations laid in previous policies and existing programs for government support for the arts.

The Council believes Australians expect their Government to adequately support a flourishing national culture. Moreover, the Council considers Government funding for the arts is justified on many grounds, including:

- The arts are of inherent value to society, providing for the uniqueness of individual expression and preserving cultural legacies, society’s unique culture, heritage and traditions for future generations.
- The arts provide an educational asset: they foster creativity and provide the critical thinking, communication and innovation skills essential to a productive economy.
- The arts support the nation’s creative capacity, spurring innovation and distinctive production. As an economic driver, the arts help strengthen the economy.
- The arts are central to community resilience, including by supporting social and community involvement. The arts form a key component of a regional development strategy because they support the establishment of small business and help address challenges faced by rural communities, such as geographic isolation, infrastructure limitations and dwindling population.

For all of these reasons, in 2011 it is imperative that the arts sector is able to continue its current operations, and indeed to flourish, and that the security of Australia’s arts sector and its institutions is not left to chance. A healthy arts and cultural sector is indicative of the social health and wealth of a nation. As with education, the priority given to the arts in terms of policy and funding support demonstrates the value a government places on the arts and the cultural institutions.



## 6. Conclusion

The Council has raised a number of concerns and issues should the Government move to increase its reliance on philanthropic contributions to the arts as a substitute to ensuring security of government funding. The Council has noted above its opposition to any moves to shift the responsibility for funding for the arts from the government to the private sector. However, once it is accepted that the concerns and issues outlined above need to be addressed, the Council would welcome any government measures which might be introduced to strengthen the role of philanthropy in support for the arts, such as:

- Measures to increase awareness of the arts and culture sector as a legitimate and attractive destination for donations;
- Measures to increase philanthropic contributions, including matching private sector funding with government funding on at least a dollar for dollar basis; and
- Measures to strengthen existing arrangements, including tax-based incentives such as 'Charitable Remainder Trusts', to encourage and facilitate private sector donations, and assist philanthropic organisations to develop their fundraising skills.

The Council for the Humanities, Arts and Social Sciences is appreciative of the opportunity to provide this submission to the Review of Private Sector Funding for the Arts.