

CONFIDENTIAL

Mr Ian Gow MP

SPECIAL FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND THE ROYAL SHAKESPEARE COMPANY

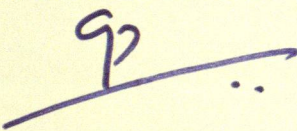
I think it might be helpful to us both if I were able to take your mind on the subject of this scrutiny reasonably soon. The scrutiny requires me to examine the financial affairs and prospects of the ROH and RSC and to make recommendations.

2. The political aspects of the scrutiny ("London vs. the regions", "the people vs. the toffs") are potentially awkward and it would be helpful, for me at least, to take counsel with you on them.

3. I attach a memorandum given me in confidence by a leading writer which brings out another interesting feature of the exercise, the effect which subsidy is alleged to have on the commercial theatre. It is a fascinating insight into the theatre world that the paper has been supplied only on the strictest understanding that I will not reveal the author's identity.

4. I also attach a preliminary description of the exercise which will show you the sort of ground I want to cover in the main stage of the exercise, which I see lasting from Easter into July.

5. Your time must be spoken for very fully, but if you could spare me 30 minutes or have lunch with me one day that would be very helpful. I will get in touch with you in a day or so to see what would suit you.

  
C PRIESTLEY  
17 March 1983

Encs: Private paper  
Preliminary description

273 3508.



[Blind copy: Mr Paul Channon  
Mr Ian Gow]

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15 March 1983

Patrick Cormack Esq MP  
House of Commons  
London SW1

*Dear Mr. Cormack,*

SPECIAL FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND THE  
ROYAL SHAKESPEARE COMPANY

As I think you know, the scrutiny team for this exercise has been assembled and is at work.

2. The team is now moving towards the preparation of a detailed plan of inquiry, for which purpose it is seeing people in the two companies; in the Arts Council; and elsewhere. I am sure that you will be particularly interested in our work and have thoughts and ideas to contribute to it. So we should very much like to meet you in the near future and to have the opportunity to consult you again during the course of our exercise. Should this be agreeable to you. In the hope that you will be willing to see us, my office will be in touch with yours in the next day or so to see what would suit; we could wait on you at the House of Commons or see you here if you preferred a change of scene.

3. You may like to know, first, that I have written to Mr Christopher Price MP in similar terms and, secondly, that we are treating all interviews as being on a personal and confidential footing; nothing will be attributed to a particular interviewee without her/his authority.

4. I should like you to meet my colleagues Ian Trumper and David Allen as soon as possible, but if you would prefer a first meeting with me alone, I should be very glad to call on you at the House of Commons or to offer you a talk over lunch as my guest (not the taxpayer's).

*Yours sincerely,*  
*Chris Priestley*  
C PRIESTLEY

*Received 16.iii.83*

## GUIDELINES

It is important to take the broad view. Many millions of pounds go into subsidising the so-called Big Four: the Royal Opera House, the English National Opera, the National Theatre and the Royal Shakespeare Company. The most important question for government to consider is whether or not the taxpayer and the consumer get the best possible value out of this money.

Naturally the Big Four can present many successes. But so could most organisations granted that degree of public financial support. They have to play very few performances of each production (compared to the commercial sector), are under no obligation to recoup at the box-office, and can claim successes in numerous ways:

- i) box-office success
- ii) critical success
- iii) winning awards
- iv) the presentation of "important" work.

Thus, in the face of failure, success can always be argued on one of these alternative grounds. (The "yes, but..." argument).

This enquiry should consider how real is the box-office success that is claimed; how relatively easily critical success can be purchased when the state enables the companies to double rehearsal time, spend lavishly on sets, costumes, musicians, size of cast etc., compared to the commercial sector; and how "important" is the so-called important work, some of which (even playing only a few performances per month) cannot attract full houses.

British Leyland, British Rail, British Steel all lose considerable sums of the taxpayers' money, and are not generally considered to be successes. This is in spite of the fact that they produce the Metro and the Maestro, and the trains run on time, and so forth. Why, when the Big Four cost the taxpayer so much, should they be considered successful?

This report should also consider the fact that the Big Four are only truly available to Londoners, except for the RSC which is available in the Midlands and for six weeks of the year in the North-East.

It could be argued that the Directors of the Big Four are shrewd, autocratic empire-builders, protecting their vested interests with considerable political skill. While paying lip-service to the commercial sector they have no real interest in seeing it survive. Their political skill lies in presenting themselves as the underdogs, when they are no such thing.

1. Consider the rise in subsidy of the NT and RSC in relation to the falling off of attendances in the commercial West End. Is there a causal connection? The collapse of the West End is generally attributed to the recession, VAT, etc. Is it not also due to unfair competition from the public sector?

2. Consider the costs, budgets etc of the RSC and NT by comparing them to the budgets of other subsidised theatre companies and - more important - by comparing them to commercial West End productions.

3. Discuss subsidy, its use and abuse, with the RSC and NT's competitors in the commercial sector. Ian Albery, for instance, at the Albery Theatre. Ask to see his letter to The Times. Get Mr Albery's views on costs.

4. Check with other leading West End managers their views on costs - salaries, sets, costumes, rehearsal time etc. Bear in mind that actors' salaries in the West End reflect eight performances per week, whereas salaries at the NT and RSC may reflect anything from eight performances per week to no performances per week. (on a weekly basis).

5. RSC budgets must be inspected, in order to make comparisons.

6. Seek the views of West End managers as to whether the great sums of money given to the NT and RSC have damaged the West End.

(In order to get honest opinions you may have to allow them to speak in confidence. Do some independent producers now fear being blackballed by the RSC and NT because their hopes of transferring subsidised product into the West End is a means of continuing to function at all? Unlikely, but possible)

7. Go back into history, and look at the figures for subsidising the RSC and NT, and how they have risen since the early 1960s.

8. Try to talk to leading members of the theatrical profession, who have experienced work at the NT and RSC, but are no longer connected with them. See if frank opinions are forthcoming. If it is found that such people are unwilling to speak honestly to this enquiry, such reluctance should be recorded and stated high up in the report. It should be remembered that such people will have to be asked stimulating questions.

Consider whether the fear of being black-balled by these companies is a real fear. It certainly exists as a fear. It is true that serious reputations in the classical theatre cannot be built in this country if artists are unable to work in one of these companies.

9. Previous directors of these companies should be approached for information: Michael Rudman, Jonathan Miller, Michael Blakemore.

10. Ask the RSC and NT directly if they have a blacklist of leading professionals. Ask if it is only on grounds of talent (or lack of it). Question the RSC, if they answer that their blacklist is only on grounds of no-talent, as to why they never employ Sir John Gielgud.

While it is clearly quite acceptable that both the NT and RSC should be able to engage only those artists whom they respect and with whom they want to work, the enquiry should consider whether the current duopoly is fair to those talented people who are out of favour .

11. When checking RSC budgets for sets and costumes, be aware that that they may not include the cost of building and making those items. However, these building and making costs are liable to be included in any other budgets which you are likely to select for comparison. RSC building costs are listed elsewhere and lost in overheads; thus sets and costumes may appear to be much cheaper than they really are. This may also apply to the NT.

12. Find out how much the NT and RSC make from other subsidised companies by hiring out costumes, props, armour etc - thus increasing their own income, but at the expense of their already drastically under-funded colleagues in the public sector.

13. Contact British Actors Equity Association, in case they have pertinent criticisms or suggestions. Also NATKE.

14. Consider the fact that a number of leading actors in the classical theatre have not worked in the West End for many years. (eg Judi Dench). Ask why? Is it necessarily in the public interest that the West End can no longer compete for the talents of such artists? The reasons would be that there is no necessity to play 8 performances per week; that the play is less likely to be seen as a risk or a failure as it does not have to attract audiences for 8 perfs per week; that the risk of failure is still further reduced by having a longer rehearsal period that the

commercial sector can afford. For all these reasons there is less risk of serious loss of face for the star in the event of things going less well than had been hoped.

15. Check if the salaries of the Artistic Directors of the Big Four are published. If not, consider if this secrecy is right and proper.

16. Look into the expenses sheets of the Artistic Directors, an area of possible extravagance.

17. Consider the propriety of money made by these Artistic Directors off the back of commercial transfers to the West end and Broadway, of productions paid for by the taxpayer. For instance, the West End and Broadway transfers of the NT's "AMADEUS". The Artistic Director was paid a percentage of the gross box office receipts. (4% ?). Consider that "AMADEUS" could have stayed in the repertoire at the NT, but if so would have presumably have attracted no extra royalties for the director. As in the case of "GUYS AND DOLLS". Finally, consider how much time is spent by the Artistic Directors on other private work - Glyndebourne, R.O.H., non-subsidised West End and Broadway productions, tv, etc.

18. Consider whether NT and RSC box-office figures are deceptive. 90% attendance at a play that gives

8 or 9 performances a month (or gives a month's limited season) is surely to be expected. Anything less than virtually full houses should surely be accounted a failure. Can such limited numbers of performances be considered successful in the same terms that West End run of months or years is successful?

19. Consider the encroachment of the subsidised companies on what was previously regarded as the preserve of the commercial theatre. Is this in the public interest?

eg: the NT's productions of plays by Alan Ayckbourn, the revival of GUYS AND DOLLS, and the planned presentation of a new musical by Marvin Hamlisch (composer of A CHORUS LINE and THEY'RE PLAYING OUR SONG).

Is this appropriate work for the NT, and should it be publicly funded and secured from risk? If so, what is the difference between the roles of the subsidised and the commercial theatre? Should not the grant only be applied to work that could not survive in the commercial theatre?

20. Consider the RSC's Small-Scale Tour. Discuss this matter with Miss Sheila Hancock, if she is willing to be frank. Ask whether the actors who will appear in this tour are principal members of the main company, or whether they have been newly recruited. Is the

RSC label the only authentic ingredient of this tour.

21. Compare the salaries paid to actors in the RSC Small-Scale Tour with salaries paid to actors in every other significant small-scale touring company. (The Arts Council will supply the names of the principal small-scale touring companies.)

22. Compare RSC Small-Scale tour budgets with other companies' budgets for small-scale touring.

23. Consider whether the RSC should do any small-scale touring. The RSC argues that its small-scale tours are artistically linked with their studio work at THE OTHER PLACE and THE PIT. But should not this matter be considered also from the point of view of the consumer? Should not the great demand to see the work of the RSC outside London be satisfied by a middle-scale tour instead of village halls? Ask the managers of the theatres in Bath, Darlington, Stirling, Mold, Aberystwyth, Oxford, Cambridge, Swindon, Reading etc if they would not be able to fill their theatres if they were able to present the RSC.

24. How do you find out if the consumer and the taxpayer are getting good value for money, especially from touring? You examine the total cost of provincial tours by dividing the total cost of mounting and conducting those tours by the total number of people who see the performance.

The only real way to find out the total cost of a production to the taxpayer is to cost in the overhead. Therefore you must take the cost over one year for each production (including box-office receipts and overheads) and divide by the total number of attendances.

25. Should productions be kept in the repertoire for longer, when successful? Actors in the West End sign up for a minimum of 8 performances a week, for six or nine months. This is for one play. It is argued that the public wants a successful show to continue for a long time with the original cast, until those who wish to see it have had a chance to do so. Therefore, compare the number of performances of the most successful RSC and NT box office shows with the number of performances of a West End success. Bear in mind that on transfer to the West End many RSC and NT plays have suffered from cast changes in crucial leading roles.

Can it be argued that that more new productions are scheduled than is economically necessary, because directors and actors like to move on to new work?

26. Consider the history of the RSC's four theatres. This is an example of Switch-Sell. The second theatre in Stratford was originally sold as a means of taking up slack at no extra cost to the nation. Now the RSC argues that it needs more money in order to

maintain its commitment to four theatres.

Does the RSC need to put on as many as 15 productions per annum? Is this in the public interest, when those productions in THE OTHER PLACE and THE PIT can each be seen by small numbers of the public? And in the case of modern plays which do not even attract large houses at these small auditoria, can the output be justified?

27. Consider the relative numbers of actors and stage managers employed by the RSC before the advent of THE OTHER PLACE and THE PIT/with current figures.

28. Work out the cost of subsidy per seat at the Royal Opera House.

29. Consider if the Royal Opera House would survive if entirely deprived of subsidy. If so, how?

30. Would the RSC and NT survive if deprived of subsidy? If not, would it matter, if the talent currently employed by those companies became available for the commercial theatre, as in the past?

31. Ask other subsidised companies (Artistic Directors and Administrators) how they view the RSC and NT.

You may have to go off-the-record. Suggestions: Philip

Hedley (Theatre Royal Stratford, E.15; Michael Attenborough, Watford.)

32. Consider the cost of touring, say, GUYS AND DOLLS to the Bristol Hippodrome for one week. Would it be

cheaper to lay on special trains or coaches to take Bristol theatregoers to London? Or would it be better value to give an extra two hundred thousand pounds(?) to the Bristol Old Vic?

This is a collection of random questions. No doubt there are good answers to them, or to many of them. Nonetheless, they should be asked, as should many others.

In taking the broad view the whole question of subsidy should be considered. The enquiry must be willing to think the unthinkable.

Why do we subsidise these companies at all? Could the R.O.H. survive on patronage from big business and charitable foundations? Could not those who can afford thirty pounds per seat afford fifty pounds per seat?

The Stratford Memorial Theatre received no subsidy at all throughout the 1950s. Standards were high, judging from the critics and the box-office. Tourists were attracted. Productions transferred to the West End then as now, and competed satisfactorily with a highly profitable commercial sector. Subsidy effectively came in with the Wilson government. Was this truly a step forward - or only for those granted the licence by the state? Is the subsidised theatre to the West End what British Airways was to Laker?

Approximately 5000 new theatre seats have been created in

London, at the new National Theatre and the Barbican. Approximately 5000 seats is said to be the number in the West End theatres that have been dark for the first three months of 1983. Is there a connection?

So what is the reason for subsidy?

- i) To preserve English classics and culture?
- ii) To attract tourists?
- iii) What, if anything, should not be subsidised?  
(Morecambe and Wise? Hinge and Bracket? Little and Large? Cannon and Ball?)
- iv) To redistribute income? So that the poor can go to plays? If so, do they? If not, why not? And how much is it available outside London, to the provincial poor?

Putting the question another way: Could English classics and culture be preserved and tourists attracted if:

- a) the subsidies were abolished?
- b) the subsidies were diminished?
- c) the subsidies were shared with the commercial sector?

It can be argued that the theatre ought to live on its wits and on its merits in the market place, not because officials and committees believe that certain companies are worthwhile. Some people hold the view that subsidy is anti-art. Patronage is not anti-art, it is merely anti-popular-art. But if neither rich patrons nor the paying public will support theatrical work, then what is the argument for doing it?

It is scarecely possible for this report to come down against the subsidies in the current political climate. But these questions should nonetheless be thought through, as a corrective against many modern unquestioned assumptions. The Big Four do not have a divine right to the munificence of the state.

Finally, this enquiry should not be in a hurry to report. This is a historic opportunity. The future of the private sector depends, as in all other industries, on to what extent the public sector is to be allowed to defend the vested interests which it has built up in the nineteen years since the Wilson government came to power, and to what extent those vested interests should be curbed.