

INDIGENOUS VISUAL ART INDUSTRY PROFILE

1. Government Involvement

- IVIAS (Indigenous Visual Arts Industry Support)
 - The program contributes \$27 million annually.
 - 80 Art Centres funded.
 - Indigenous Art Fairs, regional hubs and five industry service organisations, which include Desart Inc, Arnhem Northern and Kimberley Artists Aboriginal Corporation (ANKA), Indigenous Art Centre Alliance (IACA), Ananguku Arts and Cultural (Ku Arts), Aboriginal Arts Centre Hub of WA (AACHWA).
 - Estimated 8,000 artists and 500 art workers in the visual arts industry.
- ACA (Australian Council for the Arts)
 - Supports indigenous visual artists, visual arts organisations, industry bodies, art centres, galleries, festivals and cultural organisations.
 - First Nations art awards – Red Ochre Award
 - Indigenous cultural protocols for using First Nations cultural and intellectual property in the Arts – 10 key principles on ethical engagement.
 - Dedicated First Nations Strategy Panel and First Nations team – self-determination, leadership, and investment in indigenous visual arts.
 - Research to advocate for the public value of First Nations Art.

KEY INVOLVEMENT STATEMENT: ACA will play an integral part in delivering the action plan and supporting investment in ATSI artists, and arts organisations throughout Australia.

- IAC (Indigenous Art Code)
 - Additional government (federal and state) funding to substantially increase the IAC support for ATSI artists and art organisations., including ethical trading issues and action in relation to **inauthentic indigenous “style” products**.
 - Desart Inc has received funding for a 12-month trial in the use of the indigenous product labelling – QR code model.
- RESALE ROYALTY RIGHT
 - 5% payment of the value of re-sold art works above \$1,000.
 - 65% of the artists have benefitted from the scheme who have received 38% of the royalties by value. **A very low return on the 5% fee on the sale price!**

2. National Indigenous Visual Arts Action Plan

- **ACTION 1 – Investment in Core Infrastructure**
 - Attracting and retain professionally qualified staff – 40 Art Centres
 - Support up to 10 per year to increase access for ATSI art nationally and internationally.
 - Build on the online market opportunities established during Covid – 19.
 - Invest in 20 projects to increase digital literacy and infrastructure in art centres through training, information technology and online platforms. **YULGNU PLATFORM OPPORTUNITY.**
- **ACTION 2 – ATSI Artist Support**
 - Support for ATSI artists that do not have access to regional art centres.
 - Offer support to develop professional skills and generate work from their work.
- **ACTION 3 – NBN Co. Support**
 - Improve access to digital infrastructure to art centres to connect them with NBN.
- **ACTION 4 – Increase professionalism of the Indigenous Visual Arts Industry.**

- Training for indigenous arts centres provided by ORIC (Office of the Registrar of Indigenous Corporations)
- Increase capacity of artists and art centres with philanthropy and other partnerships with support from CPA (Creative Partnerships Australia).
- Connecting Artists to develop business skills – targeted promotion with New Business Assistance with NEIS for training and mentoring.
- **ACTION 5 – Digital Labelling Roll-out.**
 - Funding the national rollout of the digital labelling for artworks and products – project management, digital and financial infrastructure, training, resources and evaluation.
- **ACTION 6 – Promotion of ethically produced and authentic art.**
 - Awareness strategy that promotes consumer education on where, how to buy authentic art and the IAC.
- **Action 7 – International Cultural Exchange**
 - Work through DFAT establishing communications between diplomatic missions and indigenous art corporations.
- **ACTION 8 – Indigenous Community Engagement**
 - Strengthen economic opportunities within indigenous communities
 - Support for the digital labelling scheme.
 - Identify possible models for stand-alone legislation to protect indigenous knowledge.
- **ACTION 9 – Support IAC**
 - Boost implementation of the Code
 - Assessment whether the IAC is meeting government objective and as well as industry and consumer expectations.
- **ACTION 10 – Resale Royalty Right**
 - Seek international reciprocal arrangements to increase the financial returns to the rights holders sold overseas.

Is there a Federal Budget figure available for the total annual costs for the action plan, separate to the \$27 million in annual funding?

3. Productivity Commission Report – Issues Paper

- **MARKETS**
 - Merchandise and mass-produced products, particularly within the souvenirs segment are a major concern to industry representative organisations due to the inauthentic art forms and without prior approval of artists and communities. Issues abound whether the “ATSI style” is IP protected from being copied by non-aboriginal people, or that ATSI art is reproduced without artist copyright consent?
 - Market value of the fine art market is an estimation only, which has decreased by around 30% since Covid measures have been enforced. Market value is estimated between \$200-500 million.
 - The souvenir market is not included in these industry monetary figures above. Scant information is available whether the souvenirs sold in all forms are copies of indigenous art without permission, authentic artist art and craft sold on behalf of artists, or sold under license with the artist.
 - Estimations are that up to 80% of products sold in the souvenir sector of indigenous style” could be inauthentic.
 - The souvenir sector seems to have little inducement for commercial engagement for selling licensed art and the opportunity for art centres and galleries to create

commercial arrangements for manufacturers and distributors in the souvenir market to take commercial advantage of this large commercial opportunity. The industry is denigrating people who sell inauthentic art rather than collaboration to capture unmet demand for indigenous artists.

- **AUTHENTICITY/INAUTHENTICITY DEFINITIONS**

- There is no universally agreed definition of authenticity or inauthenticity.
- IAC Definition – Authentic artwork is handcrafted by an ATSI person, or a licensed reproduction.
- Inauthentic art can also be defined as an ATSI person depict images and stories in their artwork without the custodian's permission.

AN ATSI ARTIST HAS THE OPTION OF SELLING INAUTHENTIC ART WITHOUT CUSTODIAN PERMISSION OR CAN IT BE CATEGORISED AS “ATSI STYLE/CREATIVE” RATHER THAN INAUTHENTIC/NON-CULTURAL?

- There is support in some sectors that a dedicated permissions process be established. Suggested is the National Indigenous and Arts Authority be created; probable under the guidance of the ACA?
- Perhaps a separate category can be formally established called “cultural art” art that is true to the images, stories and song lines being created, authenticated by the custodians of the art concept? It well may attach a much higher art value? All other art can have the broad category of “creative art”.
- The Yulgnu definition is suggested that an ATSI artist could be defined through skin and clan connection. It does not address the above issue with attaining permission for certain stories and song lines to be included in artworks. The Yulgnu definition will meet the criteria, if separate categories are defined as “creative” or “cultural”.
- Inauthentic art is considered by the broader community to be denying artists to earn a living, and that the proliferation of inauthentic art may crowd out the authentic art?
- Many complex issues surround this topic, regarding non ATSI artists producing different styles of aboriginal art without claiming authenticity. The converse can be true as well. Art is a dynamic, cultural expression of the current times experienced by humans over millennia.

- **POLICY OPTIONS FOR INAUTHENTIC ARTS AND CRAFTS**

- Raising Consumer awareness around the issues.
- Indigenous Art Code – Digital certificates, art labelling, QR codes etc.
- IP and certification trademarks through IP Australia.
- The National Indigenous Arts Advisory Association label management was not successful due to the high administration costs.
- Other authentication schemes operated by art centres, galleries were ignored, plus some artists resented the requirement to prove their ATSI heritage.
- IP Australia is considering stand-alone legislation to protect ICIP (indigenous cultural and intellectual property) and legally recognise custodianship of traditions.

Is this the same above, where the custodian grants permission for producing culturally significant artworks that hand down the stories and song lines?

- Prohibition of Authentic Products – does that mean if permission is not granted by a custodian for certain works that they are prohibited from being created or sold?
- The prohibition measure is a negative reaction, akin to prohibition of alcohol and drugs. How do you prove that a purchaser is holding contraband, as a lot of art is sole direct by the ATSI artist with no paperwork/invoice to the consumer? Is the art considered stolen goods by law?
- Promote ATSI people to capture the huge demand in the souvenir market is a much cheaper option that legislation and compliance auditing.

4. ART ECONOMICS VALUE CHAIN

4.1. Art Dealers and Galleries

Australian private buyers represent 75% of art purchases with NSW and Victoria the largest markets. The average purchase price is less than \$1,000.

4.2. Art Business Issues and investment in Sales

- Product Development
 - 4.2..1. Sourcing materials for product development is not difficult. The main barrier to new product development is the long lead time and cost, coupled with new market development. It is difficult to work with remote artists and art centre communities to develop new products/art styles that meet customer purchasing behaviour and emerging markets.
- Quality Control
 - 4.2..2. Art Provenance is a major investment criterion to increase the sales potential and prove art authenticity. There is a lack of consistency in provenance documentation and verification of provenance and traceability. When combined with poor quality art products and inconsistent art product documentation, branding is undermined. Provenance documentation was provided for art works under \$1,000; “always” by 60% and “most of the time” by 30% of the art dealers. Provenance is only as reliable as the person providing it. It is easy for anyone to produce a certificate.

Provenance information is critical and essential to the sales process. However, the meaning of provenance varied with customers. Collectors rated it very important for resale and traceability of their art purchases.

- Industry Policy Changes
 - 4.2..3. Changes to self-managed superannuation funds have had a significant detrimental impact on collectable art
 - 4.2..4. Resale Royalty Scheme has management issues with distribution of sale proceeds to deceased estates and unknown artists. Art businesses that purchase art from Art centres as wholesale, are required to pay the resale royalty when it is sold through the gallery to the purchaser. Double dip for the artist. The trend is to take art on consignment rather than purchase from the art centre to mitigate the resale royalty payment. This penalises the final payment to the artist, having to wait for the art to be sold on consignment.
 - 4.2..5. Indigenous Art Code does not improve industry practises and over-regulates the industry. There was no benefit for galleries to become members as it is not conditional on performance standards. Many Art galleries have their own quality assurance, code practises to validate the integrity of the art. The Art Code does not place high priorities on the provenance and certification processes to maintain industry standards.
 - 4.2..6. Protection of Moveable Cultural Heritage Act – 1986; while considered of minor importance to art dealers, it is an unnecessary barrier to international sales due the movement of art products from Australia.

Changes to the regulatory environment of these industry policies could have a significant impact on investor behaviour and confidence in the ATSI market.

Reliable proof of the provenance of art products is essential for the ongoing credibility of the art industry.

4.3. Business Models

- There are five main business models;
 - 4.3..1. Retail art gallery
 - 4.3..2. Retail art gallery with exhibitions
 - 4.3..3. Retail online
 - 4.3..4. Wholesale
 - 4.3..5. Wholesale online

The most popular business model is “**retail gallery with exhibition in combination with retail online**”.

There are 74 privately funded Art Businesses, of which 8 are mixed business operations; with 35 of the 74 businesses having an online sale presence.

There are 24 publicly funded Art Businesses, being art centres, galleries and cultural centres. Of these 13 have a retail online sales presence. `

4.4. Art Procurement and Sales

- 80% of art products are sourced from ATSI artists compared with non-ATSI artists.
- 78% of art products were purchased from remote locations.
- Private art businesses sourced 46% of their art products from Art Centres.
- Private art businesses sourced 37% of their art products directly from artists.
- **Art Centres have the greatest value chain gains by selling direct online rather than to art gallery businesses. Particularly for 78% of the smaller/low performing Art Centres that contribute 20% of the total sales from all art centres.**
- 78% of sales are to Australian residents; of those 50% are to private buyers, 17% are to international buyers.
- Sales commissions for art provided “on consignment” from artists and art centres sold through galleries is in the range of 50-60%. ***This needs to be confirmed.***

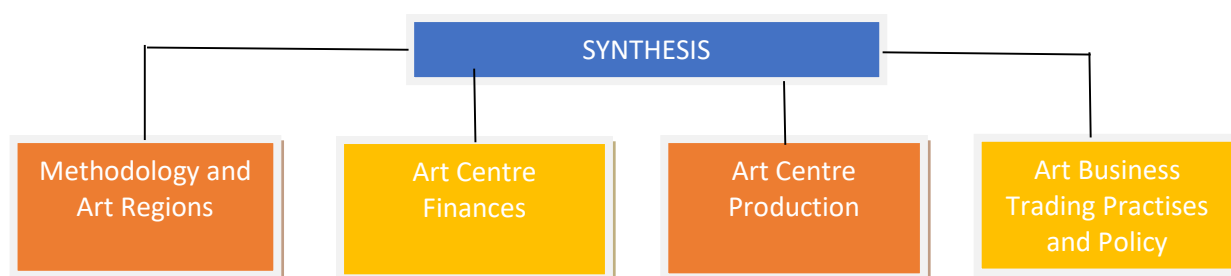
4.5. Art Business Relationships

- There is a varied experience between private businesses and art centres in the procurement process. The comment is that distribution and retailing art are two very different businesses, and it is almost impossible for art centres to do both well.
- Visiting art centres is considered important to develop/improve business relationships. The high turn-over of art centre staff effects the ongoing business relationships.
- Art centres ranked private businesses lowest for knowledge of art centre business needs, and highest for art knowledge and business communications.
- Art businesses are focussed on art sales whereas, art centres have a mixed focus between social programs, sales and distribution.

5. ART CENTRES ECONOMICS VALUE CHAIN

Art Centres run as mixed business enterprises, engaging in the commercial art market; are partly subsidised by government agencies; as well as provide artistic, cultural and social services to

marginalised remote areas. The economic analysis of the Art Centre's is divided into the following categories;



5.1. Summary of Findings

5.1.1. Art Centre Funding

- Arts funding is delivered to 90% of ATSI artists in Australia. 79% of the funding is delivered from Federal sources.
- 87 Art Centres in remote Australia shared \$26.1 M in 2012/13.
- Grant funding is now the main source of income for most Art Centres.
- 25% of the total funding is allocated to peak bodies and industry development, which is shared evenly by Federal and State/Territory governments.

5.1.2. Art Centre Roles

The funding for employment activities has increased. The IEI (Indigenous Employment Initiative) added over \$35.3 million in funding to remote area visual art funding between 2009-2012. IEI is now the largest funding contributor to Art Centres. Since the IEI funding commenced, 57% of Art Centres pay more in wages than artist payments, compared with 29% before IEI was implemented. Overall, the Art Centre's role is changing, becoming more focussed on employment, training and community activities.

5.1.3. Art Centre Financial Situation

- Art Centre sales have been falling since 2008 (GFC) with a 126% drop in retained earnings for a net loss to Art Centres. Retained earnings over the last 10 years have fallen from a mean surplus of \$106,000 in 2004/05 to a mean deficit of \$27,000 in 2012/13.
- Around 20 Art Centres make up 70% of art sales in remote Australia.
- Around 60% of Art Centres turnover is \$250,000 or less/annum.
- There are significant fluctuations in annual art centre turnover, with large declines followed by significant growth the following year.
- Artist receive ~60% return on art works sold.
- Artists contribute a further 30% of their art sales to cover the shortfall in grant funding received by Art Centres.
- The average net return to artists after all operational expenses for an Art Centre is ~ 26.5%.
- The fall in mean sales can be a consequence in the growth of the number of art centres and an increasing number of small art centres.
- **The challenge for Art Centres is to address the declining sales for art (falling artist payments) and retained earnings of art centres, coupled with the increased reliance on grant funding.**
- Arnhem Land, Anangu Pitjantjatjara, Kimberley and Western Deserts regions dominate art centre sales with > \$500,000 in annual income.

Indigenous Art Centre Financial Analysis – 2007/08 – 2012/13

Art Region	Sales Rank	Mean Art Sales	Grant	Mean Income	Wages	Artist Payments	Art Centre Overheads	Total Art Centre Expenses	% Artist Paid on Sales	Art Centre Total % O'heads	Net % Artist Paid after Expenses	% Artist Contribution above grant	Performance Ranking
Arnhem	1	637,887	241,915	927,297	225,796	370,804	508,998	556,493	58.1%	60.0%	40.0%	18.1%	1
Anangu Pitjantjat.	3	501,125	193,000	730,053	151,876	323,656	370,469	406,397	64.6%	55.7%	44.3%	20.3%	3
Central - NT	10	101,645	331,088	457,159	146,433	54,031	378,702	403,128	53.2%	88.2%	11.8%	41.3%	11
Central Desert	7	134,956	289,321	435,959	212,593	62,053	362,224	373,906	46.0%	85.8%	14.2%	31.7%	7
Eastern Desert	11	74,672	298,602	384,427	176,108	34,732	338,542	349,695	46.5%	91.0%	9.0%	37.5%	10
FNQ	6	259,812	400,690	669,890	240,343	148,303	512,199	521,587	57.1%	77.9%	22.1%	34.9%	9
Kimberley	4	499,185	252,462	837,746	210,300	298,418	453,229	539,328	59.8%	64.4%	35.6%	24.2%	4
Outback	12	67,226	59,173	126,399	48,682	40,690	85,709	85,709	60.5%	67.8%	32.2%	28.3%	6
Tiwi	5	366,692	282,566	675,271	165,287	218,197	431,061	457,074	59.5%	67.7%	32.3%	27.2%	5
Torres Straits	9	106,075	473,581	591,826	156,572	69,213	510,443	522,613	65.2%	88.3%	11.7%	53.6%	12
West Coast	8	129,089	126,866	280,446	67,049	75,877	180,078	204,569	58.8%	72.9%	27.1%	31.7%	8
Western Desert	2	591,614	230,583	894,929	183,869	340,175	482,022	554,754	57.5%	62.0%	38.0%	19.5%	2
Totals		3,469,978	3,179,847	7,011,402	1,984,908	2,036,149	4,613,676	4,975,253	57.2%	73.5%	26.5%	30.7%	