

ARTS VICTORIA SUBMISSION

February 2008

The Role of Arts and Culture in Liveability and Competitiveness

**A Submission to the Victorian
Competition and Efficiency
Commission's *Inquiry into Enhancing
Victoria's Liveability***



Prepared with the assistance of
Dr. Chee-Wah Cheah & Marion Powell



TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	1
2.	INTRODUCTION.....	3
3.	WHAT IS MEANT BY ‘ARTS AND CULTURE’	3
4.	ECONOMIC CHARACTERISTICS OF ARTS AND CULTURE.....	5
4.1.	PUBLIC/MERIT GOOD AND OPTION DEMAND/EXISTENCE VALUE.....	5
4.2.	EXTERNALITY	6
4.3.	EQUITY	7
4.4.	PUBLIC EXPENDITURE ON ARTS	7
4.5.	GOVERNMENT ROLE IN ARTS AND CULTURE.....	8
4.6.	CULTURAL CAPITAL.....	8
5.	THE ROLE OF ARTS AND CULTURE IN LIVEABILITY AND COMPETITIVENESS	9
5.1.	CREATING A UNIQUE AND DISTINCTIVE DESTINATION	12
5.2.	CREATING ‘SPACE AND PLACE’ FOR THE ‘CREATIVE CLASS’.....	14
5.2.1.	The Creative Class in Victoria	14
5.2.2.	Implications for Regional Victoria’s Liveability and Competitiveness.....	17
6.	QUANTITATIVE AND QUALITATIVE EVIDENCE	18
6.1.	QUANTITATIVE EVIDENCE.....	19
6.2.	QUALITATIVE EVIDENCE	20
6.3.	CONTINGENT VALUATION	21
APPENDIX A : VICTORIAN GOVERNMENT’S ARTS PORTFOLIO CURRENT POLICY INITIATIVE – CULTURAL PRECINCTS		22
A.1	CULTURAL PRECINCTS	22
A.2	INFRASTRUCTURE AND ACTIVITY.....	23
A.3	SOUTHBANK CULTURAL PRECINCT REDEVELOPMENT – MELBOURNE’S CREATIVE CITY COMPETITIVE ADVANTAGE.....	24
A.4	CULTURAL PRECINCTS IN REGIONAL VICTORIA AND MELBOURNE’S GROWTH CORRIDORS	24
A.5	CULTURAL PRECINCTS – QUANTITATIVE EVIDENCE	25

A.6 CULTURAL PRECINCTS – QUALITATIVE EVIDENCE 25

1. EXECUTIVE SUMMARY

There are many meanings of ‘culture’ ranging from the broad concepts of a ‘way of life’ and a ‘set of values, attitudes and way of thinking’ to a narrower definition which encompasses products and services which have economic value and are traded in the marketplace.

This narrower concept of culture, which is commonly to as “arts and culture” includes performing arts, visual arts, literature, film and new media and cultural heritage. Government has a direct influence on the markets for these goods and services and, in turn, has an indirect influence on the broader concepts of culture.

Governments intervene in the market for arts and cultural goods and services for sound economic and social equity reasons. The rationales for these interventions include the characteristics which the arts and culture display as both public goods and merit goods and in order to increase access on social equity grounds. The interventions by Government include direct provision, subsidisation and regulation.

Liveability is a broad concept which includes a combination of the social, cultural, economic and environmental attributes of a place. These attributes determine the attractiveness of a place for both residents and investors.

The cultural attributes include the quantity, quality and diversity of the arts and cultural infrastructure, activities and services on offer and are accordingly key elements of the attraction of a city or region as a place in which to “work, live and invest”.

There is increased competition, nationally and internationally, between cities and between regions to attract new residents and new businesses.

Arts and culture can create a competitive advantage for a city or region specifically by:

- creating or maintaining a unique and distinctive image for a city or region; and
- increasing the ‘drawing power’ of a city or region to attract the so-called “creative class”.

Arts and culture contribute directly to the “sense of place” which attracts both residents and business. There is a merging between the attributes of a city or region that are seen by individuals as offering them a better quality of life, or liveability, and those attributes that are seen by investors or businesses as offering them competitive advantage, that is, contributing to the city or region’s competitiveness.

Vibrant and diverse activities are an important contribution to the liveliness and vitality of an urban environment.

The arts also contribute to well-designed public space making a local environment more attractive and accessible. Engagement with the local community in the development and design of public artworks creates public spaces where people want to meet; enriches urban regeneration projects; and distinctly brands a region or suburb as a destination for new residents, tourists and business.

There is an increasing body of evidence, both quantitative and qualitative, on the positive contribution of arts and culture to a city’s or region’s liveability and hence to its competitive advantage. In particular, in regional centres, the presence of a diversified lifestyle and cultural choices, is a key driver of high economic performance.

There is further evidence that Melbourne has a distinctive image as an international centre of innovation, including innovation in arts and culture. Melbourne is well-placed to build further on this sound reputation, continuing to attract new residents and new investment. Regional cities in Victoria are also investing in cultural infrastructure and activities to create vibrant and diverse local cultural offerings attractive to new residents.

Regional Victoria and Melbourne score well on the Richard Florida artistic and creativity indices indicating a further strong competitive advantage in attracting the 'creative class' and the consequent positive economic flow on.

Arts Victoria, the Victorian Government's arts development agency is currently pursuing policy initiatives in support of the contribution of arts and culture to liveability and competitiveness. Investment in cultural precincts, including a major development in Southbank and other developments in suburban and regional areas, along with support for vibrant and diverse programming, is enhancing the reputation and attractiveness of Victoria as a place in which people want to live, work and invest.

Recommendation

This submission recommends that VCEC:

1. includes a cultural dimension integrated with the social, economic and environmental elements of a conceptual definition of liveability;
2. incorporates into any measurement of liveability all four of the elements (social, economic, environmental and cultural) and the way in which these elements are inter-related;
3. notes the evidence of the clear link between the contribution of arts and culture to liveability, in particular, in relation to:
 - strategically positioning Melbourne as an international centre for innovation and as a cultural tourism destination; and
 - creating/maintaining Melbourne, suburban and regional communities as attractive to new residents, families and businesses;
4. notes the contribution of arts and culture to high quality urban design; and
5. endorses the current policy initiatives being pursued by the Victorian Government's arts portfolio in relation to vibrant and diverse arts and cultural precincts.

2. INTRODUCTION

One of the focal points of the Victorian Competition and Efficiency Commission's (VCEC) *Inquiry into Enhancing Victoria's Liveability* is the link between liveability and Victoria's competitiveness.

This submission focuses on why and how:

- Arts and culture are key contributors to liveability.
- Victoria's cultural assets and resources should be harnessed to foster and enhance the competitiveness of the State in an increasingly globalised economy.

The submission is structured as follows:

- Section 3 comments on the concept of arts and culture.
- Section 4 comments on the economic characteristics of arts and culture.
- Section 5 explains why and how arts and culture contribute to liveability and competitiveness.
- Section 6 provides examples of both the quantitative and qualitative evidence on the positive impact of arts and culture in the economy.
- Information on the Victorian Government's current arts policy forward initiatives in relation to cultural precincts is provided in Appendix A.

3. WHAT IS MEANT BY 'ARTS AND CULTURE'

The concept of 'culture' is a multifaceted one.

- Culture as a 'way of life'

Culture as a 'way of life' is commonly understood as referring to the local traditions of public/social life, festivals, creative expression, artistic activities, skills, and traditional knowledge as well as food, sport and language that are a part of the lives of people (and societies); and which provide a basis for social engagement and enterprise development.

- Culture as a 'set of values, attitudes and way of thinking'

Culture in this sense of the word refers to the sociological factors (*viz.* the set of values, beliefs, knowledge, and practices) that are common to or shared by members of a particular group at a particularly point in time.¹

¹ The particular group in question may be delineated further in terms of politics, geography, religion, ethnicity or some other characteristics. See D. Throsby (2001) *Economics and Culture*, Oxford: Cambridge University Press, p. 4.

- Culture as a set of products and services

This view of culture takes a functional perspective. All cultural products and services have definable economic characteristics. What distinguishes them from other goods and services is that their production involves some form of creativity and the generation and communication of symbolic meaning. Cultural products and services embody (or potentially embody) some form of intellectual property.²

The focus of this submission is on the third concept of culture which will be referred to in this submission as “arts and culture”. The Victorian Government’s arts portfolio has a direct role to play in the promotion and development of culture so defined, in particular in relation to issues of liveability. Although the focus of this submission is on culture as a set of products and services, it is acknowledged that Government has an indirect relationship to culture as a way of life, as well as a set of values and way of thinking.

The literature on cultural economics makes a further distinction between arts and cultural sectors:

- the performing arts, e.g. music, theatre, opera, dance, circus;
- the visual arts, e.g. paintings, sculpture, art objects;
- film and new media, e.g., movies, television and, more recently, products on the Internet and hand-held devices;
- literature, e.g., books, magazines; and
- cultural heritage, e.g. museums, historical buildings, monuments and sites, and their collections.

Arts Victoria has a policy advisory and implementation role in all of these sectors of the cultural economy of Victoria, the outputs of which include both products and services.

Specifically, Arts Victoria oversees the state-owned Arts Centre and the Geelong Performing Arts Centre (in the performing arts sector), the National Gallery of Victoria (in the visual arts and cultural heritage sectors), Museum Victoria (in the cultural heritage sector), the State Library of Victoria (in the literature and cultural heritage sectors) and Australian Centre for the Moving Image (in the new media and cultural heritage sectors).

Arts Victoria also supports the non-Government sector through funding and other support programs. Individual artists and arts and community organisations are assisted to create and present new works and to tour work regionally and internationally.

The meaning of culture, as it is (or becomes) understood, evolves and changes with the development of a place (i.e. a city, town or provincial centre). For example, there has been a policy focus in Melbourne on creating “hard” cultural infrastructure such as galleries, performance venues (and even sport stadiums). More recently, the focus has shifted to improving and enhancing the attractiveness and quality of life in Melbourne (such as street entertainment, night life and issues of security and safety). VCEC’s inquiry bears testimony to this shift in policy focus.

² Throsby, *op cit*, p. 4. See V. A. Ginsberg (2001), “The Economics of Arts and Culture” in N. Smelser and P. Baltes (eds.) *International Encyclopaedia of the Social and Behavioural Sciences*, Amsterdam: Elsevier.

Thus, it is important to embrace a multifaceted concept of culture in order to have a better understanding of its links with and contribution to Victoria's liveability and competitiveness.

In addition to understanding what culture means, it is also important to know 'how to' work effectively and strategically within the complexities of culture – namely the need to identify, celebrate and project cultural plurality and distinctiveness. These aspects of "soft" cultural infrastructure encourage networking and creativity.

4. ECONOMIC CHARACTERISTICS OF ARTS AND CULTURE

It is well-established in economics literature that the market can fail to operate efficiently when the product (or service) in question has the economic characteristics of a public/merit good; or when there are externalities associated with its production or consumption; or when the good has an option demand/existence value.

One or a combination of these characteristics is present in the case of most (but not all) arts and cultural goods and services.

As in the case of any products with such characteristics, Government can and should play a role in addressing the extant or potential market failure in relation to arts and cultural goods and services. Government can and should also play a role in ensuring equitable access to such goods and services by all consumers. In this regard, the form of Government intervention – which includes direct provision, subsidisation and regulation - should be one that will or is likely to result in making society as a whole better-off, i.e. ensuring that the social benefits to be gained from intervention exceed the attendant social costs of intervention.

4.1. PUBLIC/MERIT GOOD AND OPTION DEMAND/EXISTENCE VALUE

A (pure) public good is one for which the benefits that are derived from its usage or consumption (by any person) are non-excludable **and** non-rivalrous.

Non-excludability means once the good is produced, a supplier is unable to economically exclude or technically prevent those who do not or are not willing to pay for the good from enjoying the benefits of that good.

Non-rivalrous means that any number of persons may enjoy the benefits of the good without reducing in any way the benefits that remain available to all other persons.

All arts and cultural goods are non-rivalrous, and most (but not all) are non-excludable. Thus an arts or cultural product is a public good, or at the very least, a quasi public good (see Table 1 below). For example, even though one has to buy a ticket to gain entrance to an opera (i.e. it is excludable), the attendance of this person does not diminish in any way the benefits that are provided and enjoyed by everyone attending that opera (i.e. it is non-rivalrous).

Table 1. Consumption characteristics of an economic good

	Excludable	Non-excludable
Rivalrous consumption	Private good (e.g. a hamburger)	Common property resource (e.g. a public beach)
Non-rivalrous consumption	Quasi public good (e.g. an opera, a book)	Pure public good (e.g. heritage building)

Insofar as arts and cultural goods are intrinsically desirable, uplifting or socially valuable, they may also be considered as “merit goods” for the same reason why education is sometimes referred to (in the literature on public economics) as a merit good; *viz.* a good which, if left to the decision of an individual, may not be consumed at the “right” amount because of that person’s inability to fully evaluate and make an informed choice about the benefits of that good. Similarly, if all consumers are left to themselves, they may not make the “right” choices to purchase the “appropriate” quantities of arts and cultural goods. Government should therefore promote or support the provision of arts and culture as a merit good for the reason that doing so would improve the collective welfare of people in society more than if reliance were to be placed on the individual choices of people.

There is a further subsidiary feature of ‘publicness’ stemming from the option demand/existence value of an arts or cultural product. Once an arts object or cultural product is created, people place a positive value on its existence (over and above its economic or commercial value). For example, a person may perceive a symphony orchestra to have a positive existence value even though that person may consider it unlikely that s/he will attend a performance.

4.2. EXTERNALITY

An externality is the direct effect (either positive or negative) that one person’s actions or decisions (with regards to consumption or production) have on the economic well-being of other persons. A positive (negative) externality occurs when someone *other than* the person who consumed or produced the good receives a benefit (bears the cost); *and* that benefit (cost) is not reflected in the market price for the good or service.

The consumption or production of an arts and cultural good will definitely benefit the individual person who consumes or produces that good. But it will also have positive social and economic repercussions on all within a community, e.g. stronger cultural identity and social cohesion.³ If these benefits (positive externalities) are not fully taken into account, then the consumption or production of the arts and cultural good in question will tend to be lower than the socially optimal level.⁴

As another example, major arts festivals and events generate economic activity in the related tourism, travel and hospitality sectors. Analysis of Melbourne Winter Masterpieces ‘block-

³ See, for example, J Dayton-Johnson (2000), *What’s Different about Cultural Products?: An Economic Framework* Ottawa: Canadian Heritage.

⁴ The quantitative literature uses the term “leakage” to refer to the benefits conferred upon those who do not reside in the spatial area or who are not members of the group for which the arts/cultural project is intended to benefit. For example, the benefits of a local arts festival accrue to local residents, but visitors and tourists will also enjoy the benefits. It is in this sense that the arts festival is said to have generated positive externalities.

buster' exhibitions at the National Gallery of Victoria, indicates that over \$64 million of economic activity was generated by the first three exhibitions: *The Impressionists* (2004), *Dutch Masters* (2005), and *Picasso: Love and War* (2006).⁵ The private benefits enjoyed by those who paid for admission to these exhibitions do not fully reflect the collective benefits to the Victorian economy and community as a whole. In other words, the arts event has generated a positive externality (or spillover effect).

It is well-known in economics that when a good or service is “under-priced” (i.e. priced at a level that does not take into account the full benefits of that good), the production of that good will be less than the socially optimal level of production.

Thus Government can and should play a role in ensuring that the positive externalities from arts and cultural activities are taken into account by the organisers and funders of such activities.

4.3. EQUITY

Given the public (and quasi-public) nature of arts and cultural goods, Government can and should for equity reasons, ensure that such goods are made accessible to all consumers, including those with low incomes and who cannot afford to pay (even when they are willing to pay).

4.4. PUBLIC EXPENDITURE ON ARTS

In a survey conducted by Withers *et al*, it was found that the Australian community (as a whole) acknowledged and agreed with the “market failure” rationale for public intervention in the arts sector:⁶

- More than 75% of respondents to the survey accepted the public goods/externalities rationale for arts.
- 82% accepted the merit good rationale.
- Almost all (97%) of respondents agreed with the option demand/existence value argument.⁷

It was also found that more than half (53.2%) of the people surveyed perceived benefits from public expenditures on “arts and public broadcasting”. Further, the survey data suggested the Australian community is “willing-to-pay” more for “arts and public broadcasting”. “Informed” respondents (i.e. after being informed of their actual tax liabilities) demonstrated a willingness-to-pay 7% more than what they have actually “paid” as measured by their actual tax liabilities.

⁵ Minister for the Arts, Lynne Kosky, press release, *Melbourne's Winter Masterpieces attract one million visitors*, (22 August 2007)

⁶ G. Withers, D. Throsby and K. Johnston (1994), “Public Expenditures in Australia”, EPAC Paper No. 3, AGPS, Canberra, October 2004.

⁷ Some artistic or cultural goods or services may have economic and cultural values that are yet to be evident. Hence the need to keep options open for the future. Existence value refers to the benefits a community derives simply from the knowledge that a good or service exists.

4.5. GOVERNMENT ROLE IN ARTS AND CULTURE

Government plays a supporting role in the market for cultural goods and services using policy instruments common to other areas of market activity that are subject to ‘market failure’; *viz.*

- Direct provision

Major State-owned cultural institutions, established and operating under legislation, curate and display exhibitions from the State collections.

- Subsidisation

Subsidies are provided to non-Government arts organisations to enable ticket and admission prices to remain low thereby increasing access to the arts.

- Regulation

Local content rules for commercial television drama and children’s programs and requirements for a percentage of major building budgets to be spent on public artworks are two regulatory mechanisms for supporting arts activity.

4.6. CULTURAL CAPITAL

Cultural capital refers to an asset that embodies, stores, or provides cultural value in addition to whatever economic value it may possess. According to Throsby (2002), cultural capital in its tangible form (e.g. a work of art, a heritage building, location, sites, precincts, films, recordings, artefacts) is created by human activity, lasts for a period of time, can decay without maintenance, gives rise to a flow of services over time, can increase with investment of current resources, and can generally be bought and sold.⁸ For example, a work of art will certainly have commercial value (irrespective of its cultural worth), but it is important to recognise that the commercial value may or may not be fully reflected in the cultural value in terms of its aesthetic, symbolic or other characteristics.

It is important, for reasons of cultural heritage and identity, that the existing stock of cultural capital is preserved, maintained and protected for future generations to come. The concept of “cultural sustainability” is similar to that for the environment, *viz.* meeting the cultural needs of the present generation without compromising the capacity of future generations in meeting their own needs. Likewise, the principles of cultural sustainability may be drawn in parallel to those that are applied earnestly in managing the environment:

- The principle of intergenerational equity (i.e. treatment of different generations over time) imposes a duty of care on the present generation in managing the stock of cultural capital that is to be passed on to future generations.
- The principle of intra-generational equity (i.e. equity within the present generation) implies equal access to both tangible and intangible cultural capital across social classes, income groups, and location.

⁸ D. Throsby (2002), “Cultural capital and sustainable development: How does cultural capital promote urban development?”, unpublished paper presented at a seminar in the Faculty of Economics, Saitama National University, Tokyo on 25 November 2002.

- The principle of cultural diversity will accord due recognition of the option or existence value of diverse artistic and cultural services.
- The precautionary principle would suggest the adoption of a highly risk-averse stance in making decisions that may cause irreversible damage to the stock of cultural capital, e.g. demolition of historic buildings.

In parallel to the concept of cultural sustainability, there are strong arguments put forward that the arts and cultural sector operates as an “eco-system”. Any healthy and vibrant arts sector requires a dynamic balance between major institutions, established companies, risk-taking smaller enterprises and individual artists from diverse backgrounds. Characteristics of a sustainable arts sector include a balance of scale of organisations, clear career pathways, a shared understanding of the dynamics of the sector and a healthy ecology at all levels encompassing education, community engagement, funded and commercial activities; and the capacity to produce a range of high quality and valued artistic products and services.⁹

5. THE ROLE OF ARTS AND CULTURE IN LIVEABILITY AND COMPETITIVENESS

As noted in VCEC’s Issues Paper, the concept of liveability has “no precise or universally agreed definition ... most people could probably accept that liveability embraces notions such as quality of life, the ‘character’ of a place, the health of communities and sustainability. It is a relative concept and will invariably mean different things to different people, but it embodies social, economic and environmental dimensions” (p. 4).

This submission agrees with this position but, importantly, with the added dimension of a cultural attribute.

Further, rather than arising from a *specific* (or a set of specific) attributes, the notion of liveability of a city, suburban centre or provincial centre, has more to do with the *combination* of social, cultural, economic and environmental attributes.

The attributes of a location (be it a city, town, regional centre) that make it an attractive place to live include:

- *tangible* features such as the existence of public infrastructure (public spaces, urban transit, availability of health and education services, effective means for providing clean air and water, efficient sanitation and waste disposal); and
- *intangible* features such as a sense of place, a distinctive local identity, well-established social networks.

Furthermore, the manifest behaviour of a city’s population, e.g. active civic participation, and active cultural and recreational involvements (such as artistic production and consumption) can be taken as signs of responsiveness to a liveable environment.¹⁰ A city that has a combination of social, cultural, environmental and economic attributes that meets the

⁹ C Hunt and P Shaw (2008), *A sustainable arts sector: What will it take?*, Platform Papers No. 15, Currency House.

¹⁰ D. Throsby (2005), “Cultural heritage as financial asset in strategies for urban development and poverty alleviation” unpublished paper presented at International Conference for Integrating Urban Knowledge and Practice, Gothenburg, Sweden, May 29-June 3, 2005.

aspirations of its residents will, in turn, strongly influence their perception of the quality of the city (metropolitan or regional) in which they reside.

Melbourne has established and maintained its reputation for arts and culture, as shown by the results of the Brand Health Survey 1996-2007 (conducted by Roy Morgan Research):¹¹

- Melbourne is seen as the leading capital city for theatre since 1996.
- Since 2005, Melbourne has the reputation of being the leading “city-host” of international sporting and cultural events.
- Melbourne has a better city nightlife than Sydney.
- Melbourne has (next to Sydney) interesting and diverse regional experiences within 1.5 hours from the city.

Generally speaking, the “identity” of a city (like Melbourne) has very little to do with the economic and commercial functions it specialises in or the phase of its growth and development. A city is considered to be a more attractive and rewarding place to “work, live and play” because of the quantity, quality and diversity of cultural activities and services in the city.¹²

Furthermore, a city is more than just a place “to work, live and play.” It is also, from the perspective of economic growth and development, a place “to invest in and to make money”. This means that the attributes that are attractive to individuals are also attractive to businesses.

Arts and culture contributes directly to that “sense of place” which attracts both residents and business. Vibrant and diverse activities are an important contribution to the liveliness and vitality of an urban environment.¹³ Arts and cultural events and celebrations form part of a diverse mix of commercial, hospitality and community activity creating an active street life and generally making a place feel “alive”.

The arts also contribute to well-designed public space making a local environment more attractive and accessible.

Public art is a specific means of enhancing the built environment (“hard” infrastructure) in a way that engages local residents by creating public spaces where people want to meet and create new social connections (“soft” infrastructure).

Public art, and good urban design, can also have positive economic spin-offs creating landmarks that attract tourists, as well as residents, enriching urban regeneration projects and contributing to the branding of cities, towns and suburbs.

¹¹ The Brand Health survey consists of a series of questions on a Roy Morgan CATI (Computer Assisted Telephone Interview) omnibus run over 2 weeks in June. The 2007 survey is based on a nationally representative sample of approximately 1,400 respondents.

¹² See Allen J. Scott (2004), “Cultural Products Industries and Urban Economic Development: Prospects for Growth and Market Contestation in Global Context”, *Urban Affairs Review*, 39:461-490.

¹³ J. Montgomery (2007), *The New Wealth of Cities, City Dynamics and the Fifth Wave*, Ashgate (p. 271)

Engagement with the local community in the development and design of public artworks ensures that there is strong ownership of and pride in public spaces. Site specific artworks create distinctive locations, thereby building local identity and neighbourhood character. A distinctly branded region or suburb becomes a desirable destination for new residents, tourists and business.

Research by VicHealth, based on the Arts and Environment Scheme, indicates that well-designed public space, in which councils engaged with artists and the local communities, had a positive contribution to social cohesion through creative projects. In particular, by engaging with the marginalised or the vulnerable in the community, these people have been given a voice in planning decisions that had an impact on their community.¹⁴

Another example of public art contributing to high-quality urban design is at Melbourne Docklands. The urban arts policy has created a series of major sculptures responding to and reflecting the local environment, in particular the waterfront, Indigenous heritage, cultural diversity, industrial history and urban interface. Through active and creative engagement with the local environment the arts are a key contributor to the Docklands growing attractiveness to new residents and new businesses.¹⁵

It is in this sense that there is a merging between the attributes of a city that are seen by individuals as offering them a better quality of life (i.e. the city's liveability) and those that are seen by investors or businesses as offering them competitive advantage (the city's competitiveness). For an investor, a city is attractive because the presence and availability of highly skilled and creative workers, who are themselves attracted to that city by the quality of life and work environment.

According to Bayliss (2004), the Government of Denmark suggested a closer interaction between and even converging culture and industry because of its potential to "trigger a new social dynamic, which will, at one and the same time, strengthen culture and the arts, offering new opportunities for development, and add impetus to industrial development marked by innovation, creativity and resourcefulness".¹⁶

In the face of an increasingly globalised economy, Victoria (and Melbourne in particular) must therefore continue to transform itself economically and culturally. In addition to the conventional thinking of improving a city by improving its "hard" infrastructure (in the conventional economic sectors such as transport, as well as "hard" infrastructure in the arts and cultural sector), serious consideration needs also to be given to improving the "soft" arts and cultural infrastructure of the State – services and activities which identify and create expressions of cultural distinctiveness and vibrancy; and encourage networking and creativity.

14 VicHealth, *Arts and Environment Scheme*, VicHealth website (accessed 11 February 2008)

15 Docklands Authority (2001), *Spirit: Integrated Urban Art Policy*.

16 Page 4 of a Danish Government's report *Denmark's Creative Potential* cited in D. Bayliss (2004), "Denmark's Creative Potential - The Role of Culture within Danish Urban Development Strategies," *International Journal of Cultural Policy*, 10.

There are two primary (but not necessarily distinct) ways by which the arts and culture of, and in, Victoria can contribute to enhancing liveability and fostering competitiveness:

- Create/maintain a unique and distinctive image.
- Increase the ‘drawing power’ of a city or town to attract the so-called “creative class” (as defined by Richard Florida¹⁷).

5.1. CREATING A UNIQUE AND DISTINCTIVE DESTINATION

In this approach (drawing from the lessons of European experience), the Victorian Government should harness all of the existing cultural resources to revitalise regional centres and/or to foster a more attractive city life in Melbourne.¹⁸ It is premised on the contribution of culture as products and services to the wider anthropological concept of culture as “a way of life”. Cultural resources include all the tangibles and intangibles that contribute to “the making of a place”, such as arts: cultural heritage; local festivals; local products; local crafts and competencies; public spaces; architecture; image.¹⁹

Arts and culture have the potential to play a critical role in strategically positioning Melbourne as an international centre of cultural excellence, as a dynamic centre of creativity and innovation and as an international destination for cultural tourism.

The “Cities of Culture” program in Europe has been pursuing this rationale since 1985 with stand-out successes for cities such as Glasgow in 1990, and Dublin in 1991.²⁰

Evidence shows that Melbourne has already demonstrated a competitive advantage with increasing recognition, within Australia and New Zealand, as a centre of culture and a significant cultural tourism destination. Market research focussed on tourists who patronised Melbourne’s arts and cultural venues concluded that:²¹

- Melbourne is currently enjoying a reputation as Australia’s most vibrant, creative and ‘edgy’ city. Locals, interstate and younger international visitors describe Melbourne as a city that celebrates creativity and stimulates the senses.
- A vibrant, youthful sub-culture emerges as a critical component of this reputation, which is in turn, driven by the network of ‘groovy’ bars and pubs, and live music scene.
- Beyond this and drawing in a wider audience, lies its reputation for staging ‘big events’ (sports, spring carnival, Grand Prix) and block buster musical theatre/shows.

17 R. Florida (2002), *The Rise of the Creative Class*. New York: Basic Books.

18 F. Bianchini & M. Parkinson (eds.) *Cultural Policy and Regeneration: The West European Experience*. Manchester: Manchester University Press.

19 C. Landry (2006), *The Art of City-Making*. London: Earthscan.

20 J.R Gold and M.M Gold (2005), *Cities of culture, Staging International Festivals and the Urban Agenda, 1851-2000*, Ashgate.

21 Cultural Participation, Open Mind Research Group, June 2005

- Melbourne’s reputation for excellence in food and fashion remains high, despite the efforts of other Australian cities.
- Authenticity, the idea that people in Melbourne (unlike many other places, including Sydney) genuinely participate for enjoyment rather than just to be seen, emerged as an important differentiator.
- Melbourne’s visual spaces are also key to its charms and reputation (its architecture, parks, distinct precincts and city walks) and tend to be the fulcrum around which both locals and visitors structure their city experiences.

Tellingly, other cities in the wider region, such as Hong Kong, Singapore and Shanghai, have been making substantial investments in arts and culture through new infrastructure, funded activities and events and the development of cultural policies linked to future economic well-being. For example, the Chief Executive of Hong Kong, in his 2007-08 Policy Address included in his five main areas for the future direction of Hong Kong: “10 major infrastructure projects for economic growth including ... the West Kowloon Cultural District; ... developing a quality city with quality life by improving the living environment, enhancing heritage protection and revitalising historic buildings, promoting cultural and creative industries. ...”²²

Another interesting example of a city using culture to position itself globally into the next century is a \$27 US billion development project being undertaken in Abu Dhabi in the United Arab Emirates. As well as including hotels, resorts golf courses and housing, the project includes three museums and a “sprawling, part spaceship, part organism” performing arts centre. One of the museums, designed by Frank Gehry, is intended as a branch of the Guggenheim Museum in New York; another museum is under negotiation as an outpost of the Paris Louvre Museum.²³

In Victoria, serious consideration is now given to integrating arts and culture with the social and economic development programs in urban and provincial areas. The arts and culture component (e.g. arts festivals, events and public art schemes) plays a catalytic role in creating (or rediscovering) the distinctiveness of both the ‘space and place’ of a city or town. This will, in turn, heighten the community’s awareness and appreciation of the urban or provincial development program as a whole. The current policy initiatives being pursued by the Victorian Government in relation to cultural precincts are presented in Appendix A.

Furthermore, it is now accepted that local cultural activities are the sources of economic remuneration and there are many local commercial and business activities that are directly or indirectly dependent on the ‘soft’ infrastructure and distinctive “cultural environment” of a local place.

There is overseas evidence that such an approach can and has contributed to economic (competitiveness) and social (liveability) development simultaneously: by enhancing the distinctive image of a city or town to attract investors and the skilled workers who follow in their train; and by increasing the visibility of a city or town to visitors from other areas and

²² *Hong Kong Monitor* No 5 (2007) (A joint publication of the Hong Kong Economic and Trade Office (HKETO), Hong Kong Trade Development Council (HKTDC), Hong Kong Australia Business Association (HKABA) and Hong Kong New Zealand Business Association (HKNZBA).

²³ H Fattah (2007), “Celebrity Architects Reveal a Daring Cultural Xanadu for the Arab World”, *The New York Times*, 1 February 2007.

boosting tourism revenue (with multiplier effects on the income of local businesses). Examples of the contribution of arts and culture to liveability and competitiveness include:

- The Bayreuth Wagner Festival²⁴, the International Festival of Geography at St. Dié-des-Vosges,²⁵ or New Orleans's Mardi Gras;²⁶
- The annual literary festival (and the growth of a second-hand books sector) in the small Welsh market of Hay-on-Wye;²⁷
- Temple Bar precinct in Dublin²⁸; and
- The 'place marketing' of the arts and crafts tradition in Kinmen, Taiwan.²⁹

5.2. CREATING 'SPACE AND PLACE' FOR THE 'CREATIVE CLASS'

The central premise of Richard Florida's (2002) theory is that, in the context of a knowledge-economy, a city's economic performance is affected by its appeal/amenity to a new 'creative class' of highly-educated, well-paid professionals in a variety of industries (including the arts). These professionals share common values of creativity, individuality, difference and merit. They are attracted to places that provide opportunities for creative work and quality of life amenities, and offers or are accepting of certain lifestyle options. Richard Florida's "creative cities" are centres of innovation (because of the "talent" that is being attracted) that are also capable of avoiding industrial stagnation or "institutional sclerosis" (by continually adjusting to the fast pace of global change).

5.2.1. The Creative Class in Victoria

The State of the Regions Report 2002 (authored by National Economics for the ALGA) provided an analysis of the composition (by occupational classes) of each State's workforce. In that Report, the 'creative class' comprises 'creative professionals' and 'super creative class', where the former includes professionals in the areas of management, business and finance, law, health care practitioners and technical, high-end sales and sales management; and the latter includes professionals in computer and mathematical occupations, architecture and engineering, life, physical and social sciences, education, training and library, arts, design, entertainment, sports and media.

24 F. Spotts (1994), *Bayreuth: A History of the Wagner Festival*, New Haven and London: Yale University Press. For a summary and review of Spotts, see T. J. Saunders (1995), "Modern Europe -- Bayreuth: A History of the Wagner Festival by Frederic Spotts", *Canadian Journal of History*, April 1995 (accessible at http://findarticles.com/p/articles/mi_qa3686/is_199504/ai_n8727307)

25 G. Benko and U. Strohmayer (1993), "The 1993 International Festival of Geography in Saint-Dié-des-Vosges, France", *GeoJournal*, 31(4), December 1993.

26 K. F. Gotham (2002), "Marketing Mardi Gras: Commodification, Spectacle and the Political Economy of Tourism in New Orleans", *Urban Studies* 39:1735-56.

27 A. V. Seaton (1996), "Hay-on-Wye, The Mouse that Roared: Book Towns and Rural Tourism", *Tourism Management*, 17:379-82.

28 J. Montgomery (2007), *The New Wealth of Cities, City Dynamics and the Fifth Wave*, Ashgate.

29 M. C. Yang, and W. C. Hsing (2001), "Kinmen: Governing the Culture Industry City in the Changing Global Context", *Cities* 18:77-85.

As shown in Table 2 below, 37.4 per cent of the total workforce in Melbourne's metropolitan areas (i.e. the areas covered under the descriptive label "Inner Melbourne" which include the CBD, St Kilda and the Port of Melbourne) are considered to be in the creative class of occupations. This proportion is about the same as that in 'Global Sydney' (37.9 per cent), which covers a wider metropolitan area than Inner Melbourne.³⁰ The respective proportion of creative class workers in Inner Melbourne and Global Sydney is significantly higher than the national average (25.2 per cent).

Table 2. Composition of workforce by occupational class (in per cent): Melbourne and Sydney

Occupation Class		Inner Melbourne	Global Sydney	National average
Creative class	a. Creative professionals	24.9	25.4	16.3
	b. Super creative professionals	12.5	12.5	8.9
	1. Total creative class (= a + b)	37.4	37.9	25.2
2. Agriculture		0.1	0.1	3.4
3. Service		48.4	47.1	47.8
4. Working class		14.1	14.6	23.6
Total (1 + 2 + 3 + 4)		100	100	100

Source: State of the Regions Report 2002

It could be surmised, on the basis of Florida's theory, that these metropolitan areas have (respectively) more of the combined "spaces and places" accepting of alternative views and a diversity of lifestyles (relative to other Australian cities and urbanised areas). More importantly, this finding suggests that Melbourne and Sydney are equally competitive in terms of the types of businesses that depend on and are attractive to especially the super creative class of workers.

Table 3 below contrasts the workforce composition in the urbanised and some country areas of Victoria. As one would expect to find (on the basis of Richard Florida's theory), the proportion of creative class workers is higher in urbanised areas, *viz.* Melbourne East and Melbourne South, than in any other areas of regional Victoria.

³⁰ Global Sydney includes Sydney's CBD, the rest of the City of Sydney, the inner North Shore (Chatswood) and the Eastern Suburbs (Bondi Junction and airport).

Table 3. Composition of workforce by occupation class (in per cent): Regional Victoria

Occupation class	Agriculture (%)	Service class (%)	Working Class (%)	Creative Class (%)	Total (%)
Melbourne East	0.1	49.7	22.1	28.0	100
Melbourne South	0.1	47.1	27.1	25.4	100
Loddon	6.1	49.2	24.3	20.3	100
Ovens-Hume	6.9	46.2	26.1	20.9	100
Mallee-Wimmera	19.8	39.6	23.5	17.0	100
Vic West	20.0	39.7	23.5	16.8	100

Source: State of the Regions Report 2002

Table 4 below summarises the relative national rankings of some of Victoria's regions by their Artistic Index and Creativity Index.³¹ The 'Artistic Index', based on the so-called Bohemian Index (originally developed by Richard Florida), is a measure derived from the proportion of region's workforce employed in artistically creative occupations, divided by the national average. The 'Creativity Index' is a composite measure incorporating high-tech output, proportion of population born overseas, patent applications and artistically creative people. As proportions, these indices account for differences in overall population sizes of each centre.

Table 4. Creativity Indices

Region	Artistic Index	Artistic Rank (1 - 64)	Creativity Index	Creativity Rank (1 - 64)
Global Sydney	2.0	1	992	1
Inner Melbourne	1.85	2	985	2
Melbourne East	1.09	7	519	10
Melbourne South	1.30	11	606	12
Mallee-Wimmera	0.42	61	7	62
Vic West	0.53	54	8	58
Loddon	0.68	38	163	35
Ovens-Hume	0.76	29	98	37

Source: State of the Regions Report 2002

³¹ The ranking refers to where each of Victoria's region stand among the 64 SORS regions of Australia.

It is the view of this submission that the Artistic Index is more informative of the possible links between arts and culture, and liveability and competitiveness, however the rankings according to each index are very similar.

Nationally, Global Sydney has the highest Artistic Index of 2.00, which (by its definition) suggests that the proportion of Global Sydney's workforce employed in artistically creative occupations is twice as large as the national average. Inner Melbourne is ranked second with an Artistic Index of 1.85, i.e. Inner Melbourne's artistically creative workforce is 85 per cent higher than the national average. In terms of national ranking, the country regions of Loddon and Ovens-Home are somewhere "in the middle of the pack", whereas Vic West and Mallee-Wimmera (in particular) are towards "the tail-end of the pack".

A more "like-with-like" comparison of Melbourne's competitiveness relative to Sydney's, using the Richard Florida creativity index approach is provided by the *Melbourne Creativity* report for the National Economy Advisory Board of the Department of Innovation, Industry and Regional Development.³² This report measured the respective Creative Index for the three distinct sub-regions of Melbourne, *viz.* Melbourne Central, Melbourne Inner and Melbourne Outer; and likewise for the comparable sub-regions of Sydney, *viz.* Sydney Central, Sydney Inner and Sydney Outer. According to the findings presented in the report:

- Melbourne Central scored higher than Sydney Central on the Creativity Index.
- Both Melbourne Central and Sydney Central scored well internationally, both being ranked 4th compared to US regions.
- Australia scored higher than the United Kingdom for innovation and creative class growth but is just behind on the proportion of those employed in high skilled and creative occupations.

5.2.2. Implications for Regional Victoria's Liveability and Competitiveness

One practical (and policy-related) implication of Richard Florida's theory is that "space and place" need to be created to convey the message that "creative" people are welcome and accepted. The congregation of like-minded creative workers in close proximity and access to audiences and markets (and perhaps even funders and sponsors) will, in turn, create the "take-off" conditions for innovative and creative ideas, and the resultant economic and social benefits to *all* who live in that city or town. This suggests that Government's programs for the development of country Victoria should avoid a narrow economic focus, and instead apply an integrative approach that takes into account the interactions and linkages between local economic, social *and* cultural 'space and place' in country Victoria.

The crucial bases for competitive advantage are local and include the presence of a skilled workforce (in addition to the other factors of production that are already present). As noted by Richard Florida, the skilled creative class has a propensity to seek out and congregate in places where there are opportunities for stimulating work and quality of life amenities (including arts and cultural activities).

Thus one way of increasing the 'drawing power' of country Victoria is to extend the concept of 'cluster development' (i.e. interrelated industries in which the region specialises in) to include the arts and culture of, and in that region. An approach that opens up opportunities

³² National Institute of Economics and Industry Research, trading as National Economics, *Melbourne Creativity, a report for the Innovation Economy Advisory Board*, February 2004.

for a more vibrant cultural environment will not only complement the extant efficiencies (i.e. scale economies) of industry clusters, it will also help to create the synergies necessary to attract talents and investors. These synergies may not necessarily feed directly into the (much vaunted) innovative processes, but they are indispensable in the food-chain of creativity and innovation.

There is strong evidence that vibrant cultural offerings to regional communities have a positive impact on economic performance. A national survey of regional economic performance has concluded that regional centres which have successfully helped improve the economic performance of the rural region have been those with high employment growth relative to population growth. A key driver of this population growth was the presence of a diversified lifestyle and cultural choices for residents (Stylised Fact Eight).³³

In addition, the cultural sector, in its own right, is already an important element of many regional Victorian economies, suggesting a strong base from which there are opportunities to grow. The cultural and recreational services sector of the economy has demonstrated the second highest growth rate in Victorian regional areas (after property and business services) between 1991 and 2001.³⁴ This sector demonstrated the highest growth rate in Geelong over that period.³⁵

It is important to note that the role of arts and culture in contributing to creating an attractive location for new residents and new business is fundamentally the same for both Melbourne and for regional Victoria. There may however be differences of scale, target populations and range of cultural offerings.

6. QUANTITATIVE AND QUALITATIVE EVIDENCE

Much can (and has been said in the extant literature) that liveability (or the quality of life) should be measured in a multidimensional way — economically, socially, environmentally, as well as culturally. This means that in practice, it is not sufficient to only evaluate whether a city, town, or region is economically viable, but also whether it is environmentally, socially, and culturally sustainable.

Just as commercial enterprises must constantly improve products and services to remain viable, vibrancy is a key characteristic of cultural sustainability. Sustainable arts organisations must be “artistically outstanding, serve their diverse communities with imagination and verve and are, at the end of the day, financially solvent.”³⁶

Two extensive reviews of both the quantitative and qualitative empirical evidence that have been collected overseas on the impact of arts and culture in an economy are:

- G. Evans and P. Shaw (2004), “The Contribution of Culture to Regeneration in the UK: A Review of Evidence”, a Report to the Department for Culture Media and Sport, London Metropolitan University.

³³ Australian Local Government Association / National Economics, *State of the Regions Report 2004-05*.

³⁴ *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, Victorian Government, 2005.

³⁵ *Provincial Victoria Emerging trends in jobs and population*, Victorian Government, 2005

³⁶ Cathy Hunt and Phyllida Shaw, *A Sustainable Arts Sector: What will it take?*, Platform Papers no 15, January 2008.

- J. Ruiz (2004), *A Literature Review of the Evidence Base For Culture, the Arts and Sport Policy*, Scottish Executive Education Department.

In the following, these reviews are drawn upon to briefly illustrate both the quantitative and qualitative approaches to measuring the economic and social impact of arts and culture.

6.1. QUANTITATIVE EVIDENCE

The quantitative approach to assessing the economic contribution of arts and cultural activities to the local and wider economy include cost-benefit analysis, financial assessment, and input-output analysis. The economic effects are usually measured in terms of the *net* output and employment generated or expenditure incurred as a consequence of the arts/cultural project in question. *Net* output, employment or expenditure is measured using what economists refer to as the “with” and “without” framework, i.e. what has resulted from an the arts or cultural activity or program in question compared to the hypothetical of *what would* have happened *without* that activity or program. Specifically, the effects that are measured:

- “leakage”, which refers to the benefits conferred upon those who do not reside in the spatial area or who are not members of the group for which the arts/cultural project is intended to benefit. This concept is similar to that of positive externalities referred to in Section 4.2 above;
- “deadweight”, which refers to the outcomes that would have occurred *without* the arts/cultural project; and
- “displacement” and “substitution” effects, i.e. the extent to which the benefits of the project are offset by reductions of output or employment elsewhere.

Example: Dundee Contemporary Arts

The findings of an economic impact evaluation of the Dundee Contemporary Arts (DCA) Centre demonstrated a positive economic impact that extended beyond the boundaries of Dundee.³⁷ The analysis showed that:

- DCA’s payroll of £561,507 generated a net impact of an additional £3,620,000 in the Tayside economy – a leverage ratio of almost 6.5 to 1.
- An estimated that 258 full time equivalent jobs had been generated, compared with the original estimate of 58, and business development accounted for approximately two-thirds of all additional jobs generated.
- Local craft producers benefited from DCA’s shop, with 39.5% of its turnover being craftwork.
- The café bar significantly exceeded expectations by a huge margin, and provided turnover-based royalties of over £120,000 in 2001/2 compared to the original projection of £9,000.

³⁷

S. Westbrook, “Economic Impact Evaluation of Dundee Contemporary Arts”, 2003.

Example: West Kowloon Cultural District

An economic impact study of the development of the West Kowloon Cultural District³⁸ found, after taking into account the leakage, deadweight and displacement effects described above, that:

- the district will bring \$HK 2,660 million value added contribution to GDP on opening rising to \$HK 5,280 million in year 16;
- 9,980 jobs will be created on opening rising to 20,080 by year 16; and
- 2.4 million tourists will visit in the first year and will then grow at an annual rate of 2.2% over 30 years.

6.2. QUALITATIVE EVIDENCE

Qualitative approaches to assessing the impact of arts/cultural projects rely more on survey, and anecdotal data. For example, the contribution of an arts/cultural program to liveability may be evidenced by:

- A change in residents' perceptions of the place where they live
- Greater individual confidence and aspiration
- A clearer expression of individual and shared ideas and needs
- Increased social capital – 'the norms and networks that enable collective action' (World Bank)
- Greater participation and contribution by volunteers
- A change in the image or reputation of a place or group of people
- Stronger public-private-voluntary sector partnerships
- New approaches to evaluation, consultation and representation

(Note that there are many elements of the above indicators which can also be measured quantitatively.)

In the DCA case example (summarised above), qualitative research was also undertaken to assess the role of DCA as a cultural and social creative hub and networking venue; the development of a centre of international excellence in exhibitions and cinema; a boost in confidence to Dundee; the role of DCA in the development of a 'cultural sector' in the area; and its synergy with Dundee's two universities and colleges.

Other sources of qualitative data on the impact of the arts include overseas work: *Use or Ornament* (Comedia). Local studies include *Creating Community, Celebrations, Arts and Wellbeing Within and Across Local Communities* (The Globalism Institute & VicHealth) and *Strengthening*

³⁸

Economic Analysis and Business Facilitation Unit, Financial Secretary's Office, *Economic impact of developing the West Kowloon Cultural District, Executive Summary*, May 2007.

local communities, Arts in Community Settings, The Evaluation of Two Community Support Funded Arts Programs (Department for Victorian Communities & Arts Victoria).

6.3. CONTINGENT VALUATION

The contingent valuation method (CVM) involves directly asking people, in a survey, how much they would be willing to pay for something specific, *contingent* on a specific hypothetical scenario.³⁹ In the case of arts and culture, an example could be how much one is willing to pay for preservation of a heritage building or monument. Alternatively, people may be asked for the amount of compensation they would be willing to accept to “give up” the heritage building or monument (i.e. allows the building or monument to be demolished).

CVM techniques have been increasingly applied to measuring the value of services provided by cultural capital, particularly items of cultural heritage.⁴⁰ Nevertheless it has to be understood that these analyses yield estimates in purely economic terms. Such estimates are important, but by their nature they cannot capture those elements of cultural value that are not expressible in financial terms or that cannot be sensibly rendered in terms of individual willingness to pay.

³⁹ Economists refer to contingent valuation as a “stated preference” method, because it asks people to directly state their values, rather than inferring values from actual choices (as it is done in the “revealed preference” methodology).

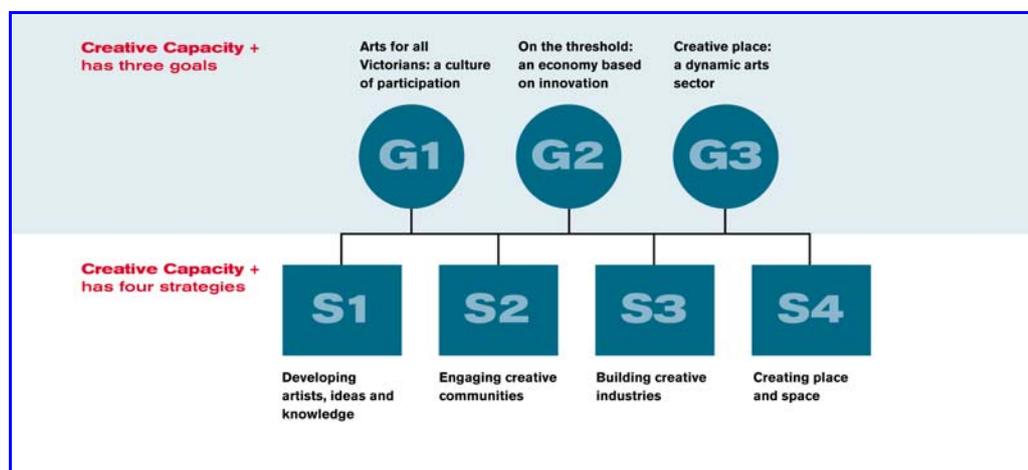
⁴⁰ For some examples, see S. Navrud and R. C. Ready (eds.) (2002), *Valuing Cultural Heritage: Applying Environmental Valuation Techniques to Historic Buildings, Monuments and Artifacts*, Edward Elger: Northampton, MA.; or D. Noonan’s (2002) annotated bibliography, accessible at: <http://culturalpolicy.uchicago.edu/CVMpapers/Noonan.html> (as on 11 February 2008).

APPENDIX A: VICTORIAN GOVERNMENT'S ARTS PORTFOLIO CURRENT POLICY INITIATIVE – CULTURAL PRECINCTS

A.1 CULTURAL PRECINCTS

The Victorian Government's current arts policy statement, *Creative capacity +, arts for all Victorians*, is undertaking a five year review which includes extensive consultation with industry, other government agencies and the community.

The review is maintaining the overall architecture of the policy. *Creative capacity +* adopts a triple-bottom line approach with three goals (social, economic and cultural) and four strategies as follows:



A significant level of arts industry and community consultation has been undertaken as part of this review. Changes to the arts environment since the launch of the policy have been identified and new initiatives to respond to these new circumstances have been proposed.

One major policy initiative arising out of this review is an emphasis on cultural precincts as a means of making the arts an integral part of the life and economy of every community in the State.

Contemporary cities place increasing emphasis on amenity, liveability, innovation and effective infrastructure and services making full use of the potential of information, inter-network, and knowledge as progressive key drivers.

Harnessing the creative potential within the community is often the key aspect of a city's competitive advantage. Characteristics of a creative city, a majority of which is present in Melbourne, include:

- a strong arts fabric, evidenced through a community that celebrates artists and has strong cultural institutions;
- artists' that look at the world in new ways and stretch, broaden, lift and deepen the understanding of the societies in which we live;
- iconic buildings (such as the Arts Centre);

- strong commercial cultural sector (design, galleries, architecture, broadcasting, film and fashion);
- free spaces to think and promote knowledge sharing (such as wi-fi spaces);
- programming which reflects the diversity of the community;
- a diverse community; and
- a mix of infrastructure (heritage and contemporary).

Creative environments are critical in creative city development. Networking and project development between creative cities will be pivotal to future global success, intercity competitiveness is not a sustainable future practice.

Cultural precincts across the world have proven to be an important civic investment and a major step to promote cultural and artistic activities and support the long term development of regions as creative economies and world cities. Precincts bring about substantial tangible economic outputs and employment, and also various significant intangible benefits.

The tangible elements include value added and job opportunities, venue operations and programs. The intangible includes fostering the development of a knowledge based economy, invigoration of creative industries and innovation related activities, nurturing and pooling talent, attracting investors, raising the quality of life and enhancing a city's brand, position and profile. Creative precinct development also assists to upgrade soft infrastructure such as networking, cultural distinctiveness and vibrancy, all qualities of a modern world city.

Enhancing cultural assets through precinct development can contribute to GDP or GSP, encourage employment opportunities and a wide spectrum of economic sectors, including arts and culture, design and publishing, advertising and marketing and tourist related industries. Tourists are attracted to attending exhibitions and arts performances and cultural experiences.

In this regard, the Government is currently investing in the development of a master plan for the Southbank area between St Kilda Road and Sturt Street, from the Yarra River to the Malthouse Theatre.

A.2 INFRASTRUCTURE AND ACTIVITY

Roodhouse and Montgomery⁴¹ point out that arts precincts which successfully deliver benefits to local communities are more than collections of landmark buildings or heritage institutions located in a particular vicinity. Redeveloped and/or new major buildings may be an important starting point.

Successful precincts provide and support a range of artistic, economic and commercial activities within the precinct, including locally-generated arts enterprises and creative businesses, an evening 'food and beverage' economy, and a diversity of content including content 'imported' from outside the local area.

⁴¹ J. Montgomery (2007), *The New Wealth of Cities, City Dynamics and the Fifth Wave*, Ashgate and S. Roodhouse (2006), *Cultural Quarters, Principles and Practice*, Intellect.

A.3 SOUTHBANK CULTURAL PRECINCT REDEVELOPMENT – MELBOURNE’S CREATIVE CITY COMPETITIVE ADVANTAGE

The Southbank Cultural Precinct Redevelopment project identifies and aims to strengthen the primary City arts district, a pivotal city location and to reinforce its presence and linkages with other key areas. Over 15 cultural venues will be connected together within the cultural district.

The project will affirm Melbourne’s commitment to being one of the leading creative cities and maintaining a leadership position through enhancing its existing cultural assets and its cultural icons. It will reinforce, and continue, Melbourne’s positioning as the preferred destination in Australia to experience the best of the nation’s arts and culture.

The precinct will be a major contributor to the “hard” and “soft” arts infrastructure of Melbourne. The area will be home to major performing arts companies and institutions (the Arts Centre, Melbourne Recital Centre, Melbourne Theatre Company, Malthouse Theatre, Melbourne Symphony Orchestra, Chunky Move contemporary dance company, The Australian Ballet), major visual arts organisations (National Gallery of Victoria, Australian Centre for Contemporary Art) and nationally-recognised arts education organisations (Victorian College of the Arts, The Australian Ballet School). Venues in the precinct will be hired for performances by the small-to-medium sector companies. The diverse and vibrant work of this range of arts organisations will create a vitality and range of offerings which will be unequalled in the region.

The project will deliver an international precinct that only Melbourne can deliver enriching the entire community and confirming Melbourne’s place among the world’s great cities.

A.4 CULTURAL PRECINCTS IN REGIONAL VICTORIA AND MELBOURNE’S GROWTH CORRIDORS

Arts precincts have the potential to improve liveability in regional Victoria and in Melbourne’s outer-suburbs.

Key regional Victorian cities such as Geelong, Bendigo and Warrnambool are establishing themselves as growth areas for new residents seeking the “tree change” or “sea change” lifestyle. They also have scope to establish themselves as major cultural and tourism destinations.

A network of arts precincts at Melbourne’s principal outer-suburban activity centres will complement Southbank and supporting and extending Melbourne’s reputation as a liveable city beyond the inner-city.

Building on Victoria’s nationally-recognised network of arts institutions, workforce and programs both in Melbourne and regional Victoria, in close collaboration with Local Government, local arts precincts will integrate the arts into the life and economy of every community in the State.

In addition to supporting new and re-developed cultural infrastructure, Government initiatives – through the *Moving Forward*⁴² Provincial Statement and the *Arts in the Suburbs*⁴³

⁴² Regional Development Victoria, Victorian Government (2005), *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* (also known as the Provincial Statement)

⁴³ 2007-08 Victorian Budget facts sheet (available from Arts Victoria website)

initiative – build on that strength and addresses “gaps” in both program delivery and diversity of content available to communities outside the capital city.

Support to organisations to develop work for the touring circuit with a focus on delivering new product into new areas – across regional Victoria and Melbourne’s growth corridors will focus on broad, supporting programming from main stage theatre, orchestras and visual art to small scale innovative works across all art forms.

In addition, producers will be encouraged to work with educators and community groups to provide outreach programs that engage with new audiences and foster a better knowledge of and demand for all art forms.

The program focuses on increasing accessibility to quality cultural product by providing programs where people live. It aims to provide equity of access to the arts at the local level particularly in new growth areas on the suburban fringe and will support other whole of government initiatives under both M2030 and Transit Cities through the development of cultural facilities and programs in key suburban activity centres.

A.5 CULTURAL PRECINCTS – QUANTITATIVE EVIDENCE

Refer to the West Kowloon Cultural District economic impact study above which details the employment, tourism and economic flow-on effects of the construction of a major cultural facility in an international city.

For regional precinct development, refer to the State of the Regions report 2004-05 which demonstrates the importance of diversity of cultural offerings in regional areas as a driver of population growth and hence regional economic performance.

A.6 CULTURAL PRECINCTS – QUALITATIVE EVIDENCE

Touring Victoria is a cross art form funding program that provides communities in outer-metropolitan, regional and rural communities with access to professional, artistic and cultural experiences. The one-off project grants administered through Arts Victoria’s Touring Victoria program provide financial assistance to artists and arts organisations to offset the cost of touring performances or exhibitions within Victoria. Tours include drama, music, comedy, contemporary dance, craft, photography, ballet, heritage and contemporary visual art.

Tours play an important role in developing the cultural and social and life of a community.

Recent evaluation of these Arts Victoria touring programs have provided qualitative evidence of the importance of vibrant cultural offerings to the attractiveness of regional and suburban centres. This evidence is in the form of the positive feedback from venue managers, and members of local communities.

Affordable and accessible exhibitions/performances for Victorians living in outer-metropolitan and rural areas

“For rural and remote areas it provides access to arts experiences, particularly with the drought, that they don't have the money to travel to regional centres to see” (Venue)

“Brings theatre out to the suburbs” (Venue)

“We provide professional entertainment that the community enjoys and it combats regional isolation” (Venue)

Opportunities for social interaction and a sense of community

“They are entertained and it adds to their sense of community, it enhances their wellbeing because they get out and have a laugh” (Venue)

“Providing quality entertainment on a regular basis to improve the liveability of the city” (Venue)

“We provide professional entertainment that the community enjoys and it combats regional isolation” (Venue)

An example:

The Cafe Concert Series tours culturally and musically diverse acts, such as cabaret, jazz and Cuban to smaller and intimate venues around Victoria.

The Snowy River Arts Network in Orbost has been hosting this series since 2002 and recently reported that:

“In a small and at times a very divided community such as ours these opportunities to bring people together in a positive and powerful way cannot be underestimated for the strengthening effect they have on relationships in the community. Orbost is an isolated community that has little cultural diversity. Experiencing arts is to experience humanity: when we listen to the powerful songs of Klezmer music, dance to potent African rhythms or thrill to the bittersweet stories of the Irish, we come a little closer to being open and accepting of people who may not be like us. The Cafe Concert Series is the single biggest cross-cultural experience regularly available to our community.”