

Report

CR004

2014

The Art Economies Value Chain reports: Synthesis

Alice Woodhead

Tim Acker



An Australian Government Initiative



CRC
AUSTRALIA



NINTI ONE REMOTE
ECONOMIC
PARTICIPATION

Cooperative Research Centre for Remote Economic Participation Research Report CR004

ISBN: 978-1-74158-235-2

Citation

Woodhead A and Acker T. 2014. *The Art Economies Value Chain reports: Synthesis*. CRC-REP Research Report CR004. Ninti One Limited, Alice Springs.

About the authors

Based in Lismore, Dr Alice Woodhead is the senior researcher on the Art Economies project with the CRC-REP and Southern Cross University. Alice's research interests are in cultural economics and social sciences.

Based in Perth, Tim Acker is the Principal Research Leader with the CRC-REP, based at Curtin University. Tim has worked with the remote Aboriginal and Torres Strait Islander art sector since 1999.

Acknowledgement

This research would not have been possible without the support of the more than 200 Art Centres, art businesses, individuals and funding agencies that have contributed their data, time and ideas.

Art Economies project team

Tim Acker, Iris Bendor, Jessica Booth, Susan Congreve, Kim Petersen, Dr Lisa Stefanoff, Michelle Whittle and Dr Alice Woodhead

Art Economies advisory group

- Australian Government Ministry for the Arts
- Professor Fred Myers, New York University
- Hetti Perkins, Curator
- Emily Rohr, Short Street Gallery
- Gabrielle Sullivan, Martumili Artists
- Professor David Throsby, Macquarie University
- Alick Tipoti, Artist
- Philip Watkins, Desart

Technical support

- Elouise Dukalskis, Flinders University
- Adam Griffiths, CompNet
- Don Johnson, Southern Cross University

The Cooperative Research Centre for Remote Economic Participation receives funding through the Australian Government Cooperative Research Centres Program. The views expressed herein do not necessarily represent the views of CRC-REP or its Participants.

For additional information please contact
Ninti One Limited, Communications Manager
PO Box 154, Kent Town, SA 5071, Australia
Telephone +61 8 8959 6000 Fax +61 8 8959 6048
www.nintione.com.au

© Ninti One Limited 2014. Information contained in this publication may be copied or reproduced for study, research, information or educational purposes, subject to inclusion of an acknowledgement of the source.

The Art Economies Value Chain reports: Synthesis

Alice Woodhead

Tim Acker



Contents

Shortened forms	iii
Glossary	iv
Executive summary	vi
1. Background to the Art Economies Value Chain research.....	1
1.1 Methodology and art regions.....	3
1.2 Art Centre finances	4
1.3 Art Centre production	5
1.4 Art business trading practices.....	5
2. Conclusions.....	7
Appendix 1: List of Art Centres.....	8
References.....	11

Figures

Figure 1: Reports map	vi
Figure 2: Value chain stakeholders and markets.....	2
Figure 3: Art regions map, showing the zones of production and the areas where the AEVC analysis was focused	2

Tables

Table 1: List of Art Centres and art businesses in each art region	8
--	---

Shortened forms

IN THIS SYNTHESIS REPORT

AEVC	Art Economies Value Chain
CRC-REP	Cooperative Research Centre – Remote Economic Participation

IN OTHER AEVC REPORTS

AACHWA	Aboriginal Art Centre Hub of WA (Perth)
ABA	Aboriginal Benefits Account
ABS	Australian Bureau of Statistics
AEP	(Aboriginal and Torres Strait Islander) Art Economies Project
AEVC	Art economies value chain
ANKAAA	Association of Northern, Kimberley and Arnhem Aboriginal Artists (Darwin)
ATSIAB	Aboriginal and Torres Strait Islander Arts Board: part of the Australia Council
BIA	Backing Indigenous Arts
CRC-REP	Cooperative Research Centre for Remote Economic Participation
DAA	Department of Aboriginal Affairs (Western Australia)
DCA	Department of Culture and Arts (Western Australia)
GFC	Global Financial Crisis
IACA	Indigenous Art Centre Alliance (Cairns)
ICS	Indigenous Cultural Support
IVAIS	Indigenous Visual Arts Industry Support
IEI	Indigenous Employment Initiative
Ozco	Australia Council for the Arts
PMCH Act	<i>Protection of Movable Cultural Heritage Act 1986</i>
RAF	Regional Arts Fund
RRS	Resale Royalty Scheme
SMSF	Self-managed Super Funds
TAN	Tiwi Art Network
TSRA	Torres Strait Regional Authority
WDM	Western Desert Mob

ART REGIONS

A	Arnhem
APY	Anangu Pitjantjatjara Yankunytjatjara
C	Central
CD	Central Desert
ED	Eastern Desert
FNQ	Far North Queensland
K	Kimberley
OB	Outback
T	Tiwi
TSI	Torres Strait Islands
WC	West Coast
WD	Western Desert

Glossary

TERMS USED IN THE AEVC REPORTS

Artist	An Aboriginal or Torres Strait Islander person who produces art products.
Art business types	Any party that sells works of art to customers, on behalf of artists, using one of the following models: <i>Publicly funded Art Centre or Cultural Centre</i> Aboriginal or Torres Strait Islander-owned and/or governed art businesses providing a range of artistic, cultural and entrepreneurial services to a group of artists. Business operations include wholesale, retail and gallery (has exhibition space separate to retail space and holds exhibitions). <i>Private art business</i> A business that trades in Aboriginal or Torres Strait Islander art products for commercial gain and may also support the development of artists. Private art business operations includes Retailer/Gallery (exhibiting and non-exhibiting, i.e. shop); Retailer/Wholesaler – online only; Retailer/Wholesaler (exhibiting and non-exhibiting, i.e. shop) and Wholesaler (on-sells to other art businesses). <i>Mixed business</i> This is the same as a private business but with a broader focus: art plus another business activity, such as a restaurant, accommodation or tourist outlet.
Art product categories	<ol style="list-style-type: none"> 1. Paintings and drawings: on canvas, linen, bark, paper, watercolours 2. Textiles and fashion: fabrics, leather, garments, jewellery 3. Works on paper: limited edition prints 4. Sculpture: wood (yidaki/didgeridoo), metal, glass, fibre/weaving, dance machines / dance boards, ceramic, soft sculpture, shell 5. New media: photography, film (video), digital mixed-media, installation
Markets: Primary	This is the market for artworks that are passing through the value chain for the first time, that is, the first sale from artist/Art Centre to gallery, dealer or customer. Money from this sale goes back to the artist/Art Centre rather than passing from one dealer to another, or from an auction house to a gallery, or one collector to another.
Markets: Secondary	The market for works that are transacted further along the value chain – among collectors, auction houses, galleries or dealers. Apart from potential resale royalties, money from these sales is not returned to the artist. This market is not included in this research.
Merchandise products categories	<ol style="list-style-type: none"> 1. Stationery: bookmarks, cards, mousepads, bookmarks, pens 2. Prints/reproductions: posters 3. Homewares: drink containers, crockery, furnishings, manchester, rugs, lampshades, soft furnishings, bar mats 4. Jewellery 5. Sculpture: boomerang, didgeridoo, toys, metal, glass, ceramic 6. Clothing: t-shirts, ties, scarves, garments 7. Trinkets: key rings, spoons

Remote Australia

The concept of remoteness is an important dimension of policy development in Australia. The provision of many government services is influenced by the typically long distances that people are required to travel outside the major metropolitan areas. The purpose of a Remoteness Structure is to provide a classification for the release of statistics that inform policy development by classifying Australia into large regions that share common characteristics of remoteness.

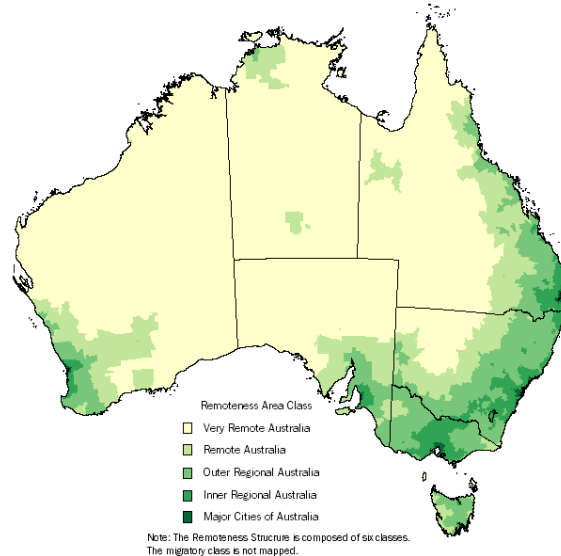


Image source: ABS 2006

Stakeholder	Stakeholders in the Aboriginal and Torres Strait Islander art value chain can be defined as any individual or group that has an interest in the creation, management or sale of Aboriginal and Torres Strait Islander art, or is affected by Aboriginal and Torres Strait Islander art.
Value chain	Value adding activities of an organisation or an entire supply chain. This is used as the reference point for defining the boundaries of an investigation of a product (art works) and/or service to give a value chain analysis.
Visual art products	An original (creative or cultural) product that is made, designed or produced by an Aboriginal or Torres Strait Islander person. Includes paintings, crafts, sculpture, fabric, baskets from any material, bought materials or waste such as fish nets and plastics.

Executive summary

The Art Economies Value Chain (AEVC) project was commissioned by the Cooperative Research Centre for Remote Economic Participation (CRC-REP) and supported by Southern Cross University and Curtin University. The AEVC research seeks to understand the production and sale of visual art from Aboriginal and Torres Strait Islander communities in remote and very remote Australia to domestic and international art businesses. The project aims to enable change and inform Aboriginal and Torres Strait Islander artists and art businesses about art production and the art value chain.

The research took the form of a value chain study. It was developed partly in response to a 2007 Senate Inquiry into the Aboriginal and Torres Strait Islander art sector (Commonwealth of Australia 2007). The Inquiry concluded that there were limited data on the scope and scale of Aboriginal art production. The CRC-REP incorporated the recommendations to improve the quality and integrity of data about the sector into the Aboriginal and Torres Strait Islander Art Economies project. The project's literature review (Acker et al. 2013) found that the available data focused on the secondary market; therefore, a research project was developed to understand the whole value chain with a particular emphasis on the production and primary sale of art from Art Centres.

This project then undertook to gather data from the supply and demand sides of the primary market, to quantify how many Aboriginal and Torres Strait Islander Art Centres and private art businesses are trading in Australia, the volume and value of what they produce, and what the impacts are of these data. Throughout 2013, we collected data from 87 Art Centres across Australia and we surveyed 136 art businesses between February and July 2013. The results were grouped into different time periods: some datasets were available only for parts of these time spans, while other data were available outside of these spans.

The analysis of the Aboriginal and Torres Strait Islander visual art value chain has been divided into four reports and this overarching synthesis. Each report focuses on important economic, social and trade issues in the art value chain. Figure 1 lists the reports, with each report hyperlinked through its title.

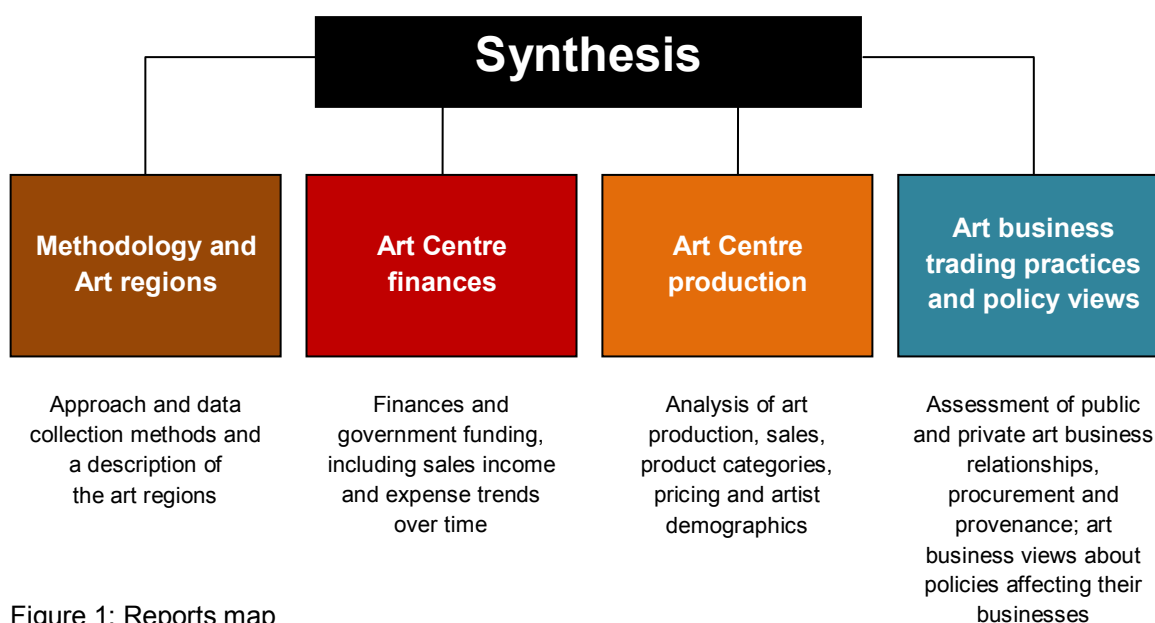


Figure 1: Reports map

Methodology and Art regions explains the value chain and benchmarking approach and how the data were collected and analysed. Twelve art regions were defined and the report presents full details of each of

the 12 art regions' geography, demographics, art production and market access considerations as well as a summary of funding, production and sales (*The Art Economies Value Chain reports: Methodology and Art regions* [Woodhead and Acker 2014a]).

Art Centre finance breaks down government funding from 2000/01–2012/13 of the artists and Art Centres that are the nucleus of remote area Aboriginal and Torres Strait Islander art production. Art Centres' financial positions were also examined in the research, and the analysis is linked with the analysis of Art Centre production (*The Art Economies Value Chain reports: Art Centre finances* [Acker and Woodhead 2014]).

Art Centre production assesses visual art products (quantity, type and value) produced by artists who work in public art businesses: the Art and Culture Centres of remote and very remote Australia. The different categories of art product examined in the research were paintings, textiles and fabrics, works on paper and sculptures. These products were explored by size and price categories, by the artists' gender and age and by art region location (*The Art Economies Value Chain reports: Art Centre production* [Woodhead and Acker 2014b]).

The Art business trading practices and policy views report discusses the findings of a survey of public and private business stakeholders (n=126) who trade in art produced by remote Aboriginal and Torres Strait Islander artists. They contributed their views on business-to-business interactions, their customers and product procurement, the provenance of art products and the effects various policies have on their businesses (*The Art Economies Value Chain reports: Art business trading practices and policy views* [Woodhead 2014]).

This synthesis report provides a summary of the findings and briefly describes the background to the AEVC research and each of the resulting reports. We conclude with a discussion about the key issues across the value chain. The aim is to contribute to the development of activities, policies and research that further enables the crucial contribution that the art sector makes to remote Australia's economy, communities and culture.

SUMMARY OF FINDINGS

Unique insights into art production and sales.	<p>The AEVC reports provide unique insights into the current state of production and sales in the Aboriginal and Torres Strait Islander visual arts sector. By combining results from the survey of public and private art businesses with Art Centre data, the reports identify trends and key issues relevant to different industry stakeholders.</p> <p>These reports also provide invaluable insights into how the industry could grow and provide greater benefits to remote artists, their communities and art businesses.</p>
Private and public art businesses are finding it harder to make a profit from the sale of art products.	<p>Many Art Centres and private businesses are under financial pressure, according to respondents to the art business survey.</p> <p>Art Centres provide a wide range of services, from commercial art studios to the provision of artist mentoring and cultural maintenance. Government funding has helped moderate the challenges of remaining financially viable. However, the broad range of services creates challenges for Art Centres in how best to direct their resources.</p> <p>Private art businesses are more exposed to the commercial art market, and respondents indicated that there has been a decrease in the value of sales since 2008, particularly in the sales of art products over \$5000.</p>
New market opportunities can be developed.	<p>Industry respondents believe there is potential for growth, particularly in the local and international tourist markets. However, the Aboriginal and Torres Strait Islander art 'brand' needs to be better managed to maintain market value and to develop new markets.</p>
Quality control is important. Authenticity certificates and documentation need to be consistent.	<p>There is concern in the art industry about the quality of art products and provenance-related issues. Quality control is important to maintain brand credibility; however, poor quality art products, dubious provenance and inconsistent art product documentation are undermining the perception of Aboriginal and Torres Strait Islander art. Provenance and certification of art products is highly variable and confusing for some buyers.</p>
<p>Art production and art market trends need to be understood to enable sustainable development.</p> <p>Oversupply of artworks is contributing to the difficult financial circumstances of public and private art businesses.</p>	<p>The Aboriginal and Torres Strait Islander art sector is very diverse, with a broad range of products and artistic styles. Small, under \$1000 value products are becoming more popular with art buyers, and artists are increasing production numbers in response; this aligns with potential growth in the tourism markets.</p> <p>Artists, Art Centres and private art businesses need ongoing information to respond to market trends and support to develop markets, create new products and innovative services. Key factors that will influence future supply and the value of art product sales are:</p> <ul style="list-style-type: none"> • The quality of art products is highly variable and could undermine the 'brand'. Art product quality and documentation needs to be consistent. • The mean value of products has declined and the length of time that art products remain in stock has increased. Analysis indicates that there were over 60,000 art products that were produced but not sold in the 10 years from 2003 to 2012 inclusive. • Art Centres need to increase their retention and mentoring of talented younger artists. Over 30% of artists are over 55 and they produce 55% of all products by value. • Artists are getting lower returns for their works. Professional artists and their art products need to be differentiated from cultural and community maintenance art.

Production, sales, buyers and trading practices

<p>Art production is the only source of commercial income for many remote communities.</p> <p>Art product sales increased by \$6 million from 2003/07 to 2008/12.</p>	<p>Approximately 14,000 artists (13,196 in Art Centres and 875 freelance artists) have derived some income from art production in remote Australia. Income from art products is the only commercial income in many remote communities.</p> <p>The number of art products and the value of sales increased between 2003–07 and 2008–12. Art product sales in 2008–12 generated \$52.7 million. This is a \$6 million increase in sales value and 40,000 more art products than in 2003–07. Artists receive almost 60% of sales; this equates to \$30 million of income to artists.</p> <p>However, survey respondents indicated that over the period 2008–2012, art products sales were down by a mean of 13.5% for both private and public art businesses. Private businesses were most impacted:</p> <ul style="list-style-type: none"> • 50% reported a fall in sales of more than 30% • 25% reported a fall in sales of more than 55%. <p>This was partly due to the fall in sales to private collectors and institutions due to commercial market conditions and policy changes.</p>
---	--

SUMMARY OF FINDINGS

<p>The supply of arts products is dominated by paintings and by products with values under \$1000. The mean value of paintings fell over the study period, except in the category of small paintings.</p>	<p>Products valued at under \$1000 represent nearly 90% of all products produced in remote Australia.</p> <p>Paintings represent 91.4% of all products, with fabrics representing 0.3%, works on paper 3.3% and sculpture 5.1%. The market share of paintings increased, while that of sculpture declined.</p> <p>Small paintings increased their sales turnover and their mean value. The smallest size category, 30 cm x 30 cm paintings and under, increased in mean value from \$60 to \$73 across the 2003–12 timeframe.</p> <p>The mean value of all other paintings sizes decreased over time.</p>
<p>Australian private buyers are the main customers. Private businesses were expecting future growth in sales, notwithstanding that sales were down over last five years.</p>	<p>Australian private buyers represent by far the largest group of art product purchasers in Australia, with almost 50% of sales going to these customers.</p> <p>There was some confidence in the future: art product sales were expected to increase by 15% over the next five years. Most growth in sales (37%) was anticipated from sales to Australian private buyers (mainly tourists) followed closely by increased sales to international buyers (35%).</p>
<p>A wide variety of provenance documentation is confusing for customers.</p>	<p>The vast majority of galleries and agents do ascertain the provenance of art works and provide documentation to customers. However, the lack of consistency of documentation and verification processes is resulting in a wide range of 'certification' documentation, with varying levels of authenticity. This is creating confusion for customers and undermining the provenance efforts of reputable agents, even leading to financial losses.</p>
<p>Younger artists produce lower value art products (under \$1000), while older artists produce higher value art products (over \$5000).</p>	<p>All age groups and both genders had a decrease in the mean sales value of their art products between 2003–07 and 2008–12.</p> <p>Younger artists (under 30) had a significant change in the mean value of their products, from \$659 to \$388, a 42% decrease. Younger artists produce less valuable art products, primarily products valued at under \$1000.</p> <p>Older artists (over 67) had the largest decrease in mean value of their arts products: 47% between 2003–07 and 2008–12. Artists over 55 years of age account for 30% of the artist population but 55% of the value of art product sales. Their sales are primarily derived from higher value (over \$5000) art products.</p>
<p>Male artists receive a higher mean value for art products and produce fewer lower value products than female artists.</p>	<p>The mean value for female artists' art products in 2008–12 was \$414; for males it was \$661. The higher mean value that male artists are achieving is because male artists produce fewer low value products than female artists during their career.</p>

Funding and finance

<p>Funding is increasingly important for Art Centres. Funding has helped Art Centres to engage with markets, which in turn has supported an increase in the number of Art Centres, artists, and the diversity and number of art products.</p>	<p>The main income for more than 60% of Art Centres is from grants, rather than sales; the number of Art Centres in this category is now around three times more than it was in the early 2000s.</p> <p>The type of funding that Art Centres are getting is also changing: funding for employment programs has significantly increased and now has overtaken funding for art. This has seen the number of Art Centres whose biggest expense is salaries, rather than artist payments (from sales) double.</p> <p>There was an increase in the number of Art Centres from 61 in 2003/07 to 87 in 2008/12. New funding programs have expanded the range of services Art Centres provide, particularly for employment services.</p>
---	--

SUMMARY OF FINDINGS

There has been a fall in the retained earnings for Art Centres.	<p>There has been a long-term fall in the retained earnings (annual profit or loss) of remote Art Centres. Between 2004/05 and 2012/13, a 126% drop was recorded, resulting in a mean loss over the nine-year period; the first mean annual loss for Art Centres was recorded in 2012/13.</p> <p>A proportion of this fall in retained earnings is due to the number of small Art Centres now in operation. Many of these small Art Centres are new, having commenced operations during the last 10 years. In 2012/13, fewer than 20 Art Centres made 70% of all sales in remote Australia. One-third of Art Centres make less than \$150,000 a year in sales.</p>
---	--

Policy issues

Artist participation and productivity is increasing.	<p>The role of public funding, supported by commercial sales, has been instrumental in developing artists and supporting Art Centres throughout remote Australia. The total product value of art production from all artists increased between 2003–07 and 2008–12. Further, the number of artists and number of products increased. However, this has helped contribute to an oversupply of artworks, which, in turn, is contributing to the lower mean value of art products. Declining product sales are primarily responsible for the decrease in mean value.</p>
The supply of art products is a challenging issue facing Art Centres.	<p>While Art Centres have important obligations to develop new artists and provide equitable access to artistic services and art market opportunities, Art Centre business practices are also crucial to the health of the art market. Central to a healthy art market is the volume and quality of art products. Art Centres need to consider regulating the number of art products that are released onto the market and critically assess the price points of their art products, marketing them appropriately for the market segment they are selling in.</p>
The way Art Centres operate is changing.	<p>While the number of Art Centres has grown and an increasing number of people and communities have access to Art Centre services, only a small number of Art Centres achieve economic success. Most art centres are small, community-focused organisations, with many emphasising social or welfare services with art production as ancillary. Current funding programs do not distinguish between these approaches. Reviewing and recalibrating funding to better reflect this spectrum of Art Centre activities is necessary. Arts and arts industry support should prioritise the continuing production of artistic excellence at Art Centres.</p>
The mix of funding for Art Centres reflects changing government priorities; in turn, these alter the services that Art Centres deliver.	<p>Almost all Art Centres are dependent on government funding. Funding has grown, but the majority of this increase is for Art Centres to deliver employment services. This has accelerated the change that Art Centres are negotiating, in balancing a new role as an employment agency in addition to ongoing artistic, community and economic services. It is recommended that the employment program be changed and made more flexible so it better corresponds to the size and model of Art Centre.</p>
Art businesses seek changes to industry policy settings.	<p>There were four policies that survey respondents provided feedback to, because they had direct impacts on the art sector:</p> <ol style="list-style-type: none"> 1. Changes to Self-managed Super Funds was perceived to have had a significant and detrimental impact on collectable art 2. The Resale Royalty Scheme was criticised for its limitations regarding distribution of funds, particularly in relation to deceased estates and unknown artists 3. The Indigenous Art Code was criticised both for not improving industry practices as well as contributing to over-regulation of the sector. Several galleries indicated that there was no benefit to joining, given that membership was not conditional on performance standards 4. The fourth policy was the <i>Protection of Movable Cultural Heritage Act 1986</i>. There was limited knowledge about the implications of this policy, primarily because the policy related to international sales, which did not concern most respondents. However, it was considered to be an unnecessary barrier to international sales by some respondents. <p>Changes to the regulatory environment have had a significant impact on investor behaviour and confidence. Incentives to reinstate art in Self-managed Super Funds would stimulate demand; a review of financial incentives is recommended. Updating of other regulatory measures is also recommended to better synchronise with and support all art businesses. The Art Code could contribute to a stronger sector by working to improve the current provenance documentation and certification processes and standards to build investor and buyer confidence. Reliable proof of the provenance of art products is essential for the ongoing credibility of the art industry.</p>

1. Background to the Art Economies Value Chain research

The debate in Australia about the size of the Aboriginal and Torres Strait Islander art and merchandise products industry, and of the sales it creates for artists, has generated more heat than light. Some claim that visual art production contributes far more than sales income to remote communities: cultural maintenance, skills development and other forms of social capital are frequently cited benefits. Others argue that the production of art in remote communities is heavily supported by a few highly successful artists and government funding, and that Art Centres should be more market-focused.

We acknowledge that the importance of art production to Aboriginal and Torres Strait Islander communities is multifaceted. Art provides a range of capitals (cultural, human and economic) and is an important source of income in many remote communities. Art links remote area artists and communities to galleries and agents across Australia and around the world. The sale of art also highlights Australia's cultural diversity and provides status and prestige to artists and their communities. The current lack of evidence makes it difficult to determine the scope and scale of each issue and the overall benefit that the industry provides to Australia.

The AEVC project set out to understand the production and trade of art products from remote Australia to global markets. The research focused on key sections of the value chain: the production of Aboriginal and Torres Strait Islander art products for sale at publicly funded Art Centres; the sale of these art products by art and cultural centres and private businesses (art agents, galleries and mixed businesses), and their value and pricing structure; the role of state funding and the financial circumstances of remote area artists and art enterprises. This project did not assess art for ceremonial or cultural purposes and it looked only at the primary sale of these art products. The secondary auction and gallery markets were not included in the analysis.

Prior to data collection, a literature review of the art sector was undertaken (Acker et al. 2013). In addition to assessing literature about the art sector and establishing the background for the Art Economies student projects, the review outlined the systems-based value chain approach that formed the basis of this research. A key conclusion from the literature review was that there were limited data on the scope and scale of Aboriginal and Torres Strait Islander art production and sales, with numerous gaps in knowledge and data; much of the available data primarily reviewed high value collectable art products sold through auction houses.

This AEVC research fills these crucial gaps in our understanding of remote area Aboriginal and Torres Strait Islander art production. This research provides art sector stakeholders and students with baseline data on the scope and scale of the sector, providing accurate and detailed evidence that contributes to a better understanding of economic and commercial issues for remote area Aboriginal and Torres Strait Islander art, artists and communities.

The boundaries of the AEVC research (enclosed by the black line) are shown in Figure 2. The stakeholders who participated in the research represented both public and private art businesses.

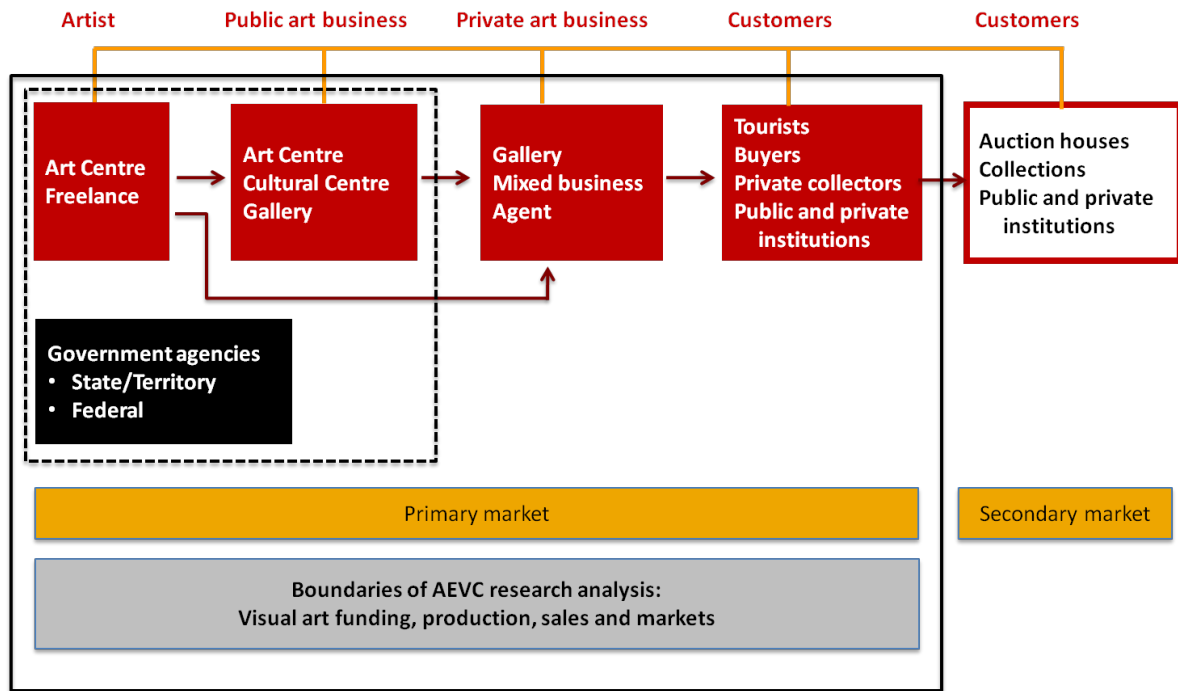


Figure 2: Value chain stakeholders and markets.

Art Centres across remote Australia were surveyed (Figure 3). The area was divided into 12 art regions, based on known areas of art production, grouped by cultural and aesthetic characteristics. Art Centres were then grouped into the respective art regions (see Appendix A for the list of all the 87 Art Centres in their art regions).

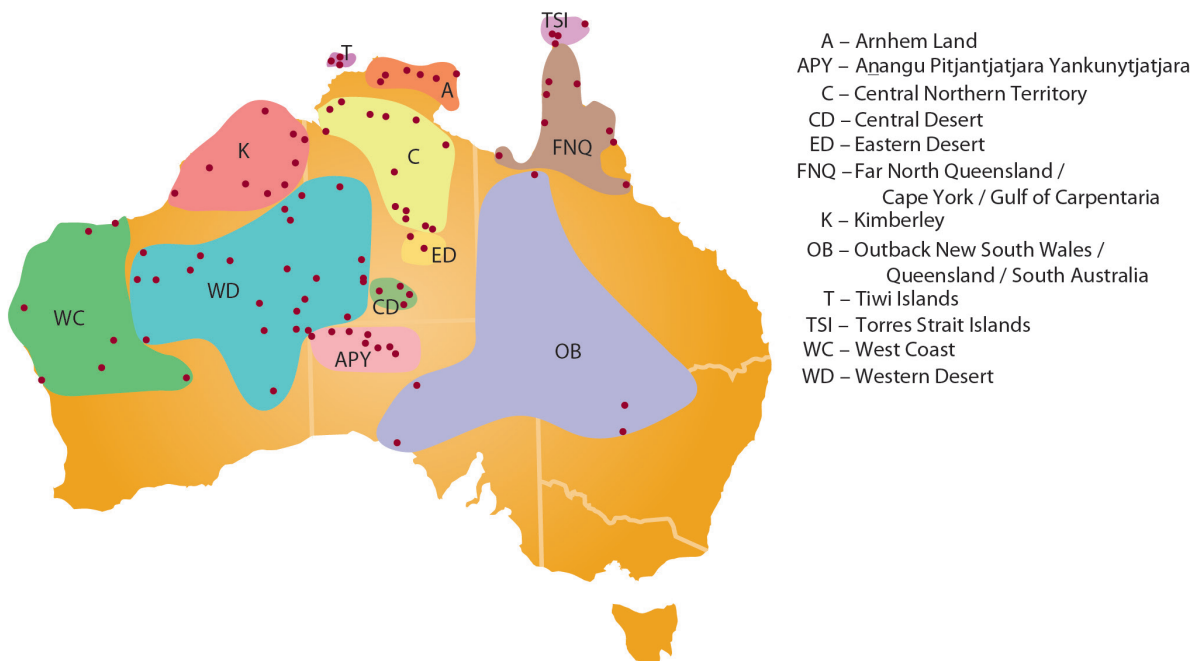


Figure 3: Art regions map, showing the zones of production and the areas where the AEVC analysis was focused

To deliver on these objectives, the AEVC research acknowledges the systemic connections in the Aboriginal and Torres Strait art sector, which is characterised by:

- intercultural stakeholders:
 - artists from diverse Aboriginal and Torres Strait Islander backgrounds and regions
 - Australian and international art businesses with both private and publicly funded business models
- a broad range of traditional and contemporary visual arts products, produced in a diversity of settings and reaching the market through multiple channels
- a fast-changing and often unstable operating environment (due to a combination of government policies, market forces, staff changes) exacerbated by physical and political isolation and long-term disadvantage.

The art market is somewhat different from most other markets in that some art products are regarded as investments, purchased with the hope that they will increase in value (most other products are consumable or disposable items). Higher priced artworks tend to feed the auction market; however, lower priced products constitute the majority of art products produced in remote Australia.

The sector has seen considerable change over recent years: falls in the value of the art market, new regulations, the introduction of an industry code of conduct, and policy and political changes by State, Territory and Federal governments. There has been limited analysis of the consequences of these changes, but over recent years many private art businesses have closed or diversified and the role of government funding has become more prominent in Art Centre funding.

The Art Economies Value Chain reports provide unique insights into the current state of the Aboriginal and Torres Strait Islander art sector. By combining results from the survey of public and private art businesses with observations of policy issues in the government and Art Centre data, the reports identify trends and key issues relevant to different industry stakeholders.

1.1 Methodology and art regions

The research project provides a benchmark of the value chain for Aboriginal and Torres Strait Islander art products from 12 art regions across remote Australia (Figure 3). Two five-year time brackets, from 2003 to 2007 and 2008 to 2012, were used to measure change and trends across time. Data prior to 2003 were included in some analytics. Art products were defined by several variables, including stock and sold date, price category (sales value), product category (painting, sculpture, works on papers and textiles) and painting size. Data were collated from three sources:

1. Art Centres provided production and sales data, primarily in a database format, or other spreadsheet type data; profit and loss statements and/or audits; a count of their artists. From a possible 104 Art Centres, data were gathered from 73 that were suitable for the project. The data covered the activities of more than 10,000 artists in remote Australia
2. Government agencies: local, State, Territory and Federal arts and arts-related agencies provided information about funding and grants from 2000/01 to 2012/13. All of the nine relevant State/Territory and Federal agencies contributed data

3. Survey of public and private art businesses to gather information about what they sell, who their customers are, how they trade and how they see the future. The survey opened in February 2013 and closed in July 2013. From 340 invitations, 126 responded to the survey, with 85 completing all of it and the remainder completing parts of it.

Full details of each of the 12 art regions' geography, demographics, art production and market access considerations as well as more detail about the methodology for the data collection are provided in the associated report *The Art Economies Value Chain reports: Methodology and Art regions* (Woodhead and Acker 2014a).

1.2 Art Centre finances

This report focused on government funding (2000/01–2012/13) of the artists and Art Centres that are the nucleus of remote area Aboriginal and Torres Strait Islander art production. Of the 87 Art Centres in operation in 2012 and 2013, 81 received funding from government sources, 80% of it from Federal sources and the rest from State/Territory governments. There has been a significant shift in the funding model since 2009/10, with Indigenous Employment Initiative funding changing the balance of funding support away from supporting art production directly towards supporting employment of artists and arts workers.

Funding is generally provided to art regions in proportion to the amount of art activity in each region, with some anomalies being the Western Desert region, which receives less funding in relation to its activities, and Arnhem Land and the Torres Strait Islands receiving proportionally more funding.

Funds are also directed towards peak bodies and industry development, in varying degrees, by the different States and Territory. The proportion of funding to peak bodies has, in general, increased and the proportion of funding for industry development has decreased over the period covered by the data.

Art Centre' financial positions were also examined in the research. Data were collected from 73 Art Centres, covering 404 'audit years' across the period 1990/01–2012/13, although the records are uneven in the earlier years and the best data come from the period 2004/05–2012/13). Over that nine-year span, mean retained earnings have dropped by 126%, with a net loss recorded for the first time in the 2012/13 financial year. The income source has also changed over that period: in 2004/05 sales were 3.5 times greater than grant income; in 2012/13, grants were 1.1 times greater than sales. Wages as a proportion of mean expenses have also grown and are now the largest expense item.

The larger Art Centres (sales threshold of \$500,000) dominate the sales figures; although they are only 28% of the total number of Art Centres, they claim 70% of sales. Looking at the art regions shows a similar dominance: the four major art regions service 75% of artists, are supported by half of all funding and generate over 80% of all sales. The other half of Australia's Art Centres, representing almost 4,000 artists, are generating less than 20% of sales.

This raises questions about the roles of Art Centres in creating art versus providing other functions such as employment centres, and points to the need for funding to be better matched to the actual services provided by each Art Centre and to respond to the growing differences in how Art Centres operate.

Full details about Art Centre finances and how they are funded can be found in the associated report *The Art Economies Value Chain reports: Art Centre finances* (Acker and Woodhead 2014).

1.3 Art Centre production

The Art Centre production report describes the research that assessed visual art products (quantity, type and value) produced by artists who work in public art businesses: the Art and Culture Centres of remote and very remote Australia. Data were provided by 51 Art Centres across 12 art regions, and were split into two five-year time periods to measure change and trends over time: 2003–2007 and 2008–2012. The data show that while the total number of art products increased between the two time periods by 45%, the total sales value increase was only 13% as there was a drop in mean value of 22%,

The highest producing region by number of products and value was the Western Desert, followed by the Kimberley and Arnhem Land. In the 2008–12 period, the Western Desert region accounted for almost 50% of total sales value and over 50% of product numbers.

The Art Centre data represented over 10,000 artists, 80% of the total estimated population of Art Centre artists. Female artists are 71% of the artist population and this proportion of female to male artists is approximately true in each age bracket. Almost one-third of artists are in the 30–42-year-old age bracket, and one-third are over 55. Artists in this older age bracket produced 55% of all the art works, by value, from 2003 to 2012, and older artists produce more valuable art products.

The mean value for female artists' art products in 2008–12 was \$414; for males it was \$661. The higher mean value that male artists are achieving is because they produce fewer low value products than female artists during their careers. All age groups and both genders had a decrease in the mean sales value of their art products between 2003–2007 and 2008–2012.

The different categories of art product examined in the research were paintings, textiles and fabrics, works on paper and sculptures. Paintings were the largest group in 2003–2007, and even more so in 2008–2012 when there was a 44% increase in production. This was offset by a drop in mean value of paintings in all size categories except the smallest (30 cm x 30 cm).

The full details of this part of the research project can be found in the associated report *The Art Economies Value Chain reports: Art Centre production* (Woodhead and Acker 2014b).

1.4 Art business trading practices

In this part of the research project, public and private business stakeholders (n=126) who trade in art produced by remote Aboriginal and Torres Strait Islander artists contributed their views on business to business interactions, their customers and product procurement and the provenance of art products. Most of the respondents who filled in the complete survey (n=85) were non-Aboriginal and Torres Strait Islander, with just 8% being Aboriginal and Torres Strait Islander. Twelve respondents were from overseas. About three-quarters of the businesses surveyed were private and the rest publicly funded. On average, publicly funded businesses have increased their income across the period 2008–2012, whereas private businesses had contracted in that time.

Businesses sourced almost 80% of their art products from Aboriginal and Torres Strait Islander artists, mainly from the Western Desert and Central Desert art regions. Art Centres were the primary source, but almost as much was purchased directly from artists themselves; together these two categories accounted for more than 80% of art purchases. Three-quarters of the businesses' customers were Australian and almost one-third of those came from New South Wales. Seven customer categories were defined: private collectors (Australian and international); private buyers (Australian and international); corporates and institutions (Australian and international); and Australian private collectors (superannuation funds). This

last category has had recent policy changes which led to large drops in sales in this customer base. Apart from that, the expectation among businesses was for sales to pick up, mostly from increased interest from the Australian market but also in the international market.

Most sales were of art products; merchandise products made up 9% of total sales. Merchandise sales came mainly from private businesses rather than Art Centres, and products were stationery, prints, sculptures, homewares, jewellery, clothing and trinkets.

Half of the respondents were interested in developing new products or services, particularly focusing on online sales. Market development ideas were centred around international markets, but respondents noted that costs were high in this area and that the provenance and certification information is currently inconsistent and undermines the brand.

Also in this report, we present our findings on the impacts of policies in full cognisance of the diversity of the art sector, the complexity of communities and the interconnectedness of the art value chain, policy impacts and market forces. There have been three policy initiatives implemented after 2008: the Resale Royalty Scheme; changes to self-managed super funds, and development of an Indigenous Australian Art Commercial Code of Conduct. The highest dissatisfaction was expressed about the changes to the self-managed super funds, which now require artworks purchased for superannuation purposes to be annually valued, insured and in permanent storage. Dissatisfaction with the Resale Royalty Scheme came mainly from private businesses who highlighted the paperwork and logistics of implementing payments back to artists after resale; Art Centres tended to be more satisfied with this scheme. Lastly, the Indigenous Art Code elicited a range of responses, ranging from it being racist and creating financial disadvantage for some dealers, to it being a positive move in the industry that should be strengthened and enforced. Respondents to the fourth policy area related to Aboriginal and Torres Strait Islander art, the *Protection of Movable Cultural Heritage Act 1986*, tended not to know very much about it.

Respondents were asked about how they viewed policies that influenced their art businesses; government initiatives that received positive responses were the Queensland Government support for Aboriginal and Torres Strait Islander arts, the Creative Australia policy and the Indigenous Employment Initiative. Most comments were on developing markets and competition for customers between public and private art businesses. Some of the ongoing policy considerations are that the number of Art Centres has increased between the two periods 2003–2007 and 2008–2012, with increased dependence on government funding, including funding for employment rather than art production directly. Yet sales and profitability have decreased, raising questions about the future role for art centres.

The full details about art business trading practices and businesses' views about policy changes are available in the associated report *The Art Economies Value Chain reports: Art business trading practices and policy views* (Woodhead 2014).

2. Conclusions

The changes and trends addressed in this research highlight the opportunities and challenges of remote area art production, sales and businesses. The challenge for the art industry is to sustain their production base of artists by encouraging and mentoring young artists, while developing products that either align to market demands or create new markets. The engagement of artists and the production of artworks must also be balanced against the risks of over-production, which has a detrimental effect on all participants in the value chain. The opportunities for the sector lie in capitalising on potential growth areas of the visual art market, with product and marketing innovation and in creating more effective commercial partnerships.

If artists and Art Centres are to navigate these challenges, survive and hopefully thrive in a highly competitive, fast-changing industry, they need information about market conditions so they can adapt their products and professional practice. Further, if the sector is to maintain a market focus, then new markets need to be developed. Three issues highlight the challenges facing the industry:

1. **Purpose of Art Centres:** What is the future Art Centre business model? Are they studios for the production of art for sale to commercial markets or are they community services where the sale of art is ancillary to social benefits to the community? While Art Centres have long balanced these competing demands, the changes in the market and in funding, combined with the growth of newer and smaller centres have highlighted this identity crisis. Across the Aboriginal and Torres Strait Islander art community, from private and public businesses to government agencies, there appears to be a range of views on the objectives and boundaries of the role of Art Centres in remote Australia.
2. **Industry relationships:** Industry participants hold polarised views about regulation, funding and trading practices. These views can be a barrier to more effective business practices and enabling change across the art value chain. The vast majority of art businesses want greater support to develop new market opportunities and partnerships and see the advantages of improved cooperation.
3. **Connections to markets and consumers; art production is very remote from art markets:** The remoteness of art production is a barrier to ascertaining market information and developing Australian and international clients and new products. Alignment of art production to customer purchasing choices is weak, with over-production of art products that do not meet customer needs – for example, large paintings valued at over \$5000. Customer preference is for smaller paintings and products valued at under \$1000.
4. **Quality of art products is highly variable:** Many art products are produced under a banner of cultural and community maintenance. These art products can lack aesthetic quality or craftsmanship and may be produced by amateur rather than professional artists, but they are sold into the same commercial art market. This has contributed to undermining the Aboriginal and Torres Strait Islander ‘brand’ and devaluing the commercial market for professional artists. This can negatively impact on the credibility of authentic, quality art products and the art businesses that sell these products. The variability and lack of consistency of provenance documentation further contributes to negative perceptions of Aboriginal and Torres Strait Islander art.

Given the ongoing interest in Aboriginal and Torres Strait Islander art from art collectors, buyers and audiences, this research indicates that some Art Centres can thrive, but the current scale of art production is higher than market demand. This is creating downward pressure on the value of art products and putting pressure on private art businesses’ turnover. If the sector is to maintain its position and retain the important role of art sales as the only income from commercial business activities in many remote Aboriginal and Torres Strait Islander communities, then all stakeholders need to better align their activities to the reality and challenges of the art market.

Appendix 1: List of Art Centres

Table 1: List of Art Centres and art businesses in each art region

A = Arnhem
 CD = Central Desert
 K = Kimberley
 TSI = Torres Strait Islands
 APY = Anangu Pitjantjatjara Yankunytjatjara
 ED = Eastern Desert
 OB = Outback
 WC = West Coast
 C = Central
 FNQ = Far North Queensland
 T = Tiwi
 WD = Western Desert

Art region	Name of publicly funded art business	State/Territory
A	Buku Larrnggay Mulka Centre	NT
A	Bula'bula Arts	NT
A	Gapuwiyak Culture & Arts	NT
A	Injalak Arts	NT
A	Maningrida Arts & Culture	NT
A	Milingimbi Art & Culture Centre	NT
APY	Ernabella Arts	SA
APY	Iwantja Arts & Crafts	SA
APY	Kaltjiti Arts & Crafts	SA
APY	Mimili Maku Arts	SA
APY	Ninuku Arts	SA
APY	Tjala Arts	SA
APY	Tjungu Palya	SA
C	Barkly Arts (BRA)	NT
C	Epenarra Artists (BRA supported)	NT
C	Kulumindini Arts (BRA supported)	NT
C	Djilpin Arts	NT
C	Durrmu Arts	NT
C	Nyinkka Nyunyu Art & Culture Centre	NT
C	Merrepen Arts, Culture & Language	NT
C	Mimi Aboriginal Art & Craft	NT
C	Ngukurr Arts	NT
C	Waralungku Arts	NT
CD	Hermannsburg Potters	NT
CD	Keringke Arts	NT
CD	Ngurratjuta Iltja Ntjarra Art Centre	NT
CD	Mwerre Anthurre Artists (Bindi Inc.)	NT
CD	Tangentyere Artists	NT
CD	Tapatjatjaka Art & Craft	NT
CD	Tjuwanpa Resource Centre	NT
CD	Waltja Tjutangku Palyapayi	NT
CD	Yarrenyty Arltere	NT
ED	Arlpwe Art & Culture Centre	NT
ED	Artists of Ampilatwatja	NT
FNQ	Girringun Aboriginal Art Centre	Qld
FNQ	Hope Vale Arts Centre	Qld
FNQ	Lockhart River Art Centre	Qld
FNQ	Mornington Island Arts	Qld

Art region	Name of publicly funded art business	State/Territory
FNQ	Pompuraaw Art Centre	Qld
FNQ	Wei'num Arts	Qld
FNQ	Wik & Kugu Arts & Craft Centre	Qld
FNQ	Wujal Wujal (Bana Yiriji)	Qld
K	Bidyadanga Artists	WA
K	Mangkaja Arts	WA
K	Mowanjum Art & Culture Centre	WA
K	Waringarri Aboriginal Arts	WA
K	Kira Kiro (Waringarri supported)	WA
K	Warmun Art Centre	WA
K	Yarliyil Art Centre	WA
K	Laari Gallery	WA
OB	Ceduna Arts & Cultural Centre	SA
OB	Cooper Pedy Artists	SA
OB	Outback Arts	NSW
OB	Bynoe Arts & Crafts	Qld
T	Jilamara Arts	NT
T	Munupi Arts	NT
T	Tiwi Design	NT
TSI	Badhulgal Kuthinaw Mudh Art Centre	Qld
TSI	Erub Erwer Meta Art Centre	Qld
TSI	Gab Titui Cultural Centre	Qld
TSI	Ngalmun Lagau Minaral Art Centre	Qld
WC	Gwoonwardu Mia	WA
WC	Laverton Leonora Cross Cultural Centre	WA
WC	Roebourne Art Group	WA
WC	Spinifex Hill Artists	WA
WC	Wirnda Barna Artists	WA
WC	Yamaji Art	WA
WC	Yinjaa Barni Artists	WA
WD	Ikuntji Artists	NT
WD	Irrunytju Arts/Minyma Kutjarra	WA
WD	Kayili Artists	WA
WD	Martumili Artists	WA
WD	Maruku Arts & Crafts	NT
WD	Papulankutja Artists	WA
WD	Papunya Tjupi Arts	NT
WD	Papunya Tula Artists	NT
WD	Spinifex Arts Project	WA
WD	Tjanpi Desert Weavers	NT
WD	Tjarlirli Art	WA
WD	Tjukurba Art Gallery	WA
WD	Walkatjara Art Uluru	NT
WD	Warakurna Artists	WA
WD	Warburton Arts Project	WA

Art region	Name of publicly funded art business	State/Territory
WD	Warlayirti Artists	WA
WD	Warlukurlangu Artists	NT
WD	Warnayaka Art & Culture	NT
CLOSED ART CENTRES		
A	Anindilyakwa Arts & Cultural Centre	NT
A	Elcho Island Arts & Crafts	NT
A	Mardbalk Arts and Crafts	NT
C	Julalikari Arts	NT
K	Jirruwan Artists	WA
T	Ngaruwanajirri Artists	NT
WD	Watiyawanu Artists	NT
WD	Yaruman Artists	WA

References

- ABS (Australian Bureau of Statistics). 2006. *Remoteness Structure*. Available from <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/remoteness+structure>.
- Acker T and Woodhead A. 2014. *The Art Economies Value Chain reports: Art Centre finances*. CRC-REP Research Report CR006. Ninti One Limited, Alice Springs. http://www.crc-rep.com.au/resource/CR006_AEVC_ArtCentreFinances.pdf
- Acker T, Stefanoff L and Woodhead A. 2013. *Aboriginal and Torres Strait Islander Art Economies project: Literature review*. CRC-REP Working Paper CW010. Ninti One Limited. Alice Springs. http://www.crc-rep.com.au/resource/CW010_ArtEconomiesProject_LiteratureReview.pdf.
- Commonwealth of Australia. 2007. *Securing the Future: Australia's Indigenous visual arts and crafts sector*. The Senate Standing Committee on Environment, Communication, Information Technology and the Arts. Canberra.
- Woodhead A. 2014. *The Art Economies Value Chain reports: Art business trading practices and policy views*. CRC-REP Research Report CR008. Ninti One Limited, Alice Springs. http://www.crc-rep.com.au/resource/CR008_AEVC_ArtBusinessTradingPractices.pdf
- Woodhead A and Acker T. 2014a. *The Art Economies Value Chain reports: Methodology and Art regions*. CRC-REP Research Report CR005. Ninti One Limited, Alice Springs. http://www.crc-rep.com.au/resource/CR005_AEVC_MethodologyArtRegions.pdf
- Woodhead A and Acker T. 2014b. *The Art Economies Value Chain reports: Art Centre production*. CRC-REP Research Report CR007. Ninti One Limited, Alice Springs. http://www.crc-rep.com.au/resource/CR007_AEVC_ArtCentreProduction.pdf