

## **THE HONG KONG ARTS CENTRE**

### **Submission on Views on Long-term Cultural Policy**

#### INTRODUCTION

On 2 September 1998, Hong Kong Arts Centre was invited to present views on the long term cultural policy in Hong Kong at the LegCo Panel meeting on 14 September 1998. As indicated in the agenda, only 50 minutes are set aside for a possible 14 deputations to present views to the Panel on the development of arts and culture, cultural exchange activities and promotion of arts in schools and in the community.

Clearly there will not be enough time for all deputations to address these very broad topics at the Panel. Likewise, it has not been possible to put together a full document on the views of the Hong Kong Arts Centre in the short time given to produce papers. In view of these points, the Hong Kong Arts Centre requests that substantially more time be devoted to this important topic in the months to come and that a special LegCo Panel be formed to focus on this.

This paper attempts to give a broad overview of some of the fundamental problems facing the development of a healthy and vibrant arts scene. It is not intended to be comprehensive, given the time available. The Hong Kong Arts Centre believes all of the problems stem from the present incorrect arts structure in Hong Kong. We propose that the structure be revised and that responsibility for funding be put under one body directly responsible to the Government and that the actual operation of the arts be largely privatised.

#### BACKGROUND

##### **Hong Kong-the second biggest spender on the arts**

1. According to the recent Report commissioned by the Arts Development Council, Hong Kong has the second highest spending per capita on the arts of any country in the world. Hong Kong is the number 2 country on the list. In other words, the Hong Kong tax payer pays proportionally more for the arts than any other taxpayer in the world other than in Germany. Is this right? Are the arts and the taxpayer getting good value for money? Could this money be better spent?
2. We are spending over HK\$2 billion on the arts in Hong Kong. This should produce arts events worth at least HK\$4 billion per year. We are not achieving this multiplier effect. Hong Kong is not getting the right return for its arts investment. We should be asking ourselves why Hong Kong has a less effective arts scene, and provides poorer value for money, than other countries in the world.

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### Arts in Hong Kong-the old socialist state model

3. In most countries it is expected that the individual members of the audience for any artistic event would pay a substantial proportion of the cost of that event through buying tickets and through sponsorship. thus reducing the burden of that event on the average tax payer. For example:
  - a) In the United States, the Government pays approximately 15% of the country's arts budget. The remainder is paid by corporate and individual sponsorship and by ticket buyers. The arts have to appeal to their audience and their community in order to survive. They cannot survive on government money alone. In fact many arts events get no government money at all.
  - b) In countries like Canada, Australia and the United Kingdom, the Government subsidizes the arts by approximately 50%. The remaining 50% comes from sponsorship and ticket sales. In these countries, whilst state funding plays a key role, companies and artists are still dependent on being able to sell what they create to the public in order to survive.
  - c) However, in Hong Kong, subsidy from the taxpayer to the arts averages between 70-80% and, in the case of some companies and events, it can be as high as 93%. Hong Kong performing companies and artists do not depend on having to market and sell their works to survive, they are totally dependent on the taxpayer. The Hong Kong model is in fact similar to the old Socialist State model that today has virtually disappeared, even in the remaining Socialist States.
4. Has Hong Kong got it right? Can the Hong Kong taxpayer not expect the arts to be more self supporting and more entrepreneurial? How do we create a less dependent and more entrepreneurial arts scene?
5. Culture is a very broad word. The arts are only part of what makes the cultural life of Hong Kong. Arguably popular music, television and films are actually more important in the overall cultural life for the average tax payer than the arts. It is also true that they are all part of a continuum in a healthy society so that an actor might perform in a television play one month, make a film the next month, and appear in a subsidized theatre production the following month. The same is the case for directors, musicians, writers etc. In other words, the arts must be seen as a part of an overall healthy cultural scene. In television, music and films, Hong Kong has been supremely successful in the last 20 years in entertaining the people of Hong Kong as well as many millions throughout the region. All of this has been achieved without a dollar of tax payers money. The economics of these businesses is, however, changing and if Hong Kong values what Hong Kong has been able to create, it may be necessary to look at some taxpayer support for our cultural industries. In the light of their impact on the community and on export revenues, can we really justify no subsidy to these other cultural industries and over HK\$2 billion of subsidy to the arts every year?

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### GOVERNMENT INVOLVEMENT

#### **90% of government involvement**

6. In Hong Kong 90% of what is offered to the public in the arts field, is offered as a direct result of decisions made by arms of government. Taxpayers money is thus being voted by government and spent directly by civil servants with virtually no room for private initiative by either audience or artist. We are stifling the arts at huge cost, not encouraging them. We are encouraging dependency instead of supporting entrepreneurship. We have taken the need to market and sell the arts away and replaced it with a civil servant mentality and with taxpayers' money.

#### **Artificial arts market-created by government**

7. Hong Kong, through the different arms of government, has created an artificial market in the arts. As an example, the price of tickets, the provision of free house programmes, the price for hiring a venue for an event and the cost of the ticketing service are not set by market forces. Instead, they are set by government. The practice of government, controlling 90% of the resources, effectively sets the market. Private not-for-profit companies and organisations are forced to follow the same practices whether these are fair, economic or appropriate practices or not. Thus the cost of hiring private venues of the Arts Centre or the Academy For Performing Arts is not at market price but rather has to reflect the price government decides to charge for the use of its own venues. Similarly, the unreasonable costs and regulations related to the selling of tickets are not set by the market but rather by the ticketing monopoly controlled by government. Hong Kong must work towards the privatisation, or subsidised privatisation as appropriate, of arts facilities and services in order to create the best value for money, the best service and a level playing field or market for all.

#### **Artificial arts market-paid by taxpayers, administered by civil servants**

8. In most countries, one would expect to find a group of private commercial entrepreneurs, some of whose presentations and events may be supported by the Government some of the time. This group is responsible for arranging tours and bringing in overseas and touring artists. In Hong Kong, over the last 20 years, we have successfully driven out our private entrepreneurs. We have done this by placing in government hands the responsibility for choosing, negotiating, marketing and staging virtually all of the overseas groups and touring groups brought into Hong Kong. Instead of encouraging private enterprise, we have killed it. Instead of passing cost and responsibility to the private sector we have ensured the taxpayer pays and the civil servant administers. In fact we have allowed government to create an over costly arts scene.

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### SOME OF THE OTHER ARTS ISSUES FACING HONG KONG TODAY

#### **Public funding support and private artistic entrepreneurship**

9. The development of the arts and the cultural industries in any country require a fine balance between public funding support and private artistic entrepreneurship. Essentially the role of the state is to provide support to private artistic initiatives which fit the aspirations of the state and its people. not to provide the initiative and services itself. Government might believe in some support for the Film Industry for example but it would not then make the film itself. All our arts and cultural industries must be driven by people with commitment and sold and judged in the market place. If the true cost cannot be paid solely by the market, but the market clearly exists, then the state can justify financial support. In the case of the arts, private initiative normally means a private, or semi private/semi public, not-for-profit company charged with a particular mission. The mission is then normally endorsed by the state through the provision of supporting funds. The state thus controls what is supported but is at arms length from the actual delivery. This enables and ensures that the private company or artist will perform at his best in order to be eligible for further support. This drives up standards. If government controls the delivery, this drives down standards by removing the competition and market pressure and creates a false market place and a dull industry.

#### **No one single home for arts in Hong Kong**

10. Most major countries in the world have invested in local performing companies and provided those performing companies with permanent performance homes, theatres, concert halls, opera houses. In turn, those performing companies have been able to properly develop into fully professional companies in control of both their physical and artistic destiny in their own environment and have been able to market themselves effectively to their audiences. In contrast, Hong Kong has invested in a performing companies over the last 15 years, has undertaken a huge investment in building arts infrastructure and yet has not provided a permanent home for any one of its performing companies and is therefore denying the opportunity for those companies to fully develop into professional flagships. This has prevented the companies from properly addressing the needs of developing and sustaining a modern audience and has raised the relative cost of those companies to the community. We are investing in companies and then preventing them from delivering on the investment.

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#### **Local arts practitioners-crippled by the Government**

11. In most countries, one will find a dynamic employment pattern for arts workers, so that people can develop a career in the arts particularly in the fields of management and organisation of the arts. This allows them to progress from small companies to large companies and from subsidized to commercial ventures, developing all round arts business and marketing skills in one career development path. In Hong Kong, we have not created a career structure in the arts. Instead, on the one hand, we have a small private sector in which most of the performing companies operate but in which the staff do not control facilities, are often not entirely responsible for marketing and are not given any means to learn proper planning and other company development techniques while, on the other hand, the majority of arts employment is offered through civil service contracts to civil servants. Civil servants are not going to leave the civil service in order to gain additional experience in the private sector because they cannot return later. Private sector staff cannot gain valuable experience in the areas controlled by civil servants because they are not allowed in. We have thus effectively crippled the ability for Hong Kong to develop really effective arts managers and senior arts practitioners and entrepreneurs. We are selling our people short and using taxpayers money to do so.

#### **Visiting touring groups-subsidised by the Hong Kong Government**

12. In all countries in the world virtually 100% of the public funding of the arts is spent on funding companies and artists from that country. If overseas touring groups are brought in, it is expected they are paid for by private funds and through sponsorship and ticket sales. It is not seen to be the role of the local tax payer to pay for foreign companies from taxes. In Hong Kong we still spend a large proportion of arts funding on bringing in foreign touring groups. Is this right? Should we not be devoting the money the taxpayer spends on the arts to developing a Hong Kong arts scene and Hong Kong people? This should include embracing our responsibilities as a Special Administrative Region of China and contributing to the overall cultural development of the country as a whole. We should be leaving the bringing in of foreign groups to private entrepreneurs, sponsors and ticket buyers.

#### **Lack of relevance of arts in the community**

13. In other countries, the art forms that are funded by the tax payer and what are considered traditional art forms and what are new art forms have developed by tradition over time and have grown out of the culture of that community. If this were not the case, it would be difficult to justify funding the arts to the tax payers. In the case of Hong Kong, there has never been a debate on what we should be supporting from public fund and what truly reflects the culture the tax payers should be paying for. 20 years ago there was virtually no arts provision in Hong Kong paid for by the Government and yet Hong Kong still had a vibrant "culture". 20 years later we are the 2<sup>nd</sup>

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highest spender per capita on the arts and have created dance companies, orchestras and theatre companies and we import a huge range of overseas events each year, all very highly subsidized by the taxpayer, and yet most of these are not, arguably, grown from the culture of our community. Does this mean that the community has developed new cultural traditions or should we rather be looking again at the balance of what we support and how we can justify to the taxpayer the art forms we are funding and their relevance to the community?

### NEED FOR REVISED ARTS STRUCTURE

#### **Arts policy in Hong Kong-”arts apartheid”**

14. In most countries, there is a clear structure of national arts responsibilities, regional arts responsibilities and local arts responsibilities and there is a well thought-out balance between the national need for major “classical” performing companies and the regional and local need for more community arts based activities. In general, the aim is to maximize the value of the dollars spent on the arts, maximize the marketing and entrepreneurial activities and provide a service to the tax payer which can be clearly measured and justified and which meets their reasonable expectations. In contrast, Hong Kong has had no overall arts policy. Instead it has pursued a deliberate policy of “arts apartheid”. The Urban Council, the Regional Council and the central Government have all pursued policies of separate development. As 90% of the funding and initiative is controlled by government, the artists in the community have had little chance to develop in the best possible way and, instead, have become experts at trying to juggle between the different policies in the three-arms of government. Hong Kong desperately needs a properly coordinated policy and structure to maximize the large investment that is being made by the tax payer.

#### **What are the goal and purpose of spending HK\$2 billion per annum in arts?**

15. It is often argued that it is difficult to organise the arts. Other countries have been successful in finding solutions and it is difficult to see how we can justify to the Hong Kong taxpayer spending HK\$2 billion a year of their money if we cannot properly address this issue. For this investment, surely the taxpayer deserves the time and focus of Legco, the Government and those persons in the community best able to advise to truly comes to terms with what arts we support as a community, how much we should pay for them and how to structure things for the future so that we can achieve what we want. If Hong Kong gives bad service and bad value for money in other sectors funded largely by the Government, for example, hospitals, we expect a public outcry. Should we not expect the taxpayer to have a similar reaction to spending HK\$2 billion of his money without a clear goal, unified purpose and an effective structure?

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#### **Time for changes**

16. Currently the future of district administration is under review. Over 90% of the money spent on the arts in Hong Kong and over 90% of the arts facilities, are controlled and directly run by the current district administrations. We must use the opportunity of reorganisation of district administration to get to grips with the need for providing value for money for the taxpayer from the arts service we provide by creating a new structure by which to run the arts in Hong Kong and to address the issues referred to in this paper. Legco needs to set up a working group to focus on this important issue in order to provide guidance to the Government on how to carry out the reforms.

#### **Need to revise Arts Development Council (ADC)**

17. In addition to reviewing the direct role of Government in the arts in Hong Kong, other factors and organisations need to be reviewed. As an example, the present Arts Development Council would need to be reformed if Hong Kong is to create one overall arts policy approach and cohesive structure.

#### **Need for one statutory body**

18. The Arts Centre recommends that all arts policy and funding be brought under one statutory body responsible only for policy formation and funding. The Government and LegCo would oversee this body and allocate to it annual funds based on an approved policy.

## **PRIVATISATION**

#### **Need to privatise major arts facilities**

19. There is no doubt that running the various arts facilities and services by government is more expensive for the taxpayer than to run the same facilities and services privately. The trend worldwide over the last 25 years has been to pass these responsibilities to both private entrepreneurs and not-for-profit companies established to run the facilities under a mandate and a fixed annual grant from the Government. The facilities then have to be run as “commercially” as possible and experienced professionals are hired to run them on a suitable incentive basis. The taxpayer gets a better, more customer orientated service, but at a reduced fixed cost and the service provided has to be the best in order to attract the public.

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#### **Need to privatise arts services**

20. For services such as ticketing services, Hong Kong is the only country in the world where this service is provided by government and where the taxpayer is expected to subsidise the service. Hong Kong also has one of the “least friendly” and most expensive ticketing service. It is not market driven and not market friendly. This is another case of using public money to sell the public a poor service. Hong Kong must seriously consider privatisation.

#### **Need to privatise performing companies**

21. At present, government directly runs a number of Hong Kong’s performing companies. The remainder of our performing companies are subsidised through the Arts Development Council. This create two different playing fields for our performing companies. This is wrong. All companies should be privatised and make to bid for government funding, market for audience and manage their own affairs on an equal competition basis. Only this will ensure a cost effective and standard driven arts scene.