



Anzarts Institute

**Pit Services Scoping Study
FINAL REPORT**

**Prepared by the Anzarts Institute
for the Australian, New South Wales and Victorian
governments**

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Background

In October 2010, the Consultant was engaged by the Australia Council for the Arts to undertake a limited scoping study into the current provision of pit orchestra services and, in particular, the preparation of a costed options paper that provided advice to governments on how best to provide live music of high artistic quality in a cost-effective and flexible way for opera and ballet performances in Sydney and Melbourne.

That was delivered as Stage One of the Study in November 2010. It noted that while some modeling had already been undertaken on aspects of the pit orchestra situation, a more in-depth analysis was required of the options proposed and their broader implications than had been possible in the limited time allowed for this initial study.

To that end, the following recommendations were offered:

- That a small team be engaged to carry this analysis forward, in particular to explore and assess the implications and cross-implications of the changes indicated especially having regard to the various tripartite funding arrangements within which all these companies currently operate;
- That, in particular, two of the proposed options, namely those for “Parallel End User Managements” and for “Annually Contracted Orchestras” (as outlined in **Appendix 1**) be further considered as being the most likely and logical to deliver the desired outcomes of artistic growth and organisational efficiency in the lyric theatre sector;
- That, for this purpose, further financial modelling be undertaken on these options having regard especially to the medium and longer term cost benefits of each, and that a person skilled in this area form part of the proposed team.

In January 2011, the Consultant was engaged by the Australia Council for the Arts to lead the proposed Study with the aim of pursuing that further research.

An interim report along these lines was delivered in February, 2011. A Report, which represented the final stage in the Study was delivered in April 2011 and after feedback this revised version is submitted. All sought to take into account developments which have occurred in the sector since the Study began, notably but not exclusively to do with Orchestra Victoria, and to set out and examine certain propositions on which the reform of the sector ought ideally to proceed.

Executive Summary

A brief and simple summary will suffice to tell the story. A model of a 58 strong Orchestra Victoria (OV) servicing only The Australian Ballet (TAB) and Opera Australia (OA) in Melbourne for a total of between 30 and 40 weeks annually is practical and logical and would appear to have no appreciable artistic downside. However, it falls short of being financially sustainable based on its current level of tripartite funding. It may be that more flexible work practices could help to close that gap and thus deliver a more tailored service to the end user companies. That would be beneficial to both TAB and OA and should be the goal. That will not, however, resolve TAB's national touring issues.

The TAB annual, contracted full touring orchestral model is a clearly a strong workable alternative to the current wasteful mix of orchestral services with which the Company wrestles each year across the country. There are gains in reduction of repetition and wear and tear on dancers, production staff and on the bottom line. There would be annual savings against the current funding mix of the order of \$790,000 per annum. Were this proposal to be considered in isolation of all other factors, there is little doubt that it would be the best, most cost-effective and productive course.

However, the adoption of this model would necessitate the demise of OV and the likely redundancy bill of an estimated \$3.694m would need to be factored into this. That however, is a one off provision and might well be considered worth incurring for the flexibility it could obtain.

However, such a change would also impact significantly on the operations of the Australian Opera Ballet Orchestra and through it on the net cost to OA. There would be no basic operational gain in the number of weeks of annual employment. Thus, AOBO would remain to all intents and purposes as a "permanent", full-time orchestra with the additional burden of having to tour to Melbourne. That would not only greatly increase its costs, but also undoubtedly make more hazardous any efforts to engage in substantive workplace reform.

Even if major structural change of AOBO could be achieved, especially with regard to allowances and respite charges, increased costs will inevitably be incurred.

Stage One of this Study concluded that the least disruptive and potentially most productive adjustment would be to create a parallel management situation which would result, in effect, in bringing what is now Orchestra Victoria directly within TAB. That conclusion is unchanged. Stage One also canvassed revisiting the notion of a single management for both orchestras external to either end user, such as had obtained under the AETT. That too remains a viable option. In all of this, the Study made no judgment as to the final allocation of funding for any of these purposes, nor was it required to do so. That is properly the function of the jurisdictions involved.

But whichever view is taken, the Study has concluded that the most productive way forward is to retain the existing *balance* of services provided to the two national companies by two parallel orchestras (currently OV and AOBO) and that process of reform of both be the focus for achieving greater efficiencies, productivity and the containment of future public funding levels.

Overview

No one having regard to the complexities of this area could avoid the conclusion that it is hedged about with historically derived practice, sectional interests, arcane regulation and, in some cases, sheer inertia. Those factors often tend to obscure that the reality of the situation is or ought to be quite simple. To use an old adage: It has been hard to see the wood for the trees.

For that purpose, and in the interests of trying to refine the argument, in preparing both the interim report and this final report the consultant has adopted the following five propositions.

These are based on research and on comment collected from the key stakeholders throughout the study. Those propositions are:

1. That the current model under which these pit orchestras operate and to which their service users are tied is economically unsustainable;
2. That the current intention is the maintenance of full-time orchestral employment, whereas it is abundantly clear that the aim ought to be to provide a service to the opera and ballet companies;
3. That service needs to be commensurate with and funded for the needs of those companies not funded for a purpose beyond their needs;
4. That the essential shift needing to be made is from a model that is determined by an employment construct to one which is driven by service delivery; and
5. That funding agreements with governments for this purpose should be based on the costs of programs not on the cost of maintaining full-time ensembles which then have to find other arguments for their existence

Sustainability

Proposition

The current model under which these pit orchestras operate and to which their service users are tied is economically unsustainable.

Argument

The essential model of the full-time, salaried orchestra of sixty or more players employed year-round is economically unsound and unsustainable. That is true equally of orchestras offering services in the pit as for those on the concert platform. There is an abundance of case studies and research worldwide that demonstrates this simple observation. Some of these are outlined below.

Those developments are widely acknowledged and being progressively acted upon in most countries comparable to Australia.

Even those European nations from which the model arose and which have been enormously generous in support of the “permanent” orchestral model, now recognise that they cannot continue to do so. The orchestral sector in the USA, where the other greatest cluster of professional orchestras is to be found, has also reluctantly come to the same conclusion. There, orchestras have been sustained by a mix of civic pride and private donation. Both are in retreat.

In all of this, pit service orchestras which have less visibility than their platform peers, are the most vulnerable. Their audiences are those of opera and ballet not of orchestral music. The funding loyalty, be it private or public, is to those art forms and their visible practitioners. However, even if this were not so, the length of seasons, the increasingly diverse needs of repertoire in the lyric theatre and the increasing pressures of touring, especially on ballet companies, render the notion of the “resident” pit orchestra unworkable in practice. Probably the sole realistic exception is in those houses where opera and ballet play in alternating repertory. That does not and never has applied in Australia and, given the nation’s demography; it is virtually inconceivable that it ever will.

In order to place these observations into a broader context, it is worth considering the many options that exist in other parts of the world for the financial and operational modelling of professional orchestras. All of the variants have been adopted as a means of avoiding much of the budget lock-in and workplace inflexibility we see demonstrated constantly in the current Australian arrangements. They include some of the great orchestras of the world. It would be idle to suggest that none of these has had regard for artistic standards or that their concern for these is less than those who argue here for the status quo.

For those reasons some international benchmarking is both necessary and instructive.

In May 2010, Symphony Services Australia, now Symphony Services International (SSI), conducted an investigation into some of the models currently in operation in the UK, North America and New Zealand. While this was not intended to be exhaustive research on the

subject, it does provide some clear benchmarks and above all demonstrates, from an Australian viewpoint, that there *are* other models, many of them supported by government subvention, which meet the needs of their communities and circumstances.

It is important to note, however, that the cases cited were primarily concert orchestras since that is SSI's core membership. Nonetheless, many of those orchestras also service their resident opera and ballet companies, thus spending significant periods in the pit. **In any event, the essential point is the same for both: that reputable and highly successful orchestras both platform and pit have transitioned to new and more flexible employment arrangements around the world.** The summary of the findings of that research which follows is amplified to some degree with the more detailed analysis which appears as **Appendix 2** to this report.

After discussion with a range of orchestras in the United Kingdom and United States, as well as their representative bodies, the Association of British Orchestras and the League of American Orchestras, SSI identified the following six principal models:

1. **Permanent, full-time employees** which is very like the Australian situation.
2. **Annual commitment model** in which the players are offered only the number of calls available in the following year with no ongoing commitment.
3. **Two-tier model** in which core players are offered a guaranteed number of weeks – full time or sometimes less – while less frequently used players are offered fewer weeks depending on requirements.
4. **The UK contract model** in which, nominally, the entire orchestra is on full-time employment, but there is some flexibility through reduction of the number of guaranteed weeks, or in some cases the number of players under full-time contracts.
5. **The London model** in which freelance players 'own' the orchestra through shares.
6. **Retainer model** in which all players, except the concertmaster and associate concertmaster, are 'independent contractors who receive an annual retainer, and then are paid additional 'call fees' to boost their salary depending on calls actually played.

Clearly, there are other models and variations on the ones outlined in this research. These models are used in countries not dissimilar to Australia in terms of audience demographic, government funding profile (particularly in the United Kingdom but less so in the US) and cultural expectations of a major orchestra in each large city. It is clear, too, that many if not most of the models cited have emerged in recognition of the fact that the full-time, permanently engaged orchestra, be it concert or pit, was ultimately unsustainable outside of a very few highly privileged circumstances.

The argument for change is then not something aberrant that flies in the face of wishing to maintain quality orchestral playing in our communities. Rather, it suggests that without change – perhaps even radical change – the retention of that rare and wonderful form of music may not be possible.

Providing Service

Proposition

That the current intention is the maintenance of full time orchestral employment, whereas it is abundantly clear that the aim ought to be to provide a service to the opera and ballet companies.

Argument

The case of The Australia Ballet (TAB) is perhaps the most telling in this instance. Stage One of this Study drew attention to a number of modelling exercises which TAB had already undertaken. This had been done in an attempt to outline how a system could be developed which more rationally and cost-effectively delivered the orchestral service it required in order to fulfil the national touring responsibility for which it is funded. In any one year this involves dealing with four different orchestral managements in four, sometimes five, different cities, at different rates and different industrial conditions and thus having to re-rehearse the same repertoire four times. **There can be no doubt that this has been and is both artistically and organisationally compromising for the Company.**

Ballet Model

TAB developed a number of models which might offer the service it requires. One of those seemed most obviously to accommodate its needs and in the process to be most cost effective for the Company and for state and federal funding agencies (as set out in **Appendix 1** of this paper). While the operational advantages of this are clear and if one were working from a clean slate it is hard to imagine not pursuing that model, the slate is not clean and commitments exist and we all have to work within the politics of the possible. This model is examined in greater detail later in this report.

However, this modelling does dramatically demonstrate the gap that lies between the actual need and the current construct. And it demonstrates that the current costs lie not in meeting the need but in maintaining - to some degree artificially - a model of permanent orchestral employment which is beyond the scope of the need but which also acts in many respects as a restraint of trade in growing a more open, flexible and dynamic orchestral market.

Such constraints limit points of entry and exit for emerging players and virtually compel the retention of substandard playing in some cases and genuine review, both peer review and employer review, in all cases.

Opera Model

A key factor in any future assessment is to acknowledge that with the changing patterns of performance Opera Australia (OA) itself no longer requires a standing orchestra engaged for 52 weeks of the year. As part of the current exercise OA proposed three scales of orchestra ranging from 56 to 69 "permanent" players, that would be needed to cover its ongoing opera requirements in Sydney, which are around 10 productions in the summer and winter each year or 38.8 weeks annually.

OA's prime estimate is that this would involve a smaller ensemble than at present - say 56 - plus increased use of season contracts and/or casual players. The Company also believes

that the model could operate as a 'minimum weeks guarantee', leaving players to fill remaining weeks as they need to. In this context, it might contract an orchestra for Opera on the Harbour on separate terms. Although no doubt many of the same players would be involved, special skills not currently represented in the permanent roster of AOBO would also be required.

This model is examined later in this report. Certainly it offers greater clarity about the real cost of servicing the Opera itself and by extension of providing additional weeks for TAB's Sydney season should it still require AOBO to supply an orchestra. It should be noted, however, that it is not a plan, merely at this stage one of a number of options.

In the event, however, that TAB adopted its own annually contracted orchestra, OA's model is then applied to the additional costs of touring 'its' orchestra to Melbourne. This somewhat 'layered' approach is intended to provide greater clarity about the options and the costs of each stage of the modelling process, but would if implemented constitute a major stage in reform of the sector.

What is clear coming out of this is that the two services that are currently provided need to converge. This must be the first stage in rationalising these complex relationships.

The TAB preferred model identified a need for a core of about 55 players in seasonal contracts plus casuals according to need. OA had modelled an AOBO of 56 players plus casuals and has evaluated its total need of weeks. As we shall see in the next section, Orchestra Victoria (OV) in its 2011 EBA has already established a core of 58 players plus casuals. This scale has to be the starting point for a more tailored delivery in the medium term.

Clearly, the argument for change is not now seriously disputed. The task is to adequately define and cost each of these so that they can be advanced as a coherent national plan rather than as a series of piecemeal actions.

Scope of Service

Proposition

That service needs to be commensurate with and funded for their needs not funded for a purpose beyond their needs.

Argument

In the preceding section, this paper focussed on the Ballet and Opera companies' needs and noted that TAB offered the most egregious demonstration of the gap between need and service. However, the rapidly changing needs of Opera Australia also throw into stark relief the gap which has perhaps always existed between its genuine needs and the circumstances in which it finds itself.

Just as the orchestral situation has created structural imbalances for TAB, it would not be going too far to say that, in effect, AOBO has driven Opera Australia and not the other way around. Its demands and requirements have shaped the way OA has been forced to do business. The deficit of around \$1 million per year which the Company carries as a direct consequence of AOBO's operations has inevitably had a marked effect on its ability to be more adventurous and thus more artistically vibrant in its core presentation area.

There are two elephants in this room which need some comment.

The first is the question of standards. An evaluation of this lies outside the scope of this Study. Nonetheless, in assessing service delivery, the issue cannot be disregarded either from the point of view of the user companies or from that of the agencies which fund them.

The question of artistic vibrancy is much bandied about today and while no reliable criteria seem to have been evolved for this purpose, attempts are made by both managements to work towards that (as to some extent the descriptions offered in **Appendix 3** seek to outline). In all of the debate about the provision of pit services and in the measurement of their efficacy, little is heard about artistic merit. In any such discussion player *quality* is obviously a key criterion. But player *consistency* is also crucial. The evidence to date suggests that while generally speaking that of OV seems reliable, that of the AOBO and, indeed, the peculiar circumstances of AOBO, are much less so and that is attributable, in large measure, to OH&S issues and noise rostering as a result of performing in the Sydney Opera House pit..

Clearly, a consistent framework for this is necessary which at the very least ensures that:

- There is some consistent external artistic evaluation made of the quality of service provided;
- There is consistent user evaluation made of the quality of service provided that places the two lyric theatre user companies on the same basis;
- There is consistent internal evaluation made of the means of achieving that service which employs comparable personnel, timing and criteria for both orchestras; and

- The adoption and maintenance of such systems be part of the funding requirement.

The second elephant is the nature and disposition of the management arrangements between the two service providers and, in particular, the need for formalised consultative and other arrangements.

That the current arrangements are very far from a level playing field is obvious. The disequilibrium of the system almost ensures that at some point in the planning and scheduling cycle all parties will be to some extent disadvantaged.

This is particularly noteworthy in the case of TAB which has no formalised role at any stage in determining how its own needs will be realised. **Appendix 4** gives some sense of that though of course it reflects only the current situation and does not infer future aspirations by any party. OA, through its direct management of AOBO, ought in theory to be in a stronger position and there is no doubt that the presence of both in Sydney and the nature of its repertory and repertoire arrangements do give it some rostering room to manoeuvre which the Ballet, playing single works night for night and week for week, does not enjoy.

Nonetheless, the orchestral culture which has been allowed to develop over the decades and the particular OH&S issues in SOH have often negated that advantage in practice. However, OA does have a direct role in managing these circumstances while TAB has by contrast none.

Equally in Melbourne, while it seems that OV's management has been more oriented to customer service and the circumstances less influenced by pit conditions, neither end user is in any real determinative position but relies on good will and good sense. However, the recent financial crisis through which OV passed and which has been at best sedated rather than solved only serves to demonstrate how fragile the situation is. It also revealed how readily it and the companies it services can be brought to the brink when the economic base is designed around the maintenance of an economic model of permanent employment and not around delivering service to the end user and which prevents the end user from determining the shape and extent of the service based on need, rather than on the expending of subsidy.

The most obvious disparity is, of course, that one orchestra is an independent company and the other in effect a division of one of the end users. That is reflected in the level and, frankly, the quality of management provided in each case. OV has demonstrated energy and determination to drive change. AOBO because of its unassertive management has been supine and to a large degree a captive of the players.

It is heartening to note the OA is taking steps to redress that situation. But the need goes further. It has to include the role exercised by the Concert Master and Section Leaders from an organisational as well as musical point of view. Again, the detail of these matters goes beyond the scope of this Study, but certain principles need to be agreed and they, in turn, have implications for the model chosen and they need to apply equally and, as far as possible, in parallel to both pit service orchestras. Such principles might include that:

- Whichever contract model is adopted, the roles of the Concert Masters and Section Leaders need to be distinguished within that and arranged to ensure that they have a clear operational as well as artistic function;
- The employment contract model be used proactively to maintain a rigorous and flexible recruitment process as well as to ensure serious and ongoing peer review of players;
- The line management of the orchestras needs to be vested with real authority within whatever contract structure is adopted and be clearly responsible for the delivery of the quality and cost-effectiveness of the service not to the preservation of the status quo.

These observations are not intended to be prescriptive, but they are needed to demonstrate that the questions raised by this Study are not and can never be simply those of financial modelling and abstract structural change. There is a dimension of quality and art that cannot be reduced to or measured merely by numbers.

It is worth noting too that the majority of these reforms could and indeed should be implemented even without change to the terms of employment. There is no cogent reason why they could not be completed by the end of 2011. For that purpose, the following indicative timeline is proposed:

Indicative Timeframe

In the light of present information is it not yet possible to outline a comprehensive timetable for implementation of the reforms indicated above. However, the table that follows offers an *indication of the rate* at which the key elements could be negotiated and adopted and the major milestones that might be targeted.

Milestones	Target
EBA round beginning May 2011 for 2012	Agree core ensemble of approx 56 players Agree seasonal guarantees Agree SLAs including management and consultative protocols Agree common player evaluation procedures Further rationalise allowances Undertake OH&S research
EBA round beginning May 2012 for 2013	Formalise new contract models in multiyear and beyond agreements Complete and implement research based OH&S practices Adopt new all-in call basis Write into new tripartite funding agreements

Artistic Impact

When this second stage of this Scoping Study was designed, it had been intended that some external assessment by senior working musicians of the likely artistic impact of the new models proposed might be included. By agreement among the funding agencies, that has not been possible at this time. Accordingly, the Study will confine itself to some overview statements.

In recent decades, the world has seen many orchestral models for both platform and pit trialled in many countries and in diverse situations. Some of these have been canvassed above. Many of those orchestras have sought or are already enjoying greater flexibility in the engagement of players. Many of these are distinguished orchestras or orchestras playing for distinguished lyric theatre companies. It has been in the interests of none to preside over diminishing orchestral standards and in no case has this Study become aware of that being the result. That they continue to attract conductors and soloists of distinction is a measure of this and this would be improbable were their reputations tarnished in this way.

It must be acknowledged, too, that the permanent orchestral model is an historical construct. It is not an immutable artistic truth. Continuity of membership brings great value to an orchestra and its playing. That is beyond doubt. But none of the models investigated or indeed proposed in this Study argues against continuity of employment.

The value of ensemble is likewise not discounted in these models nor is it put seriously at risk by them. The pool of employable players in Australia is scarcely likely to be threatened by a move from 52 to 40 or indeed 30 weeks of contract employment per year. Indeed, it is arguable that the musical life of Australia might well be enriched rather than diminished by more plurality of employment opportunity across the classical music spectrum. Whichever of the models is adopted, the likelihood is that a majority of those players or players very like them would continue to be employed under these arrangements

With respect to ensemble it is also worth reiterating the remarks made in the earlier paper:

“It is, of course, easy to claim that the maintenance of ensemble is critical to growing and keeping high performance standards. This becomes problematic to sustain when the OH&S needs and their rostering outcomes, especially in Sydney and especially in the Ballet seasons, means that in the opinion of TAB there is such a turnover of players in any one week that continuity of presence is seriously compromised. If ensemble is the touchstone of excellence and continuity is the bedrock of ensemble, when that cannot be delivered effectively the arguments which underpin it go out the window”.

Finally, one highly emotive issue should be laid to rest. No one is proposing "scratch" bands. Both Opera Australia and The Australian Ballet have too much at stake to contemplate such moves. No one is recommending it and were it to be recommended it is the height of improbability that anyone would adopt the proposal.

Victorian Opera

In the previous study, we noted the special position within these circumstances of Victorian Opera (VO). Currently OV receives a special grant from Arts Victoria which forms no part of the tripartite agreement. This is intended to cover the provision of orchestral services to VO.

However, we reported then that in considering any major changes to the way in which delivery and funding of services was configured, not only did it seem more logical to fund VO direct for that purpose, but that it would confer significant benefits on it in doing so. That was the view held by VO at that time, and subsequent consultation has confirmed that that is the view held by it now.

Under the present arrangement in timing its seasons, VO is inevitably required to avoid both the OA and TAB Melbourne seasons while OV is committed to them. While sheer good sense would dictate the former, there is no compelling reason why it need avoid the latter. All studies indicate that the overlap between opera and ballet audiences is small. It is likely to be even smaller, having regard to the more *recherché* nature of VO's repertoire.

Thus, such a change would offer greater flexibility to VO in timing and thus potentially improving its marketability. Having the freedom to choose the players it wants and needs rather than those it is allocated would also have significant artistic advantages. VO's focus on contemporary and baroque works frequently requires special skills and performance practice which are not characteristically available in mainstream orchestras.

Again, market flexibility would aid this. Overall, there would appear to be prospects of net organisational and artistic gains in the move to a direct funding arrangement. This Study certainly found no compelling reason not to support such a move.

Moving from Maintaining Employment to Service Delivery

Proposition

That the essential shift needing to be made is from a model that is determined by an employment construct to one which is driven by service delivery

Argument

As noted in Stage One of this Study, in late 2010 Orchestra Victoria went close to the brink of dissolution. It had lost significant contributed income. It had run down its reserves in servicing annual deficits. It had lost senior executive and artistic staff and was forecasting a shortfall in 2011 of approximately (\$700,000). If it was to survive, drastic measures needed to be taken and it is a credit to all parties that they have been taken. As a result of that action, OV has, in effect, become the pacesetter for change in the orchestral sector in Australia. But if the relationship between service need and service delivery is to be brought into genuine alignment, much remains to be done.

The current construct

The current orchestral model exhibits the following features that stand squarely in the way of significant reform:

- A fixed ensemble of permanent players;
- Inflexible rostering requirements;
- An incremental system of pay rises over and above CPI;
- A job-for-life expectation out of step with the rest of the essentially freelance arts industry;
- Excessive paid annual leave entitlements which over time have become fixed entitlements;
- An EB framework that fails to recognise the need for change and greater flexibility in engaging players and which views players as both entitled to full-time employment with rights to “veto’ management planning and structural change process;
- A fixed number of single time calls in the fortnight before penalties cut in and little provision to take into account the overall work load of rosters over a month or year ;
- An inability to deal effectively with loss of proficiency;
- An OHS environment which relies on incomplete data in relation to noise levels and respite rules and the like . (This is not a question of how elaborate or otherwise the rostering procedure maybe. It relates to the practice widely observed that, it is possible for a player requiring to be rostered off for excessive noise levels, to feel free to work and be paid in the same time period by other music employers); and
- The current ability for full-time, salaried players to work and be paid as casuals with another orchestra.

Achievement to date

As a result of OV’s EB 2011 negotiations the change in the workplace construct has been significant. Admittedly achieved in conditions of crisis, it demonstrates what is possible and what will almost certainly be necessary in the future. The gains from the point of view of fiscal and operational discipline are still small and, formally, short term. The challenge will be to convert these and other reforms into permanent change.

These are the gains:

- A balanced operating budget for 2011 with savings of \$700,000 achieved on earlier estimates;
- Players' wage and increment freeze for 11 months of 2011;
- Recognition of the need to achieve greater flexibility in rostering with a agreement for only 58 of the 69 permanent positions in the orchestra to be filled for 2011, the balance of these positions to be filled only as required by a combination of either casual players or short term (season based) contracts;
- Players' agreement to the removal of the following allowances for 2011
 - education allowance
 - dress allowances
 - laundry allowance
 - doubling allowance to be paid only once per call
 - instrument allowance to be reduced by 50%.

The EB negotiations for 2012 and beyond must build on these achievements and in particular need to look to the creation of a sustainable orchestral delivery model. The process through which OV has passed highlighted a range of factors which must be addressed if genuine change is to be achieved. While the lack of successful industrial change in the orchestral area would not until now inspire confidence, it is noteworthy that the Board of OV has resolved on a two year process of transition in these areas which is intended to deliver a more cost effective and flexible model operation over that period.

The goals proposed here are based on the reduction or elimination of the restrictive work practices and policies outlined above.

- The removal of full-time orchestral players;
- The need for a contract orchestra matched directly to the user companies' needs;
- More flexible employment agreements to include a combination of either multi-year, seasonal, guaranteed minimum annual contracts as an "all inclusive" per call rate based on the level of skill required within the section;
- The modification and even removal of the current system of allowances;
- A move toward a "core ensemble" of Concert Master, Section Leaders and other key players supplemented as required by seasonal contracts of employment for rank and file players;
- The ability to recruit players without the current complex audition process.

It has been widely noted of late that after major productivity gains in the labour market in the 1990s, Australia has regressed in this respect over the last decade. In that first round of industrial change, most waged areas of the arts sector - actors, dancers, choristers, technicians and non-orchestral instrumentalists - embraced significant workplace reform. The orchestral area was the sole stand out. Reform along the lines noted above will be necessary to bring the orchestral area into line with the rest of the industry.

Funding the service

Proposition

Funding agreements with governments need to be based on the costs of programs not on the cost of maintaining full-time ensembles which then need to find other arguments for their existence

Argument

Government will have to make choices about the most cost-effective delivery of orchestral services to fit with the existing funding capacities. The possibility of the Ballet and Opera companies both assuming responsibility for managing their own orchestra on an annually contracted basis would undoubtedly simplify that. But even if that were for some reason completely achievable, sheer limitations of funding supply will shape any major change.

In many ways this proposition needs little argument. It would be astonishing in today's world if governments adopted any other standpoint. Such a proposal of itself in no way compromises either artistic standards or integrity. Indeed, it could with great persuasion be argued in this case that greater rigor and regularity in recruitment and review of standards would if anything contribute to an elevation of standards and that a more flexible labour market would enhance artistic achievement rather than the contrary.

Some areas of the Australia Council have successfully implemented a policy of "make it new". Perhaps the time has come for governments to apply that notion to the delivery of pit orchestral services. Again, it did not form any part of this Study's brief to recommend funding levels or disposition which is properly a matter for negotiation amongst the parties.

Commentary

One of the prime difficulties in making a comprehensive analysis of likely future scenarios for these orchestral services is the lack of a common base on which to compare them. Each model - to the extent that they can be termed models - is at a different stage of development, implementation and/or consideration.

As noted earlier, OV has already gone through a considerable transformation which has resulted in significant financial and organisational analysis. As also noted, it has been through a testing EBA negotiation which has reshaped - at least for the time being - its workplace conditions.

The models proposed by OA with respect to AOBO from 2012, while representing modifications on current practice are still to be tested. Moreover, they retain many of the award conditions which OV has (temporarily) shed. Under those models the orchestra would also continue to operate within the shelter of OA itself, and thus its costs are, to a large degree, intertwined with theirs and judgement about them is made more complex as a result.

Finally, the modelling undertaken by TAB with respect to its options for future orchestral services exists on paper only. Indeed, to the extent that it remains an exercise and by no means adopted by that Company, it cannot even be said to be a preference and the

Company has been at pains to make that point. The TAB modelling makes assumptions on the industrial front which may or may not prove in the event to be workable. It also makes assumptions about the cost of the management of these options which may also prove to be somewhat optimistic. Since the situation is entirely hypothetical no test of that can be made.

What follows then, is the team's best endeavours to find common ground for comparison given these extremely diverse starting and finishing points.

Orchestra Victoria – 40 and 31 week models

The team constructed and tested an OV model which was based solely on the 40 weeks of TAB and OA servicing in Melbourne and its servicing of VO together with what management might be required for that purpose. That has been further refined to reflect the actual commitment to the TAB and OA or the equivalent of 31 weeks. The intention was to examine the overall costs and to assess them in terms of the current tripartite funding arrangement. The questions asked were: what would be the net implications of a model that operated solely for the purpose of servicing the end users? Was that model economically viable? If so, might there be savings to the funding pool? In particular, the team was also concerned to examine if there might be savings that could be used to fund some redundancies.

It should be noted at this point that while throughout this report the notion of orchestral “weeks” is retained, it is in fact a cumbersome way of looking at the issue. Numbers of calls would clearly be a more precise measurement especially when they are “weeks” in which both end users may have calls.

In the attached comparison of all models examined, (**Appendix 5**) that for OV has been developed from the 2011 operating budget approved by OV's Board. In this adjusted version, all activities have been removed, except for those of TAB and OA; furthermore, the musicians' salaries have been prorated to the appropriate number of weeks. This new model's expenses totaled **\$6,930,122 (40 weeks)** and **\$6,056.676 (31 weeks)**. However, both contain provisions for year-round general management (represented by 3 positions @ 100% and 2 @ 75%.) and building maintenance over and above the direct costs of maintaining the orchestra itself for the lesser number of weeks

Accordingly, the 40 week model developed includes **expenses** of:

- A core orchestral strength of 58 (current permanent strength);
- Augmentation of casual musicians to required strength for AO & TAB
- 40 weeks of AO, TAB & VO activity;
- 3.85 weeks of accrued annual leave on the 40 weeks of activity;
- General management department of 4.5 FTE at a cost of \$436,577
- Cost of maintaining a building of \$193,000.

The 31 week model developed includes **expenses** of:

- A core orchestral strength of 58 (current permanent strength);
- Augmentation of casual musicians to required strength for AO & TAB
- 31 weeks of AO and TAB activity only;
- 3.3 weeks of accrued annual leave on the 31 weeks of activity;
- General management department of 4.5 FTE at a cost of \$436,577
- Cost of maintaining a building of \$193,000.

The model developed includes **revenue** consisting of:

- | |
|---|
| <ul style="list-style-type: none">• Triennial funding of \$6,028,532;• Interest income of \$102,500;• Cost recovered from OA & TAB of \$581,630. <p>These costs relate to musicians employed over agreed strength .</p> |
|---|

As can be seen, both models generate a loss, one minor and the other significant. There would, accordingly, not be savings to the funding pool under either of these plans. In fact, there would be a requirement to find additional revenue to make good the shortfall. It follows that no savings would be available to fund any redundancies.

However, savings might be generated by a number of other means: Further workplace reforms could contribute significantly to this. In the context of the saving of \$700,000 achieved for 2011, the target indicated above is by no means out of reach. As a measure of this, \$109,000 of the total savings effected in 2011 are attributed alone to the elimination of the allowances listed earlier.

Another possibility might lie in reducing the general management and building factors if OV were to be absorbed into another business identity, provided those infrastructure costs would be covered by that entity. Of the scenarios which the team was asked to further evaluate, both offer clear opportunities for savings.

The “other business entity” mechanism had already been trialed when the Arts Centre managed OV, and was terminated. Only a single national management for both orchestras, also trialed in the past and canvassed in Stage One of this Study, might offer a suitable host. However, there is no reason to believe that the necessary savings could be effected by that means, and every reason to assume they would not, though of course other efficiencies might be achieved.

The Australian Ballet - Full Touring Contract Model

The team examined and tested the extensive modeling work which TAB had undertaken in 2010 to create a range of options for consideration. The assumption underlying what for convenience might be called the “preferred” model (though that is not the Company’s usage) is based solely on the 36 weeks of TAB servicing across Australia with an orchestra engaged on a limited annual contract basis. That is to say it would be engaged in two blocks for the Company’s Melbourne and Sydney seasons, together with whichever of Adelaide, Brisbane and Perth TAB plays in a given year. It is important to note, however, that the 36 week calculation is indicative and was appropriate to the 2011 performing year. In 2012, because TAB is touring to each capital city in Australia (except Hobart) in addition to its Sydney/Melbourne seasons, it would utilise an orchestra for more than 36 weeks, in fact more probably 38 weeks.

The intention of this exercise was to examine the overall cost and test it in terms of its all inclusiveness, that is to say, had it allowed for everything that was claimed for it. In particular, the team sought to understand if the costs of managing such a model were adequately provided for.

Other questions asked were: what would be the net implications of a model that operated solely for the purpose of servicing TAB in this way? Was that model as economically efficient as it appeared to be? If so, might there be savings to the funding pool?

The team also aimed to assess the model against the current tripartite funding level for OV as being the only reliable gauge of this. The team was aware that since this model was designed to replace service in Sydney to TAB from AOBO, the funding environment is more complex than that sole measure. However, the cross-jurisdictional implications of that were properly a matter to be determined within the context of the tripartite negotiations and were not within the competence of this Study.

The team concluded that this option which appears as part of the overall comparison of models presented (**Appendix 5.**) is a complete in-depth model and one which could reliably be implemented, allowing for some minor changes in the workplace environment since it was created and, of course, subject to any specific contract negotiations entered into for that purpose.

The model measures the variable cost of supplying orchestral services to the TAB. Apart from these, only the variable orchestral costs have been included. This makes it vastly different from the OV model, in which the business infrastructure of building, general management, and financial functions are included.

However, it assumes that general management; financial and building expenses are managed by the existing TAB infrastructure and hence have not been included in the calculations provided. In looking only at direct and variable expenses, no insurance, no depreciation and the like are factored. These are all deemed to be absorbed by the TAB management structure. The team views that as being somewhat optimistic.

In the first year of proposed operation, the model provided for a one-off establishment cost of \$660,666 to cover legal expenses, purchase of instruments, office equipment, orchestra chairs, risers, stands and the like.

In the light of all these, the model estimates **expenses** of \$5,472,335 consisting of:

- Salaries – on-costs at 36 weeks full time. Salaries are based on then current OV EBA and the median rate was used for each category
- Allowances – these are based on instruments use for each program
- Airfares are based on the assumption that all musicians are based in Melbourne
- Rehearsal costs including freight, venue hire etc
- Management salaries – orchestral line management only based on 2 FTE plus concert master loading etc
- Administrations costs- increased administration costs for TAB

There is a caveat in this model: It would appear that pro-rated annual leave is not accounted for in the 36 wk total. Travel days are included, as per the current arrangement for the dancers (which adds up to around 4 weeks' worth) but TAB assumes it would probably institute different travel arrangements for the orchestra (as per other orchestra models) so there is some scope to

incorporate the leave within the 4 weeks or, the Company might negotiate a different model entirely in terms of leave. Also, not all players would necessarily be contracted for the full 36 weeks.

For obvious reasons the model did not make any **revenue** estimates as such, but the most immediate and logical comparison is with OV's triennial funding of **\$6,028,532**;

Against this might be set direct savings on current fees to state orchestras of \$85,000 pa ASO; averaged QSO \$75,000 pa; and WA averaged \$75,000 pa; or total of \$235,000 pa. This would leave a total net outgoing of **\$5,237,335**.

If that is compared with the current OV triennial funding package of \$6,028,532, there would on the face of it be a **net saving to government of \$791,197**.

As to how that is considered in the context of broader funding patterns and practices is beyond the competence of this Study to comment. Clearly, a reduced orchestral servicing of Victoria would be a factor in that jurisdiction's response.

However, as a guide, if the current funding ratio for OV of Federal 77%: State 23% was simply applied, there would be a net saving to Victoria of \$181,975. The team recognised, however, that the implications of these moves were more complex than that.

AOBO - 38.8 week Sydney only model

The team tested the OA models based on a 56 player configuration. That should not be understood as a preferred OA option but as one of a number of scenarios that might be considered for this purpose. The first of these (OA Model 1) relates merely to Sydney seasons in the event that the TAB full touring model was adopted. That would leave AOBO with a 38.8 week model in Sydney alone (that is set out in the comparison tables in **Appendix 5**). The second (OA Model 2) assumes equally that if the TAB touring model proceeded, a 52 week AOBO would be needed to service OA both Sydney and Melbourne. Clearly, if the TAB touring model did not proceed, any AOBO workload obligations over and above would be the responsibility of TAB.

(There is a further complication in all of these models with which the Study has not engaged as being outside of its brief. That is the provision of core orchestral services for the forthcoming *Ring* in Melbourne. The Study understood that a heavily augmented OV is to be the centrepiece in realizing that enormous task. The team was unable to determine how any of the changed models which have been proposed might impact on that other than to note that clearly all would.)

As has been noted, the pit delivery current models in both Melbourne and Sydney reflect the different management structures of the organisations: while the OV is a stand-alone company supplying orchestral services to OA & TAB, the AOBO is a department of OA. For that reason, most of the individual AOBO costs are not separately disclosed in the OA supplied model. For instance OA charges a 10% internal management fee to AOBO to reflect its share of the OA's overhead costs. That rate was calculated using 2008 as the base year when the difference between actual and 10% was less than \$3000 pa and, by agreement with the funding agencies, has been adopted as the norm since then.

While a base comparison drawn from 2008 modelling was available to the team which detailed some of those costs, after a lapse of three years it contains assumptions that would warrant further analysis.

Accordingly, OA Model (1) as developed includes **expenses** of:

- A core orchestral strength of 56 ;
- Augmentation of casual musicians to required strength for AO
- 38,8 weeks of AO activity in Sydney only;
- All existing allowances
- Management staff at a cost of \$299,276
- Management fee of \$515,387.

These **expenses total \$7,047,857**

The model exhibited **revenue** consisting of:

- Triennial funding applied: **\$7,443,000**

Thus it can be seen that under the current cost (and pricing) structure the present funding level exceeds the Sydney model costs by approximately \$400,000.

In the case of OA Model 2 the team has constructed an indicative outline model based on costings supplied over a range of scenarios:

Base Orchestra Costs (1)		
Administration	457,000	
Musicians	6,357,000	6,814,000
Management Fee (1)	681,000	681,000
Augment and Respite		
Sydney (1)	1,371,000	
Melbourne (2)	516,000	
Other	115,000	2,002,000
Travel and Touring		
Melbourne (3)	1,142,000	1,142,000
Total		10,639,000

Sources:

- (1) AOBO P&L (Appendix 6)
- (2) OA estimates supplied
- (3) OA touring model supplied

The model as developed includes **expenses** of:

- A core orchestral strength of 56;
- Augmentation of casual musicians to required strength for AO in Sydney and Melbourne;
- 52 weeks of AO activity in Sydney and Melbourne;
- OA augment and respite recharges for seasons in both cities;
- Management staff at a cost of \$457,000;
- Management fee of \$681,000.

As against current grant **revenue**:

- Triennial funding applied: **\$7,443,000**

This would result in a net cost to OA of (\$3,196,000) as against a currently estimated shortfall of (\$1,486,000) for 2012. Clearly, such an outcome is unsustainable. Of course, that result is based on current employment and work conditions and on current organisational assumptions and those could be significantly altered.

To take the more straightforward of these issues first: it is easy to note that when comparing the OV model to the OA model, the costs of the OA model are lower than that of the OV model. The reasons for this are that the OV model includes building expenses and senior management costs.

The OV senior management includes a General Manager, Financial Manager, Artistic Manager and support staff and totals \$436,577. The cost of running the OV building is \$198,000. Obviously both these expense types would not be required if the orchestras were not required to operate independently.

However, when the OV building and senior management costs are removed from the model, the OV management expense is \$208,000 compared with \$515,000 for AOBO. As has been noted, OA originally calculated its 10% internal charge using 2008 as a base and it represents a share of OA's overheads. While it is to some degree based on a variable cost calculation, it is also a blunt instrument and like all such calculations might be open to challenge. What follows is the Team's assessment of how two might be compared.

Comparing management costs	OA Model	OV Model
	Mgt Overheads	Mgt Overheads
Senior management cost	329,119 *(1)	436,577
Building	98,501	193,122 *(2)
Support	87,723 *(3)	208,900 *(4)

1. OA senior management cost prorated to conform to overheads of \$515K in the OA 38.8 week model.
2. Rehearsal and office space included in the overall build expenses for OV
3. OA Support costs includes items for noting
 - A charge for insurance of 60K, the OV equivalent for OV budget is 30K including instruments.
 - No charge for depreciation
4. OA Support costs includes items for noting
 - IT charges of 43K (Running an outsourced IT service which may not be required).
 - Depreciation of 63K
 - Audit cost of 27.5K (separate audit which may not be required).
 - Consultants fee of 16K (which may not be required).

The second and more complex issue is savings that might be brought about through industrial reform. It is clear from the above calculation that allowances, augment and respite represent a major component of the total estimated cost. Even if those marginal costs could be reduced by as much as 40%, which would be a considerable though not inconceivable target (as measured against OV's savings of \$700,000), the contribution to the bottom line would be of the order of **\$1,257,600**. Nevertheless, that would still leave a net cost to OA of about **(\$3 million)** as against the currently estimated (\$1.5 million). To significantly close that gap would require an Herculean effort. Nonetheless, the achievement of OV in making savings of \$700,000 suggests that it is by no means beyond achievement.

Summary

What is revealing about these models is that they do not point unequivocally to a single solution that would be entirely satisfactory. All the changes contemplated to core orchestral functions have some advantages.

A slimmed down OV continuing on the path of industrial reform that can deliver a simplified, more flexible, less high maintenance set of conditions of work can clearly deliver, over time, greater efficiencies with no reason to suppose any diminution of quality. Indeed, such an arrangement allied to more flexible recruitment process might well enhance artistic quality.

That is certainly the expressed view of the user companies and since their success is reliant on quality orchestral playing, those views must be given considerable weight. However, it is clear that on the current funding base, such a model would continue to incur financial losses unless further savings were identified through additional workplace reform or another source of revenue could be found to bridge the gap.

The TAB model, while enormously attractive from the sole perspective of the Ballet company, when seen from a helicopter shot of the overall funding terrain really only locates the financial issues somewhere else. Any savings incurred – and it is acknowledged that these could be considerable – would only be absorbed, and more than absorbed - in increases through the cost of transferring the AOBO from Sydney to Melbourne.

A slimmed down AOBO, remaining under the aegis of OA and embarking on the path of profound industrial reform similar to but much greater than that pioneered at OV can likewise deliver a simplified more flexible service to the user companies and one more in line with their evolving performance program and repertoire needs.

Given the annual losses incurred by OA in maintaining AOBO at its current level, no doubt the option of hiving it off to an independent life, such as OV's, would have great attraction. However, the real answer lies not in pushing the problem away but in OA's exercising the determination to make real and enduring change to the way in which it supplies its own orchestral services to itself, to TAB and the cost of these. Central to that is to negotiate and shape an entirely new industrial landscape.

What is clear, however, is that pursuit of the TAB full touring model and the concomitant elimination of OV will only serve to make the total funding situation worse. Overall focus needs to remain on reforming the existing entities, refining their costs and ensuring that their practices and operations serve the needs of the end users and not the reverse.

APPENDIX 1

Preferred Models arising from Stage 1 of the Scoping Study

1. Parallel Managements

All else being equal, perhaps the least disruptive change would be simply to move OV under TAB's management in a much the same way that AOBO operates under OA's umbrella.

Comparison with the attributed management costs and personnel numbers of AOBO suggests that OV has been management heavy, even allowing for its wider range of activity. Whatever the case may be, were it to reduce solely to pit services under TAB management, it could undertake all TAB touring or some variation of that, with or without servicing OA in Melbourne. That would enable a substantial reduction in direct management costs probably to something comparable to AOBO's or even less. Nonetheless, there would be a cost however the schedule is wrangled; it would seem that there would still be downtime which TAB might choose to occupy with expanded activity or in some other fashion including outside contracted work.

Nonetheless, such a model would have some benefits including:

- that it would have the immediate effect of reducing the number of negotiating and planning partners and the number of differing and competing systems from three to two;
- it would place the TAB and OA and on a more level negotiating basis and hopefully lead to greater understanding of each other's positions;
- it could serve to draw them closer together at the time when some degree of mutual antagonism seems to have grown in their relationship;
- It would compel them into a common forum of regular and more equal discussion;
- With good will, it ought to lead to greater parity between the two orchestral delivery systems;
- It would add greater bargaining power to their combined position in dealing with industrial issues though it would not *of itself* necessarily deliver immediate workplace reform;
- It would, or ought to, simplify the funding arrangements for the two companies since orchestral services would then become an integral part of both operations.

If government wished to pursue a path that resulted in the least industrial dislocation and led to limited but potentially useful outcomes, this would be it. It would have the added advantage of being able to be accomplished quite rapidly. It does not, of course, remove or necessarily even reduce the inherent industrial dysfunction of either, though it might make them easier to tackle.

2. Two Annually Contracted Orchestras

The most radical option which could be contemplated is a complete dismantling of the present system and starting again.

As noted above, TAB has scoped a plan for having its own orchestral service under its own management. The current situation in which it is required in any one year to negotiate with four or five separate orchestral providers is not only unsatisfactory and inefficient but adds materially to its cost of doing business in ways which are also not conducive to the best artistic result. That is not sustainable in any of these terms.

TAB makes a persuasive case, supported by extensive financial modelling, that a total deregulation of the orchestral service would be in its best interests. It seeks in effect to acquire a flexible, annually contracted ensemble of 56 players engaged for an average 32 weeks over two periods that would tour nationally and be engaged on a radically simplified EBA.

Organisationally, this has great advantage and in terms of expenditure it delivers some savings and the benefit of greater budgetary control at an estimated recurrent annual cost of \$5.472k in 2010 constant dollars. (Further details of this proposal may be found in **Appendix C**)

This model offers a number of clear **strengths**:

- It is deliverable within existing government funding parameters (requires redistribution of funds but not extra) compared to TAB's current outlay on orchestral services;
- It would contribute to higher artistic standards;
- It would raise the profile for TAB of music as dance's most important collaborator which might in turn be attractive to patrons, sponsors and donors;
- A new structure would of necessity lead to new employment conditions;
- It would bring annual contracts in line with those of the dancers;
- Fewer rehearsals would result in more effective use of company time;
- There would be more flexibility around repertoire choice and touring schedule and thereby more efficient use of resources;
- It would enable TAB to manage and enhance artistic standards and conditions according to its needs; and
- It would rationalise stakeholder management for TAB (one internal orchestra relationship versus four external orchestra relationships and associated funder relationships) and thereby better and more useful allocation of TAB staff time, allowing for better long term development.

There are however some obvious **weaknesses**:

- Such a scheme would necessitate massive change in current orchestra structures with the risk of consequent industrial unrest; and
- It would increase the scale of TAB operations including some cultural change and potential disruption over the short term.

Again, it should be noted that while it may not necessarily be accounted a weakness, it is an issue that under this arrangement OA would have to provide AOBO to service its Melbourne seasons.

The other main limitation in this argument is that in seeking to make it as far as possible cost neutral, TAB's modelling assumes that government subsidy currently directed at OV would remain constant. That is by no means assured. Since under that arrangement Arts Victoria would in effect be supporting pro rata only TAB's Melbourne seasons, it is hard to see what arguments could be advanced to its contribution remaining at the current level. That might, of course, be off-set to some degree by the savings which TAB itself achieves against its current outlays. As a snapshot then, the issues would be somewhat as follows:

- TAB's modelling suggests a recurrent annual cost of \$5.472m at 2010 rates;
- The current core funding for OV is \$6.040m at 2010 levels
- TAB expends \$983,000 on orchestral services at 2010 levels;
- Even were Arts Victoria to reduce its funding to one third of the current level, operationally the exercise could be cost neutral;
- However, TAB would incur additional management costs and while some of these might be offset by not having to engage and rehearse four orchestras each year it is likely that overall its outgoings in this area would rise, as to which OA's expenditure (2008) in the area of \$708,664 might be taken as a guide (source: OA records). Without more in-depth analysis the net effect of all these factors cannot be assessed.

It must however be stressed that the application of the model of a limited term, annually contracted orchestra for TAB could not be transferred automatically to OA. Whereas OV has significant "downtime" from its core pit services to the two national companies, AOBO has effectively none. The loss of OV to OA would be made good by touring AOBO to Melbourne. That would not materially change its schedule of commitments even were the size of its core establishment to be reduced.

Accordingly, while the operating model of a yearly contracted orchestra might usefully be adopted in Sydney, together with a more flexible set of work practices, the length of the contract would probably remain at 52 weeks or something very like it. Moreover, the conditions of potential insolvency don't apply to AOBO as they do to OV. While technically the former may register a large deficit, as a branch of OA it does not respond to the same fiduciary considerations as the Melbourne based orchestra.

Thus, in substantively changing its basis of employment from the current EBA, it is likely that there would be significant costs of redundancy unless some other mechanism of transition could be put in place. However, since at the time of writing, the outcome of the OV negotiation is unknown, even that comparison is largely speculative.

Moreover, the cost of taking AOBO to Melbourne would, not surprisingly, be significantly higher than the current OV arrangement. It has calculated this the autumn and spring seasons at slightly over \$1.1m using cost assumptions from its 2012 model. The calculation assumes core strength of 60 players going for six weeks each season. In addition, Melbourne-based casuals would be brought to Sydney for a 2 week rehearsal period prior to the season opening. A small number of administrative staff would also travel to Melbourne for certain periods during the season to support the orchestra.

By comparison, estimated OV recharges for 2012 are autumn \$400k and spring \$250k. It should be noted that this is particularly high due to *Turandot* being scheduled for the autumn season. Normally, OV recharges are in the vicinity of \$200k per season. These recharges however would not be savings if AOBO toured. Whether it's AOBO or OV playing in Melbourne there would still be a need for augmentation and respite - roughly the same for each orchestra.

Nevertheless, deregulating the "Melbourne" pit orchestral market might well have the concomitant effect of prompting OA to go down a similar path in Sydney. Indeed, OA has undertaken comparable modelling on a 60 piece core ensemble which has led to similar though perhaps less radical conclusions.

From this it can be seen that the shortfall (or net deficit) for AOBO as a stand-alone entity would be \$1.18m for 69 players, \$285k for 60 players and \$52k for 56 players. On the reverse side, there would be an increase in augmentation/respite costs. It is important to note that the improvement in the AOBO stand-alone entity is for 12 months whereas the increase in OA Sydney augmentation/respite costs covers only OA seasons in Sydney. It would be reasonable to expect an increase in TAB augmentation/respite as well - that is to say the net improvement would reduce from the figures presented on this analysis. That, of course, does not include any estimates for gains in productivity through workplace reform which would have to be a concomitant of these changes.

Because of the greater complexity of the Opera's repertory system and the greater variation of orchestral needs from season to season, together with the changes to its annual program of work, it is probable that in pursuing this model the financial and productivity gains would be considerably less than for TAB.

In this analysis the augmentation and respite charges for the OA Sydney seasons are included so that the full cost of AOBO to OA (net of related government funding) can be shown. This is particularly important when comparing 2012 to 2011- the modelled reduction in core players from 69 to 56, while beneficial for the stand-alone AOBO entity, clearly has a negative impact on augmentation/respite costs (albeit these charges are repertoire dependent to an extent). Due to OA's poor financial position in 2010, it held off filling permanent positions, removed all on stage loadings and made other cost savings where possible so the net position at this stage is forecast as \$400k deficit for the AOBO entity (compared with budget \$810k deficit). There is also some offset in 2009 between permanent musicians (higher due to use of seasonal string contracts) and mainstage recharges (lower due to same) which is causing the % variances from 2009 to 2010 to look slightly irregular. The charging of orchestra-related executive salaries and calculation of management fee changed from 2009 onwards - again this has registered some variations from 2008 to 2009.

As can be seen from these snapshots, the issues are complex and require much more detailed analysis. What is very clear is that it is unlikely that the changes necessary to accomplish an adjustment of the scale proposed in the preferred option and the resultant transition could be accomplished in less than 18 to 24 months given the forward commitments of both companies and their engagement with existing entities.

This option, while radical, would undoubtedly be in the best long term interests of the entire lyric theatre scene. However, the short even medium term dislocation should not be

underestimated. If undertaken, this model would represent the greatest organisational change since corporatising the former ABC orchestras, but with more profound workplace implications.

As well, it has the capacity to act as a pacesetter for future change in employment and work practices across the entire orchestral sector. However, if not undertaken now, it is probable that the need for such an adjustment, or something very like it, will only be postponed not avoided. In the meantime, the problems that are currently passed on to the user companies will only grow and over time increase their public funding requirement.

APPENDIX 2

Some International Models of Orchestral Employment

(source: Symphony Services International)

The US Situation

Model 1 – Full-time, permanent employees

This model is utilised by most of the large, high-quality and high-income orchestras in the United States as well as by the six Australian symphony orchestras. There are variations that allow management some flexibility in offering employment options to players, but mainly these are geared towards attracting the highest quality players more than offering any particular flexibility to the organisation. Advantages are that artistic quality can be achieved through permanent tenure and high salaries while the disadvantages are that the model is not flexible if the organisation experiences financial difficulties and it could be wasteful if players receiving a full-time income are not used frequently.

Model 2 – Annual Commitment Model

One model that is quite common among smaller communities in the US. The orchestra advises players at the end of the prior season how many calls they will be offered in the coming year (this can vary from season to season by approximately + or – 5%), and the musicians choose whether or not to accept the employment. They may be offered additional work if it becomes available.

The model is extremely cost effective but does not offer the artistic benefits of a tenured orchestra. Here the financial advantages are significant – players are only paid for what they play, and the organisation can respond to its budget necessities from year to year since there is no set number of calls offered. The organisation can cancel concerts within an agreed period of notice without penalty, and can accept unexpected engagements and offer additional work to players if it wishes. Meanwhile, players' income is relatively stable and they know well in advance when they will be required, so can plan alternatives when they are not required or choose to pursue other more lucrative opportunities. On the other hand it can be harder to develop artistically without a full-time core of players. Not surprisingly, the players would prefer regular and confirmed income at a higher level.

Model 3 – Two-tier Model

This is also a relatively common model in the United States, particularly for mid-size orchestras. It allows for a core group of players to be tenured and paid for a set number of weeks (the number can vary from orchestra to orchestra, with savings to be made according to the number of weeks paid). The second group ('B Contract' players) include the less-used instruments like tuba, harp, piano, additional or augmenting instruments and so on. In some orchestras, these players are engaged only on a freelance basis, while in others, they are guaranteed a number of services per year, although less than the core players. Some US orchestras have three tiers, using all three of these options.

The model is financially attractive, with the artistic security of a core group of strings and winds that are regular and sometimes full-time paid employees. Other instruments are only paid as they are used. It is also quite flexible as orchestras can offer any number of weeks' employment up to a full 52 for the core group of players. Clearly, however it can be harder to attract top quality players if a full-time salary isn't on offer and the wind players, in particular, work very hard as they are required for virtually every rehearsal and performance.

The UK Situation

Orchestras in the United Kingdom fall into three main categories. The first group is orchestras known as 'contract' orchestras which once used the same contract with its players but now each orchestra uses its own individual contract. The organisations nevertheless show similarities in their employment models. The next group is the 'freelance' orchestras, all based in London. They are each self-governed with a fixed membership of freelance players. The players 'own' the orchestra they play in through shares (usually very low cost). Finally, the BBC orchestras are all on full-time salaries and are not featured as a model here as they so closely mirror the Australian model.

Model 4 – The UK Contract Model

This model is also very similar to the Australian model, but offers some individual flexibility. Initially the contract orchestras worked under identical employment agreements, but this changed in the 1980s when the orchestras were experiencing significant financial pressure. At that time each individual orchestra began to implement its own agreement with its employees. The agreements were similar in the case of most orchestras, based on a permanent contractual arrangement that guaranteed a minimum number of weeks' work per year. Over time, some of the contract orchestras have reduced the number of guaranteed weeks while others have reduced the number of players on such a contract. Both options have saved the organisations money and allow for some budgetary flexibility. Changes of this kind are necessarily slow, however, as they usually only work if management is willing to fund redundancies, or else rely on natural attrition which cannot be planned for and isn't always convenient (for instance when principal players leave).

A. Standard Contract Model

Here the advantages are that artistic quality can be achieved through permanent tenure and high salaries. In the main, these orchestras offer good employment provisions such as leave, pensions etc. It is easy to plan schedules as players are always available. There are more options for professional development within the orchestra and institutional cohesion can be developed.

As in Australia the disadvantages are that the model is potentially not flexible if the organisation experiences financial difficulties. It can be difficult to introduce unexpected opportunities into the schedule. There is some lack of flexibility for musicians wanting to take time off. There is the possibility of players being on salary but not required for blocks of time can arise. Complex negotiations need to be undertaken on a regular basis, often with union involvement. Vacant positions can be slow to fill (a disadvantage when management wants to fill a role quickly, but possibly an advantage if it wishes instead to save money through use of freelancers) and there is possibly not as much 'ownership' of the orchestra as experienced in the London model.

B. Hallé Contract Model

This exhibits all of the advantages listed above, plus that players can be called any time of the day or night and will be available. The orchestra only pays for the calls it actually requires (although this must be worked out well in advance, not totally flexible). Players feel the salary system is fully transparent and fair. It is more financially advantageous than the other contract models.

Probably most of the disadvantages are as in Contract A, but the model is somewhat more flexible and financially attractive.

Model 5 – The Freelance Model

As self-governing organisations, the 'London' orchestras have very high expectations of themselves and ensure high standards of performance largely through self-regulation.

Players are taxed at extremely low rates (around 20% compared with nearly 40% for orchestral players on full salary). They are employed for a set number of weeks per year but the way the calls are organised is extremely flexible – the orchestra can theoretically be called at any time of the day or night. The players that represent the orchestra on the board determine what is accepted and what is not.

The model tends to suit those with young families who want to stay in the one location and is highly flexible as self-governing therefore in players' interests to accept engagements (the more they play, the more they are paid). It maintains high artistic standards and lack of complacency as players are self-regulating. The players are only paid when they play, so the model makes financial sense. Clearly, however, such a system only works if there is a reliable and large pool of high-quality freelance players available

The New Zealand Situation

There are five professional orchestras in New Zealand, a small country of 4.3 million inhabitants. The two full-time orchestras are the New Zealand Symphony Orchestra and the Auckland Philharmonia Orchestra. Part-time professional orchestras are the Vector Wellington Orchestra, Christchurch Symphony Orchestra and Southern Sinfonia. All except the NZSO are funded by Creative New Zealand (a statutory authority) while the NZSO receives its funding direct from the Ministry of Culture and Heritage.

The NZSO employs its musicians on a full-time, permanent basis very similar to the Australian orchestras. The only real difference in the model is that the NZSO contracts players based on a set number of hours rather than a set number of calls. The part-time professional orchestras all offer contracts to their players on a per-call basis while Auckland Philharmonia employs a retainer model outlined in the case study below.

Model 6 – Retainer Model

This model is quite similar to the US two-tier model in that players are guaranteed a minimum number of calls. Players receive a guaranteed payment (the 'retainer'), throughout the year and are paid freelance rates for all calls in addition to the retainer. The retainer comprises approximately half of the total income. The difference in this model, used by the Auckland Philharmonia, is that the players are not deemed employees, but rather independent contractors. Only the concertmaster and associate concertmaster are on full time salaries. This model can have real tax benefits to the players, who receive generous tax deductions as they are 'independent contractors' but they do not have the security of the same pay packet every fortnight - rather, fortnightly remuneration is dependent on the number of calls worked in that particular fortnight.

Once the minimum call threshold has been reached, this model has the potential to contain costs where any additional work only needs a small orchestra. Extra engagements can be added with very little notice as by definition these are optional for the players. There are significant tax advantages for the musicians due to their 'contractor' status. Call costs are costed to every project. The organisation is not obliged to pay any allowances or to fund any superannuation. Management deals directly with the players rather than with a union.

The disadvantages are in low player remuneration when work is limited – this can result in difficulty attracting and retaining the best players. Players earn less than in salaried orchestras and there is not one number that can be quoted as the salary for any position - it's much more dependent on the amount of work available. There is also more work for the Orchestra Manager in securing every player for every call over the minimum. There can be difficulty in enforcing policies and procedures and code of conduct due to contractor status. Players are sometimes less willing to attend non-musical commitments such as meetings as it's very clear that they are not paid for them.

Contractors cannot technically be denied leave. Should a player not be granted absence from a compulsory event they do not wish to do then there is not much the orchestra can do to force them to attend other than threaten to cancel their contract, which may not be appropriate. Because the reality is very close to an employer/employee relationship, contractors sometimes need to be treated as proxy-employees, particularly in dealing with disciplinary issues. Providing a high percentage of the fee as a retainer means players will often place little value on small (1 or 2 calls) events.

APPENDIX 3

Artistic Standards

Orchestra Victoria

Orchestral Achievement

Generally the following artistic feedback and evaluation processes were submitted to the funding agencies.

1. Media reviews for the major companies performances, where OV was mentioned.
2. Engaging high quality conductors and soloists to 'lead and inspire' artistic excellence, through delivering concerts etc.
3. Encouraging major partner companies to engage the best possible conductors.
4. Annual external artistic assessment. This may have been a "first " for a pit orchestra. A panel of experts including visiting conductors was asked to attend performances and rank the artistic standards, and the engagement of the musicians. The 2010 target was a level of 80% positive feedback to be achieved through this process.

Player Achievement

There has been an annual feedback procedure for players around 2009. The introduction of this process was long and tortured with varying degrees of feedback given as it depended on the Concert Master and each Section Leader reviewing each player and then giving a formal feedback session. This seems to have been achieved on the one occasion and needs to be reinstated this year. For the 2009-10 Business plan there was a goal to review this feedback procedure and commence the second round of formal feedback processes, but due to the Concert Master's departure this wasn't achieved in 2010.

There is an aspiration for players to be able to access mentoring opportunities and "low cost training opportunities".

External Self Assessment. According to the 09/10 Business Plan, a panel of external experts has been established "for the purposes of an independent assessment of the orchestra's standards". The members of that panel are: Richard Mills, Stephen McIntyre, Tony Legge, Nicollette Fraillon and Peter Burch. However this seems to be been more an informal sounding board than a genuine panel.

The user companies provide feedback to OV on a regular almost per performance basis via their conductors and/or the ADs. If there are any player performance problems the feedback is immediate and remedial solutions demanded.

Board Oversight. It was the duty of the previous AD to report monthly to the board on the delivery of the artistic program and the standards attained.

The appointment of a new Concert Master was also considered to be a key part of improving the artistic standards of the players. The appointment of Adam Chalabi as Concert Master has raised the day to day focus on standards. He has taken over artistic responsibility for player performance, and OV is working toward a new operating model where responsibility for player performance is devolved back down to section leaders. OV is planning to run some workshops for the Section Leaders on "Giving and Receiving Feedback."

AOBO

Orchestral Achievement

The Orchestra General Manager is required to report to OA's Board at each of its meetings. The reports include updates about the progress of trials and recruitment of musicians, and any other individual performance or personnel matters. Any relevant issues relating to the Orchestra's performances for The Australian Ballet would be raised in reports provided to the Board. This reporting forms part of the internal sources for reporting to funding agencies on artistic vibrancy.

Player Achievement.

The performance of individual musicians is monitored in line with the general principles of performance standards outlined in Part 5 of the Orchestra's Enterprise Agreement. Details of the structures and roles of the Orchestra's committees (including the Artistic Committee) are articulated. The commitment to recruitment and selection of the best players is articulated in the depth and intensity of scrutiny during the trial process for musicians before engagement to perform with the Orchestra, as a permanent or a casual player.

In reference to the nature of performances in the Sydney Opera House orchestra pit, the following clause is relevant:

“ It is recognised that hearing protection measures make playing in tune and with the correct attention to balance and ensemble more difficult, and in some circumstances criticism on these grounds alone will not provide evidence of an unacceptable decline in playing ability or overall performance standard.”

After successful completion of a trial period resulting in permanent employment with the Orchestra, players are subject to ongoing critical review by their peers, the Assistant Music Director and Artistic Director. Performance concerns are generally dealt with by peer review. The Concert Master plays a leading role in supervising the peer review. Either based on his individual assessment or where appropriate after canvassing opinions of relevant section leaders, he will provide one-on-one feedback to a player about any particular issue.

All members of the Orchestra may raise concerns about their peers' performance for discussion by the Artistic Committee. If that Committee considers the concerns warrant further scrutiny, then the Committee will nominate that the Concert Master, and if appropriate another representative from the Committee, invites the individual musician to a meeting to discuss any concerns raised. A time-frame for review may be indicated to the musician involved.

If the Committee is not satisfied that the concerns are being dealt with after feedback provided within the timeframe, the matter can be escalated to loss of proficiency in accordance with documented procedure.

There was a focus on review of performance standards in the last round of negotiations for the current Enterprise Agreement. The matter of regular one-on-one review has been broached. Attention is currently being focussed on skills and processes around giving and receiving feedback, particularly to Section Leaders, in order to maximise the benefit of peer review, and review by the Concertmaster and Artistic Committee.

In addition to the role of the Artistic Committee, ongoing assessment of the Orchestra's overall performance standards and any relevant matters are also considered at meetings of the principal musicians convened by the General Manager of the Orchestra, which are also attended by the Assistant Music Director and President of the Players' Committee (and on occasion the Artistic Director).

APPENDIX 4

The Australian Ballet

Consultation between AOBO on artistic matters with The Australian Ballet is articulated in the service level agreement between the two companies as follows:

14.1. OA will invite the Music Director of TAB to attend a session of the Orchestra's Artistic Committee at least twice each year to participate in discussion about artistic issues affecting the Orchestra's playing for TAB.

A joint TAB/AOBO consultative committee is to be set up. It will include: key players from across the orchestra as well as representatives from the orchestra's existing committees; members of AOBO Management; the Music Director TAB and other TAB staff as appropriate. It will be convened by the Music Director TAB, with the assistance of AOBO Management. It will meet at least twice per TAB season, and a couple of other times per year as desirable/necessary

14.2. OA will advise the Music Director of TAB of the dates, times and venues of all auditions for permanent players and recitals for players on trial, and invite her to attend as an observer.

14.3. OA will facilitate a meeting between the Music Director of TAB and the Orchestra section leaders at least once in each autumn and spring ballet season in order to allow an effective pathway for feed-back between her and the Orchestra.

14.4. OA will consult with TAB about the approval of significant period of leave for principal players during the ballet seasons and the adequacy of proposed replacement players.

14.5. OA will facilitate regular communication between the Music Director of TAB and OA's Assistant Music Director to review any artistic matters which may need to be addressed on a more regular basis, and which may require the involvement of OA's General Manager Orchestra relating to any personnel issues.