

Value Added!

The economic and social contribution of cultural facilities and activities in Central NSW



**Museums
& Galleries
NSW**



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This report is a summary of the research undertaken for this project.

For the full detailed report contact:

Michael Huxley
General Manager
Museums & Galleries NSW
finance@mgnsw.org.au

Author Michael Huxley
Museums & Galleries NSW
43-51 Cowper Wharf Rd
Woolloomooloo NSW 2011
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Cover Image: Western Plains Culture Centre: including Dubbo Regional Gallery, Dubbo Regional Museum & Dubbo Community Arts Centre

Introduction

In 2009 Museums & Galleries NSW (M&G NSW), in partnership with Bathurst Regional Council, Orange City Council and Dubbo Regional Council, commissioned the Western Research Institute (WRI) to examine the economic value and social contribution of the council funded cultural facilities in their local government areas. These facilities include performing arts centres and venues, public art galleries, museums and heritage sites.

The research took place in two stages. The first stage examined the effect of direct and indirect spending on the local economy and employment. The second examined the social capital that the facilities and their related activities generate, as well as a per household “willingness to pay” to maintain the current facilities and public access. Full copies of these reports can be found in the appendices.

The purpose of this paper is to draw together the findings of the research project and show that investment by local government in culture has a positive effect economically and socially on local and regional communities.



From L to R Exterior Bathurst Regional Art Gallery, & Bathurst City Library, Exterior Orange Civic Theatre & Exterior Western Plains Cultural Centre, Dubbo

Key Findings

This study examined 12 of the more than 75 local government funded performing arts venues, public art galleries and museums which contribute to the cultural and economic life of regional NSW

The study found that the performing arts venues, public art galleries and museums in Orange, Bathurst and Dubbo collectively:

- **create an additional 8.5 jobs** outside the cultural sector across the region for every 10 full time positions within the cultural sector
- **add over \$14 million** to the local economy across the region in the financial year 07/08
- create almost **\$9 million in household income** across the region per annum
- engage a large sector of the community through volunteer opportunities. **Volunteers generate \$1.3 million in economic activity**, over half a million dollars of household income and 14 additional full time equivalent jobs across the region
- **contribute positively to social capital** by helping people to think differently, enhance their connections, build trust between people and develop a “sense of place”
- are valued by the community with households across the region **willing to pay over \$1.1 million per annum** to maintain current levels of service

Acknowledgements

Steering Committee:

Lisa Andersen

Manager and Senior Research Associate -CAMRA Project - Cultural Asset Mapping for Planning and Development in Regional Australia & Community Engagement Coordinator of UTS Shopfront

Sue Boaden

Director, Australia Street Company Pty Ltd

Kate Clark

Director, Historic Houses Trust of NSW

Vinita Deodhar

*Principal Economist,
Economics Services Section, NSW Department of Environment, Climate Change and Water*

Dr Nick Herd

Director, Research and Strategic Analysis, the Australia Council for the Arts

Maisy Stapleton

former CEO, Museums & Galleries NSW

David Sherley

General Manager, Bathurst Regional Council

Helen Temple

Cultural consultant

Project Manager:

Michael Huxley

General Manager Finance and Administration, Museums & Galleries NSW

Research Partners:

Western Research Institute - Charles Sturt University

Professor Mark Morrison - Charles Sturt University

Project Interns

Jackie Au

Matt Carter

Jacquie Drinkall

Funding Partners

Bathurst Regional Council

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L to R: Interior Australian Fossil and Mineral Museum, & a school workshop at Australian Fossil and Mineral Museum, Bathurst

Background

Local government's provision of cultural services to the community varies widely throughout regional NSW. These may include public libraries, performing arts venues, public galleries or museums. The provision of these facilities, particularly the infrastructure and related capital expense, is not without cost to councils.

Though it is acknowledged that the provision of such services contributes positively to the area's lifestyle and the local community's wellbeing, very little research has been undertaken and published that quantifies their benefit in economic and social terms in a NSW context.

In the United Kingdom and United States of America a number of recent papers have sought to examine this area. These included *Social and Economic Value of Public Libraries, Museums, Arts and Sport in Northern Ireland Phase I: Designing a model (2008)* prepared by Pricewaterhouse Coopers for the UK Department of Culture, Arts and Leisure. This paper valued the contribution of the Northern Ireland recreational and cultural sector as GBP £17.3 million or 0.1% of the gross domestic product. It also identified clear benefits such as improved health, social cohesion and community integration from the provision of such services.

Another paper, *Arts & Economic Prosperity III (2007)* published by the non-profit organisation Americans for the Arts, also clearly identified economic benefits from cultural activity. It defines economic impact as full time equivalent jobs, household income and local and state government revenues. This major study across 116 regions and over 6,000 non-profit arts and cultural organisations is the third in a series of reports prepared by Americans for the Arts since the early '90s.

In 2008 Queensland Museum commissioned a pilot study to determine the value of the multi campus museum to the residents of Queensland. Using a contingent valuation methodology the study found that the Museum was valued by Queenslanders with residents willing to pay 2.3 – 2.9 times more than the then current level of funding per adult per annum (*Valuing the Queensland Museum: A Contingent Valuation Study*, Tranter, 2009).

One of the few recent papers providing data on NSW cultural facilities is *Enriching Communities: The Value of Public Libraries in New South Wales* released in late 2008 by the State Library of NSW. This study looked at both the economic and the social value of libraries across NSW. It showed that the public libraries across NSW are many things to many people and the library's value should not just be thought of in purely economic terms. 82% of those surveyed reported multiple benefits from their library experience. These included responses such as "generally enhanced my quality of life" (64.5%), "helped me obtain information not available elsewhere" (45.6%) and "supported my children's

education” (32%). The study also showed that libraries contribute to the social capital of the community by being perceived as being a “safe and pleasant place to visit” (92%), a place that is “supporting educational facilities” (95.3%) and contributes to “improving the overall quality of life” (85.2%).

The study also quantified the economic value of the libraries by calculating the money saved by the provision of services and a contingent valuation study to identify a willingness to pay by users. The direct savings to the library users was \$325 per annum per household while the willingness to pay was identified as \$58.20 per annum per household.

This study became the catalyst for Museums & Galleries NSW (M&G NSW) to commission a similar study into the social and economic value of public galleries, museums and performing arts infrastructure and activities.

A partnership was formed with three councils located in central NSW: Bathurst Regional Council, Orange City Council and Dubbo City Council. Each of these local government areas are reasonably similar in population demographics and have a range of facilities (Table 1) that is typical across larger local government areas in NSW.

Table 1: List of facilities included in the study

Type of Facility	Orange	Bathurst	Dubbo
Theatre/ Performance Venue	Orange Civic Theatre	Bathurst Memorial Entertainment Centre	War Memorial Civic Centre
Art Gallery	Orange Regional Gallery	Bathurst Regional Gallery	Western Plains Cultural Centre
Museum		National Motor Racing Museum	Western Plains Cultural Centre
		Australian Fossil and Mineral Museum	Old Dubbo Gaol
		Chifley Home	
Other (Inc Community Use)	Orange Cultural Centre	Hill End Residents Programs	Western Plains Cultural Centre
	Orange Conservatorium		

These council owned and operated facilities are at varying levels of (re)development and age. For example the Orange Civic Theatre was built in 1976, Bathurst Memorial Entertainment Centre was refurbished in 1999 and Dubbo's new theatre, built adjacent to the 1960's civic centre, will opened its in late July 2010 creating a state of the art theatre/convention complex. In the period under survey the new Dubbo Theatre was still under construction. In recent years Bathurst Regional Council has also had a strong commitment to developing and fostering its range of social, historical and scientific museums.



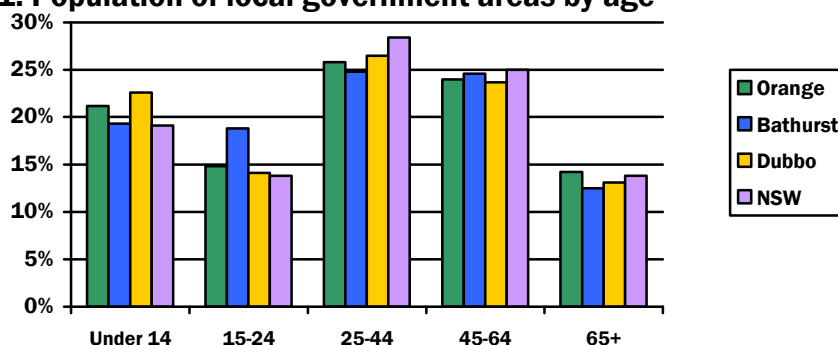
2009 Art Alfresco Orange Regional Gallery

Information on the Council Areas

The area studied is located approximately 200–400 km (three –five hours drive) west of Sydney. While Bathurst and Dubbo councils cover large areas, 3,818 km² and 3,428 km² respectively, Orange City Council’s area comprises of a regional city (285 km²) which is ringed by rural councils and small villages.

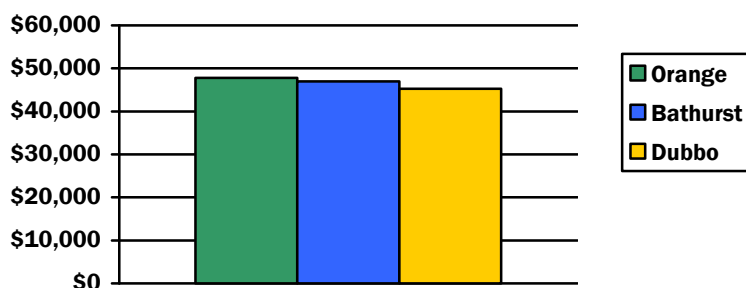
Each has a population of 38-40,000 (ABS 2008 estimate) with age distribution similar to that of the State (Figure 1). The slightly higher 15-24 range for Bathurst can be explained by the presence of Charles Sturt University. The relative levels of education and individual average income are shown in figures 2 & 3.

Figure 1: Population of local government areas by age



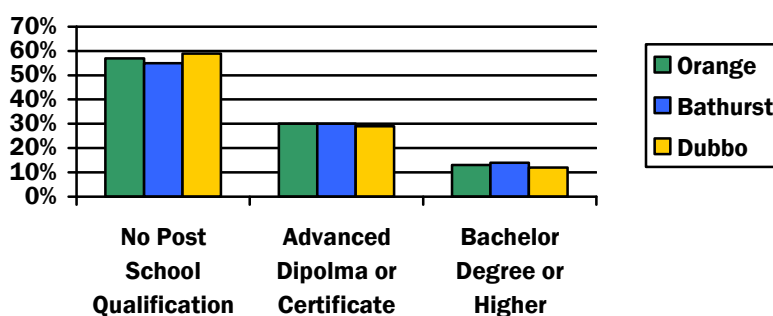
Source: ABS 2008

Figure 2: Average taxable income per person per annum



Source: Australian Taxation Office 07/08

Figure 3: Highest Education level



Source: ABS 2006 Census

Each of the local government areas has strong employment in retail, health and education, providing a robust mix of industries for each local government area. The workforce by industries breakdown is shown in Table 2.

Table 2: Workforce by industry

Industry	Orange	Bathurst	Dubbo
Agriculture, Forestry and Fishing	3%	4%	4%
Mining	4%	1%	0%
Manufacturing	10%	12%	8%
Construction	7%	7%	8%
Retail Trade	13%	12%	14%
Accommodation and Food Services	7%	7%	7%
Public Administration and Safety	8%	8%	8%
Education and Training	9%	12%	9%
Health Care and Social Assistance	14%	11%	13%
Arts and Recreation Services	1%	1%	1%

Source: ABS 2006 Census

The region attracts over 2 million visitors each year including a significant number of domestic and international tourists. These visitors collectively spend over \$386 million dollars per annum. The breakdown of the visitors is show in Table 3.

Table 3: Number of visitors

Type of Visitor (per annum)	Orange	Bathurst	Dubbo	Region
Domestic & International overnight	263,000	332,000	442,000	738,000
Daytrip	434,000	482,000	434,000	1,350,000

Source: Tourism Research Australia (3-4 year average to 2007)

The Findings

Economic Value

Income and expenditure data on the 12 cultural facilities for the financial year 2007/08 was provided by each of the councils. This information was then analyzed and cross checked to minimise the possibility of double counting.

The following assumptions were made regarding the income and expenditure resulting from the operations of the selected cultural facilities.

- Income included grants, admission fees and charges.
- Payments made from locations within each of the Local Government Areas (LGAs) were classified as local income.
- Expenditure made to suppliers located within the facility's LGA was deemed as local expenditure.

Induced Visitor expenditure was derived from Tourism Research Australia sources. Only visitor expenditure which was the direct result of attendance (induced expenditure) at one or more of the listed cultural facilities was included. To reduce the likelihood of double counting, where complementary facilities were found in a LGA, the facility with the lower visitor numbers was removed from the impact calculations of visitor expenditure.

Economic Impact

The economic impact of the cultural facilities was analysed in terms of:

- *output* i.e. the value of goods and services that are available for use both by the facility and outside the facility or turnover.
- *Value added* i.e. the profit or the gross output minus the costs of creating the goods or services. This is the equivalent to the facility's contribution to the local gross domestic product; also known as gross regional product.
- *Household income* i.e. the benefit received by regional households
- *Employment* – fulltime equivalent (FTE) staff resources

The direct “output” for the region was found to be \$13.6 million per annum. This generated a flow-on value of \$22.4 million meaning for every \$1 spent, another \$1.64 worth of goods and services was created.

Induced Visitor Spending was found to have a value of \$3.2 million dollars per annum, generating a flow on effect of \$5 million i.e. an additional \$1.56 worth of goods and services were created for each \$1 spent at the facilities.

The facilities were found to contribute \$14.8 million per annum to the gross regional product which is approximately 0.3% of GRP (07/08). This compares favorably with the findings of the previously mentioned Northern Ireland study which identified Public

Libraries, Museums, Arts and Sport as contributing 0.1% to the Northern Ireland economy.

The direct benefit received by regional households from the facilities' operations and induced visitor expenditure was found to be \$4.65 million per annum. This had a flow on effect of an additional \$4.25 million dollars meaning for every one dollar received directly by households for the operations of the facilities, an additional \$0.91 is generated.

At the time of the study it was found that 98 full time equivalent (FTE) paid positions existed in cultural facilities across the region. These positions in turn **created an additional 83 full time equivalent positions** across the region. The breakdown for each LGA is shown in Table 4 below. This is the equivalent of **an additional 8.5 jobs** outside the cultural sector for each 10 full time positions within the cultural sector across the region.

Table 4: Existing full time equivalent jobs and flow on jobs created

LGA	Existing FTE	Flow on FTE	Total FTE
Bathurst	39	23	61
Orange	30	35	65
Dubbo	29	25	54
Regional totals	98	83	180



Clockwise from L: Australian Fossil and Mineral Museum, National Motor Racing Museum and Chifley Home, Bathurst

It was also found that 11,900 hours of work was performed by volunteers within the included facilities in the 2007-08 financial year. This equates to 6.5 full time positions. These **volunteers contribute a significant economic benefit** to the facilities as well as providing visitor services that would not be able to be provided within existing budgetary constraints. Assuming the volunteers have the same productivity as the existing employed staff is can be calculated that their impact is as shown below in Table 5.

Table 5: Potential economic impact of volunteer workforce across the region

Output	Value Added	Household income	Employment (FTE)
\$1,900,00	\$1,300,000	\$700,000	14

Willingness to Pay

Willingness to pay identifies the maximum amount which a person is willing to pay to have a particular good or service. The willingness to pay (WTP) to maintain the current level of service and access to the existing facilities was identified in the research undertaken by Professor Morrison.

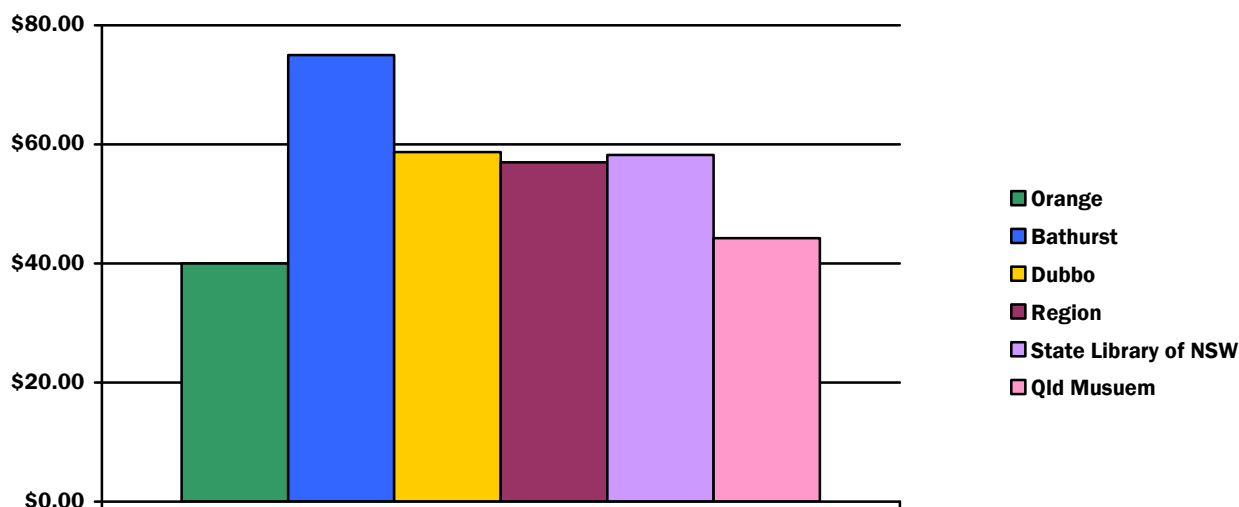
A total of 610 self complete questionnaires were distributed across the region with the aim to collect a minimum of 100 responses for each LGA. “Drop off and pick-up” delivery was used to obtain a representative sample and to reduce the possibility of social desirability bias. The final sample was 374 with a total of 346 useable responses. Compared to the general population, the sample was found to have a higher proportion of female respondents, a higher proportion of respondents who own or are paying off their home and a higher level of education.

Pre-testing of the survey instrument was carried out using in-depth interviews with separate questionnaires developed for each LGA. During this process \$150 per household was identified as the maximum any one would be willing to pay to maintain current services and levels of access.

The average WTP figure across the region was found to be \$57.00 per household. This equates to a **regional aggregated WTP figure of over \$1.1 million per annum**¹. It also compares favorably with comparable studies such as the State Library of NSW (\$58.20) and Queensland Museum (\$44.27 – aggregated to a per household amount). These are shown in Figure 7.

¹ This amount is derived by taking the average willingness to pay amount and multiplying it by 50% of the number of households in each of the LGAs to represent refusal rates.

Figure 7: Willingness To Pay (WTP) per household



Social Capital

With the aim to estimate the wider economic benefits of cultural facilities and activities, the research by Professor Morrison also assessed social capital. It evaluated visitation and awareness of the cultural facilities and measured *place dependence* and *place identity* or attachment. *Place dependence* is seen to reflect the importance of “place” in achieving life goals where as *place identity* reflects more of an emotional attachment and the ability of the place to give meaning and purpose to life. Both of these elements can illuminate the respondent’s belonging and commitment to their local area and community.

Over 75% of all respondents had previously visited the performing arts facilities in their LGA with over 60% of all respondents reporting that they had visited their local art gallery.

Of the respondents who had used the cultural facilities in their LGA, they ranked their last visit as “satisfied” or “very satisfied”.

Awareness and recent use of the facilities for each LGA in are shown Figures 4-6.

Figure 4: Awareness and Use of Facilities - Orange

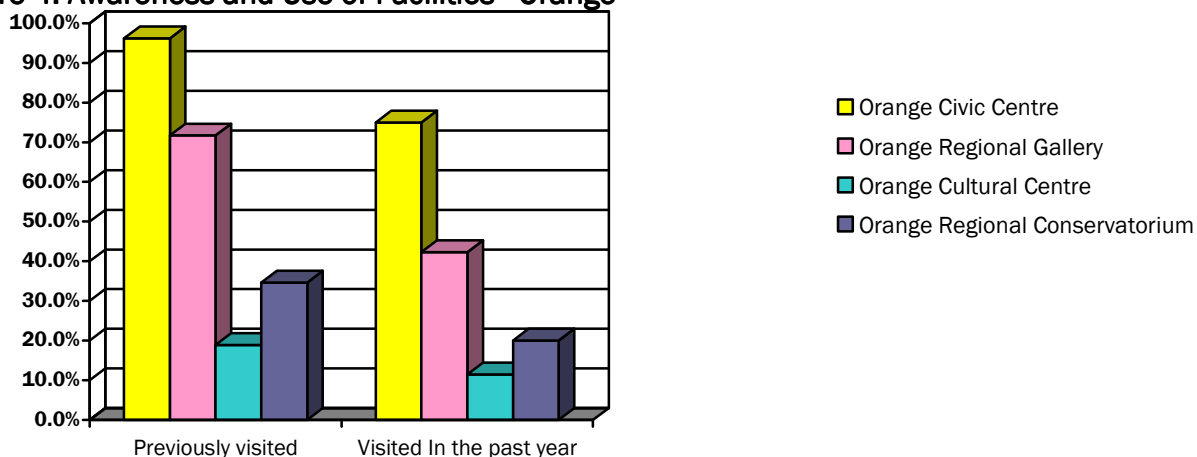
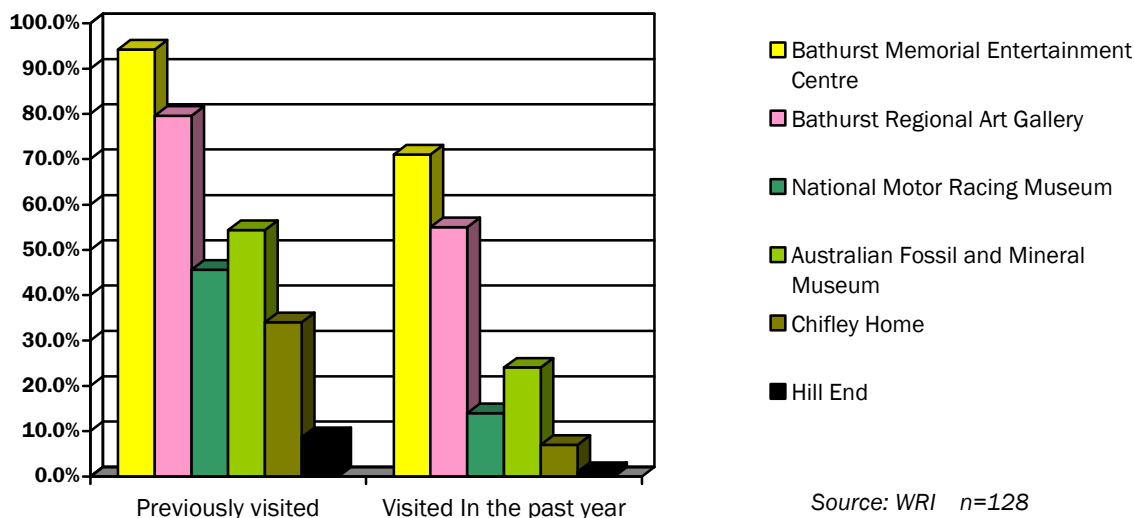


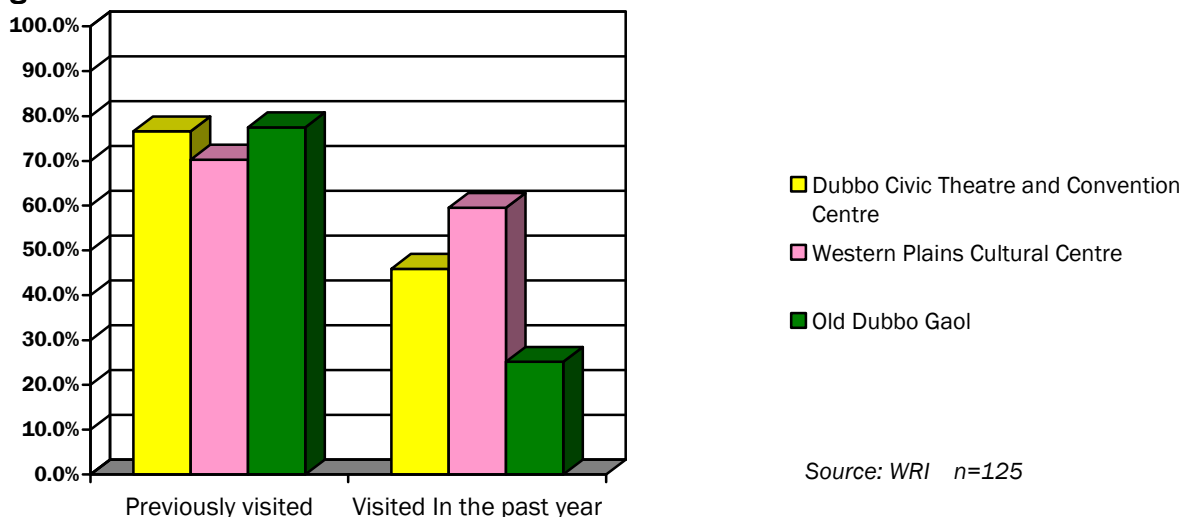
Figure 5: Awareness and Use of Facilities - Bathurst

Source: WRI n=121



Source: WRI n=128

Figure 6: Awareness and Use of Facilities - Dubbo



Source: WRI n=125

The questionnaire sought to identify the extent to which cultural facilities contribute to social capital by using a 5 point scale where “1” is strongly disagree and “5” is strongly agree. The higher the mean number, the stronger the agreement. Table 6 shows examples of the questions and their responses.

The level of agreement with these statements suggest that **the facilities help people think differently about their world, enhance connection to and with their communities and help develop a sense of place.** The results for both these elements were highest in Bathurst followed by Orange and then Dubbo; however the mean differences are not large. Across the region it was shown that there is a clear relationship between place identity and the number of facilities visited. There is also a relationship between how often the cultural facilities have been visited over the past five years and place identity. This is important as

a strong sense of place can lead to increased retention of a skilled and educated population.

Table 6: Effects of Cultural Facilities on Social Capital

	Orange	Bathurst	Dubbo	Mean
Cultural facilities help me to better understand local history and heritage	3.42	3.86	3.82	3.69
Cultural facilities in my town are safe places	3.50	3.85	3.67	3.67
Help make my community feel like home	3.43	3.72	3.57	3.57
Cultural facilities help me understand different cultures	3.51	3.34	3.68	3.51
I take friends and relatives visiting to see cultural facilities	3.14	3.64	3.61	3.46
Cultural facilities help me to think differently about life	3.19	3.58	3.50	3.42
Cultural facilities encourage me to participate in creative activities	3.20	3.23	3.27	3.23

n= all valid responses



Interior Orange Civic Theatre

Conclusion

The cultural facilities and the activities they engender are clearly very important to the economy and the community of these local government areas and the broader Central region of NSW.

- They attract visitors, both locally and beyond the boundaries of the LGAs and region, who in-turn **contribute over \$8 million** to the region as a whole.
- They provide a local employment opportunity for those who wish to work within the cultural sector of the creative industries and also create additional jobs outside of the cultural sector. It has been found that **an additional 8.5 jobs** are generated outside the cultural sector across the region for each 10 full time positions within these facilities.
- They provide a **significant return on investment** for the councils both economically and socially.
- They **add over \$14 million to the regional economy per annum** and also generate almost \$9 million in household income.
- **They contribute to social capital and community wellbeing** in a way that can be quantified and identified.
- They demonstrate the value of volunteering both economically and socially to the region. **500 volunteers provide almost 12,000 hours of work** and add approximately \$1.3 million into the regional economy.
- By assisting in creating a strong sense of place they help lead to increased retention of a skilled and educated population.
- They are valued by the community with a highly favorable average willingness to pay (WTP) of \$57.00 per household which equates to a **regional aggregated WTP figure of over \$1.1 million per annum**

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Tourism Research Australia

<http://www.ret.gov.au/tourism/tra/Pages/default.aspx>