An Economic Impact Study of Welsh National Opera Within Wales

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July 2010
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1. Introduction
1.1 The methodology for this economic impact study emerged from a national study commissioned by Arts Council England, with the support of Arts Council Wales, Arts Council Scotland, TMA, ITC and SOLT, to measure the economic impact of UK theatre. It was undertaken by Dominic Shellard of the University of Sheffield and published in May 2004 (www.artscouncil.org.uk), with the raw data being used by the Department of Culture, Media and Sport for their deliberations on the Comprehensive Spending Review 2004.

1.2 Since 2004, Dominic Shellard and Derrick Elliss have completed over 25 further economic impact studies of organisations as diverse as Hull Truck Theatre, Rhyl Pavillion Theatre, Nottingham Playhouse, Mansfield Palace Theatre and the Abbey Theatre, Dublin. Dominic Shellard has also undertaken a Social Impact Study of UK Theatre, with Bill McDonnell, for Arts Council England in 2006. It is intended that this Economic Impact Study of UK Theatre will be repeated in the near future.

2 Theatrical Management Association
3 Independent Theatre Council
4 Society of London Theatres
Welsh National Opera

1.3 Welsh National Opera (WNO) is a world renowned touring opera company based at Wales Millennium Centre in Cardiff with a permanent staff of 238 people, including the chorus, orchestra, creative teams, technical staff and administration.

1.4 As well as performing in Cardiff, the company performs in Llandudno and Swansea within Wales and tours England visiting venues in Liverpool, Birmingham, Milton Keynes, Oxford, Bristol, Southampton, Plymouth and sometimes London.

1.5 Of the 45,000 people who saw the company perform at the Wales Millennium Centre in Cardiff, approximately 74% came from the Cardiff region, 9% the Bristol region, 6.5% the Swansea region, 3% Greater London, 7% the rest of the UK and 0.5% overseas. WNO, therefore, drew audiences from well beyond Cardiff, contributing an important income stream.

1.6 The company performs abroad occasionally including major cities such as Milan, New York, Paris, Tokyo and, most recently, in Hong Kong. WNO also works collaboratively with other opera houses around the world, producing work together under co-production arrangements. Recent collaborations have included working in partnership with opera houses in Chicago, Munich, Berlin, Zurich, Barcelona, Geneva, Sydney, Oslo and Copenhagen.

1.7 The Orchestra of WNO also performs in its own right at St David's Hall, Cardiff and elsewhere in Wales and England. In 2008/9, there were a total of 20 concerts and those performed in Wales are included in this study.

1.8 Cardiff Theatrical Services Ltd is a subsidiary of WNO which sells sets to customers which are originally produced within the workshops of WNO. In 2008/9 turnover was £1.4m. The company’s results are consolidated within WNO’s accounts and those elements that are relevant to Wales are included in this study. Its client base includes the Royal Opera House, Glyndebourne and opera companies in St. Petersburg, Barcelona, Monte Carlo and Amsterdam as well as commercial producers such as Cameron Mackintosh Ltd.

1.9 For the purposes of this study, therefore, the economic impact of WNO is to be measured within Wales in order to assess the importance of WNO to the Welsh economy in providing a wide programme of operatic excellence.

What is Economic Impact?

1.10 WNO makes a contribution to the worth of the local economy in two ways: direct and indirect. Its direct impact is made up of straight local spending. For example, the amount spent on purchasing supplies locally, or the amount spent on resident staff wages which is then spent on items such as accommodation, food, and clothes locally.

1.11 The indirect impact takes into account the ‘knock-on’ effect which is generated by the direct impact, where money spent results in more money being spent. An example of this includes the purchase of supplies from a local company which results in that company spending on their staff wages and purchasing other supplies. All that expenditure is constantly circulating around the local economy, helping to preserve jobs, and boost economic growth.
The Formula for Calculating Economic Impact

1.12 There are two main ways of defining economic impact.

1.13 If you wish to define economic impact as being the total economic activity that is generated by an opera company (in other words, what total economic activity an area would lose in total if the theatre was not there), you could use the following formula:

Table 1: The formula for calculating the economic impact of opera venues including turnover

<table>
<thead>
<tr>
<th>Formula for Calculating Economic Impact Including Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Turnover + Overseas Earnings + Additional Visitor Spend + Salaries + Subsistence Allowances + Goods and Services Expenditure)</td>
</tr>
<tr>
<td>x a multiplier of 1.5</td>
</tr>
<tr>
<td>(to take into account the knock-on effect in the local economy)</td>
</tr>
</tbody>
</table>

1.14 By including turnover, you are establishing the scale of the economic activity related to the opera company, and are viewing economic impact as being about inputs and outputs, rather than about profit and loss. So, for example, turnover is made up of money from customers, funders and businesses, and produces a specific economic effect, whilst a theatre’s expenditure on wages and supplies produces a completely different economic effect. It is not a strictly linear model.

1.15 If, however, you wish to define economic impact as being purely what an opera company contributes to the local and national economy, you could choose to ignore turnover and overseas earnings and employ the following formula:

Table 2: The formula for calculating the economic impact of opera venues less turnover

<table>
<thead>
<tr>
<th>Formula for Calculating Economic Impact Without Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Additional Visitor Spend + Salaries + Subsistence Allowances + Goods and Services Expenditure)</td>
</tr>
<tr>
<td>x a multiplier of 1.5</td>
</tr>
<tr>
<td>(to take into account the knock-on effect in the local economy)</td>
</tr>
</tbody>
</table>

1.16 This study would ideally like to employ the formula in Table 1, which includes turnover, but because it was impossible for the national study to collect sufficient data from SOLT venues (through no fault of their own, it should be added), it has been decided to employ the formula less turnover in Table 2 to calculate a consistent headline figure for economic impact across the sector. The figure for WNO will, therefore, be calculated using the same formula, and should be seen as a conservative calculation.

1.17 However, the figure plus turnover will also be given to indicate what Wales would lose if WNO ceased to exist.

1.18 Both formulas also employ multipliers. Multipliers are used in impact studies to take into account the knock-on effect of spending by the opera company throughout the local economy. To ensure that this study produces a viable but cautious result, the smallest multiplier possible has been used of 1.5.
2. The Components of the Economic Impact of Welsh National Opera

2.1 Additional Visitor Spend (AVS) Additional Visitor Spend is the money spent by people attending the WNO to see a performance, in addition to the cost of the tickets, and covers transport costs and car parking, domestic costs (eg Babysitter, Carer), overnight accommodation and any food and drink purchased within and outside the venues used by WNO.

Figures used in this study are taken from the year end accounts to 31st August 2009. For 2008/9, the total amount of AVS for WNO is £1,877,200.

The AVS made by an average audience member per visit is £26.

This figure was calculated from the results of a questionnaire that covered 883 audience members at the following productions during the Spring 2010 programme of Tosca, Carmen, and The Abduction from the Seraglio at either Cardiff and Llandudno venues.

The total AVS is calculated by taking the average AVS per head from the questionnaires and multiplying this figure by the number of tickets sold in Wales in the year (i.e. 72,200 tickets x £26 = £1,877,200)

Audience members travelled to WNO venues by the following means:

<table>
<thead>
<tr>
<th>Mode of Transport</th>
<th>Number of Users (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car</td>
<td>89</td>
</tr>
<tr>
<td>Public Transport</td>
<td>7</td>
</tr>
<tr>
<td>By Foot</td>
<td>3</td>
</tr>
<tr>
<td>Taxi</td>
<td>1</td>
</tr>
</tbody>
</table>

2.2 Salaries £8,202,000 was spent on salaries in the year. The average number of permanent staff was 238 plus 203 temporary staff. The company also enjoys the support of 35 volunteers.

2.3 Subsistence Allowances These are paid by some opera companies to performers and support staff to cover the cost of travel, accommodation, food and other living expenses. In the year 2008/9, £271,000 was paid.

2.4 Goods and Services Bought Supplies purchased totalled £4,700,000.
The Calculation of the Total Economic Impact of Welsh National Opera

By feeding the above components into the formula, it can be seen that the total economic impact of WNO on the Welsh economy was:

<table>
<thead>
<tr>
<th>The Economic Impact of Welsh National Opera (2009/10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(£1,877,200 (AVS) + £8,202,000 (Salaries) + £271,000 (Subsistence Allowances) + £4,700,000 (Goods and Services) x 1.5</td>
</tr>
<tr>
<td>= £22,575,300</td>
</tr>
</tbody>
</table>

If one employs the comprehensive formula, which includes turnover, the economic impact rises to £33,689,000.

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