



NATIONAL ARTS CENTRE
CENTRE NATIONAL DES ARTS

ROUNDTABLE ON PHILANTHROPY IN THE PERFORMING ARTS

September 18, 2002
National Arts Centre
Ottawa, Ontario

Roundtable Organizer
National Arts Centre Foundation

Roundtable Facilitator



Public Policy Forum
Forum des politiques
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Dear Reader:

This report provides a summary of the *Roundtable on Philanthropy in the Performing Arts*, held at the National Arts Centre in Ottawa on September 18, 2002.

This roundtable was the second in a series initiated to explore ways to encourage philanthropic support in the performing arts. The National Arts Centre and its Foundation undertook this initiative as part of their mandate to work with and to support Canadian artists nationwide.

The first roundtable was held on September 20, 2001, also at the National Arts Centre in Ottawa. Featuring **James D. Wolfensohn, President of the World Bank and former Chair of the Kennedy Center**, as the keynote speaker, the theme in 2001 was *Creating Value for Canadians & Success for its Future Leaders by Investing in Youth and Education in the Performing Arts*. Roundtable participants were asked to discuss the following questions:

- Is there a need for fundamental change in the public and private sector approach to investing in the arts?
- Are there excellent partnership models that the public sector, private sector, and arts organizations can explore and develop together?
- What is the most effective way to reach young people across the country?

The report on the 2001 roundtable is available on the National Arts Centre web site, www.nac-cna.ca

The purpose of the second roundtable, in 2002, was to *examine what motivates individuals to provide philanthropic support to the performing arts*, and to examine ways to encourage more support for the arts. The keynote speaker was **Alberto Vilar, Founder and President of Amerindo Investments** and one of the world's foremost patrons of the arts. Roundtable participants were asked to provide insight and advice on giving, specifically:

- their personal motivations and what inspires them to give to the arts;
- what donors need to know from arts organizations before they can feel fully confident about investing in them;
- the unique challenges and benefits of supporting the arts; and,
- what Canada's arts organizations can do to build their capability to attract and retain major gifts and givers to donors.

This report outlines the discussion at the *Roundtable on Philanthropy in the Performing Arts* and concludes with a set of recommendations aimed at promoting philanthropic support of arts organizations.

The National Arts Centre and its Foundation would like to acknowledge the support of the **Public Policy Forum** in facilitating the roundtables and in preparing both reports.

Peter A. Herrndorf
President and Chief Executive Officer
National Arts Centre

Darrell L. Gregersen
Chief Executive Officer
National Arts Centre Foundation



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Report on National Arts Centre Roundtable on Philanthropy in the Performing Arts

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ROUNDTABLE ON PHILANTHROPY IN THE PERFORMING ARTS

National Arts Centre, Ottawa, September 18, 2002

Introduction

Peter Herrndorf, President and Chief Executive Officer of the National Arts Centre, welcomed the participants to the Roundtable on Philanthropy in the Performing Arts.

Mr. Herrndorf indicated that the NAC had a mandate to work with and to support Canada's artists and arts organizations from coast to coast. In this regard, the goal of the roundtable was to produce recommendations to assist arts organizations across Canada to raise funds more effectively.

Alberto Vilar, Founder and President of Amerindo Investments and one of the world's foremost patrons of the arts, opened the session. Mr. Vilar provided an overview of why he contributes to the arts, how he decides which activities to support, and how arts organizations can be more effective in securing donations. A summary of his remarks is appended.

David Zussman, President of the Public Policy Forum, moderated the discussion that followed Mr. Vilar's presentation. To guide the dialogue, he asked the participants to address the following questions:

- What inspires you to give to the arts?
- What is the process that philanthropists undertake when making decisions about gifts?
- What do you need to know about an organization before deciding whether to make a donation?
- How can we encourage other leaders to support the arts?
- How can arts organizations build their capacity to attract new donors and retain the loyalty of current donors?

In order to capture the content of the discussion, a summary has been organized by theme:

1. Promoting the Value of the Arts
2. Investing in Professionalism, Recognition and Stewardship
3. Improving the Giving Environment
 - A. The Role of Government
 - B. The Management of Arts Organizations

1. Promoting the Value of the Arts

The participants were unanimous in their belief that a robust and thriving arts sector was an essential component of a healthy community. They regretted that it could be much more difficult to raise funds for the arts than for causes such as health and education because of a prevailing attitude that the arts are “frivolous.” They argued that arts fundraisers should not be “apologists.” As stated by one contributor: “People need to be reminded that the arts really matter... the arts are an essential component of what it is to be human...we have had the arts since cavemen were drawing on caves and thumping drums and dancing and storytelling — this is part of humanity.”

Other participants identified the economic value of the arts: “Businesses need creative people. Where are they going to get them? They have to get them from people who are learned in the arts, who understand music, who understand artistic vision, who have creativity. That was the message I gave to businessmen when I was out fundraising for a project called Learning Through the Arts. Where are we going to get them if we don't encourage our young people to become creative and understand creativity?”

Another stated, “Although my donation was personal, I did it because I was convinced that companies like mine benefit tremendously from living and working in an environment where there is a strong arts culture.... it affects the ability to attract and retain good people.” This statement was echoed: “Corporations should invest in the arts — it's the right and the smart and the wise thing to do to create a healthy community.”

It was also noted that the arts can make a significant economic contribution to a city or region. “Examples are plentiful where cities all around the world have been turned around on the backs of a single vibrant arts organization, which was able to coalesce a broad base of a population into a single-minded force of support. Arts organization need to stop thinking of themselves as second-class citizens and go out and fight the fight.”

One participant referred to the particular challenge of fundraising in Quebec: “Quebec is quite a bit like Europe [where] arts funding is the responsibility of the state.” He cited the example of university fundraising; at McGill, 80% of the gifts in the \$400 million campaign conducted three years ago came from individuals, whereas in the Université de Montréal's \$200 million campaign, 90% came from corporations, 10% from individuals.

He stated that “in the Anglo-Saxon world people think that they have a personal responsibility to give to the community. In [Québec] we need to raise issues of passion to *donner la piqueur* to the people...”

Some felt that arts organizations currently have a unique opportunity to promote their value to society: “Given the events of the last year in the world, arts organizations have now perhaps an opportunity to take advantage of individuals' need to find a place to reflect, find a place in fact to escape ... be inspired ... be entertained one can be comforted by art ...and arts organizations can translate [this] through a communications policy and a communication plan to donors.”

A number of participants spoke about the personal motivations at the core of their philanthropy: “The arts allow us to laugh and to cry, to think and to reflect on the human condition at heart I'm a hedonist, and I take pleasure from physical sensation, so I often think I support the arts because of the goose bumps — perhaps watching Karen Kain dance or listening to Ben Heppner, or watching Le Cirque du Soleil create its incredible magic. One activity that can touch you so tangibly, so profoundly and becomes a true visceral experience, what's not to like? Why wouldn't I support that?”

Another participant argued that artistic creativity serves as an inspiration to us all. “I am a strong supporter of arts organizations because I'm inspired by the people who work there, who have a vision, who think differently than I do. My joy is to be able to let other people reach their dream and I have a responsibility and a privilege, I think, to fulfil other people's dreams, and that's where my giving comes from.”

2. *Investing in Professionalism, Recognition and Stewardship*

A second major thrust of the discussion sought to help arts organizations to appreciate the professionalism, recognition and stewardship practices required to encourage philanthropic behaviour.

The majority of the philanthropists in the room contributed to many causes, including those in health and education, as well as to the arts. There was overwhelming agreement that arts organizations had not paid enough attention to recruiting and retaining contributors, especially when compared with activities of fundraisers in the health and education sectors.

The competition for scarce philanthropic dollars is fierce, and arts organizations need to invest more to create a level playing field with competing causes. In the words of another participant, “I sit on a hospital board and I've been involved with a number of university campaigns. Many of these institutions have SWAT teams around the world. They have development departments that are bigger than the number of people in this room, most of whom are out soliciting those planned gifts. Arts groups just seem incapable of getting it through their heads that they have to invest in the fundraising side.”

The clear message from participants was that if arts organizations want to sustain quality programs, they must invest in attracting and developing the human resources required on the management side to generate revenue.

One said, “A professional advancement department within not-for-profit organizations is an absolute necessity.” Another added that professional advancement “is the only way to capture, keep and satisfy donors.”

More than one participant noted that many arts organizations did not seem to value the work done by the advancement department: “One of the most frustrating things is that the development people are there for six months and they're earning \$20,000 a year and they disappear....” Another participant supported increased compensation for advancement workers: “In order to attract, recruit, and retain the people needed to cultivate donors and sponsors and to undertake the long-term planned giving programs to take advantage of the trillions which are talked about in terms of wealth transfer over the next generation, these people need to be fairly compensated and provided with opportunities for professional development.”

This concern was reiterated: “One of the biggest challenges to attracting major gifts and retaining sponsors is, in my opinion, the turnover of personnel and the lack of well-qualified income managers. I experienced many appalling incidents in our 19 years of working with orchestras. There was often absolutely no history of what had happened the year before and a real failure and appreciation of how to work responses, the need, care, feeding and watering of the sponsor.”

The importance of ongoing relationship building was summed up in the following statement: “Someone involved in fundraising for an organization that I’m also involved in said ‘advancement and development is a contact sport.’ Being in touch with and remembering and involving your donors is key to the success of any advancement effort.”

In order to fundraise effectively, an institution must take the time to research and understand each donor’s unique motivations. One donor, who always gives privately, said he was offended by the number of invitations he has received that were addressed to his company, which offered to profile the company name. Other participants, who made donations on behalf of a corporation, were offended by the unwillingness of some arts organizations to recognize the company’s sponsorship in advertising and in the program. One spoke of backlash against a request from a car manufacturer to place a vehicle in the lobby of a gallery when the company was the main sponsor of a major exhibit.

Many of the contributors spoke of the value of a simple ‘thank you’ — there's no such thing as saying thank you too often. “Trying to have a sponsor or a donor up on the stage is anathema

to most groups. And yet every other group out there is aggressively, continually, giving that kind of recognition. So the arts groups are left in the dust. And it's very frustrating as a fundraiser to have to contend with this.”

A number of participants felt thought that arts organizations should learn to take care of donors the way that many service-oriented private and public organizations take care of their customers.

One participant spoke of the importance of encouraging smaller donations, and suggested making donors aware that a number of small donations can add up to a substantial contribution. “I think we miss a large section of the population because they feel intimidated. When they hear of a million-dollar gift they say ‘I can't do that.’ We should develop a program to encourage these people to [give] on a yearly basis and ... eventually be a million-dollar giver. For example, people who buy tables at galas year after year — if you were to add up all those tables for ten years they're already close to half a million dollars. But nobody recognizes it.”

Community support was identified as an important element in stimulating corporate giving. “It isn't just the large gift. If we have individuals who make many small gifts, then the large corporations [realize] this affects a lot of people in this community. And so it is worthwhile for me to use this as a marketing tool.”

Other observations included the need for clear communications. “A communications strategy is also extremely important ... the process of communicating what an organization is, is a very compelling thing to put forward to donors of all levels ... it is increasingly important for arts organizations to have a communications strategy.”

Concern was expressed about a change in corporate culture that could have a negative effect on sustained corporate support. An intervenor whose organization had been a major supporter of symphony orchestras for several decades stated that “in most corporations today, donations are “very much marketing driven with all of the short-termism that that implies.”

Another donor spoke of the importance of fostering a long-term relationship: “One of the advantages of a really strong relationship with a donor, which is built over a long period of time, is that you can open up the secret doors to the less popular parts of the arts organization. My role as a donor sometimes is to be there with the difficult money ... to fill the gaps left by donors who want to be associated with the frontline programs ... to fill a financial need.”

In summary, there was broad consensus that it was essential for arts organizations to invest in a professional advancement program to recruit and retain donors.

3. *Improving the Giving Environment*

A. The Role of Government

Participants generally believed that all sectors of Canadian society had a role to play in promoting the arts. As a result, the overall view was that “It really is up to all levels of government and the agencies to work together to create all of the necessary conditions, to design the incentives which are required to increase private sector support.”

This view was seconded by a number of attendees: “We have a collective responsibility to reinforce the fact that the arts are so important to our society that they're the responsibility of all three levels of government and the private sector, hopefully working together.”

Participants cited the Government of Ontario’s matching gift program as a successful example of government involvement in the arts. The three-year program was introduced in 1997, and renewed in 2000. As one speaker stated: “You could probably count on two hands the number of organizations that had endowment funds [before 1997]. Today there are well over 200 organizations spread right across this province that are involved in that program. It has resulted in a tremendous broadening of the understanding of philanthropy within arts organizations and communities right across this province, and it has broadened everybody’s understanding of what endowments are and the need to have them.”

That program, combined government leadership and incentive and matching, is valuable for a variety of reasons. “As a donor, it’s always very powerful to know that your gift is being matched and as a fundraiser, it’s a powerful argument to make to an individual.” Participants clearly felt that governments had a leadership role to play, and the private sector had a responsibility to respond to that leadership.

Tax policy

The tax treatment of donations of shares is much more favourable in the U.S. than in Canada, and it was argued that the remaining capital gains tax on gifted securities in Canada should be eliminated. Since the 50% reduction in the capital gains tax for such gifts was eliminated in 1997, there has been a dramatic increase in donations. Eliminating the remaining 50% would stimulate giving even more.

A member of the Council for Business and the Arts in Canada stated that “the single most important step which the government can take to assist our arts organizations and every area of the charitable sector, including health care, education and social services, to raise additional money, is to eliminate the remaining capital gains tax on gifts of listed securities.”

A further refinement was suggested, relating to exchangeable shares, a device used when companies are sold. “A company is set up with a type of share that is later exchanged into the share of the purchasing company. At the present time these shares do not receive favourable tax treatment. Again, the tax base goes up immediately when that change is made. And even though the individual then gives their shares they don't get the tax treatment. It's a very minor technical correction ... that could have a significant impact on donations.”

In summary, participants agreed that government should provide leadership in the area of arts philanthropy, by creating conditions that promote private donations and support the concept that the arts play an important role in a healthy society.

B. The Management of Arts Organizations

A number of participants felt that, in order to bolster their fundraising, arts organizations must first strengthen their management practices. “The organization has to have a sense of vision, what it is, what it does, and that vision has to be translated into a strategic plan that is well communicated. That is not something that arts organizations have perhaps been particularly good at, but strategic direction, well communicated to donors, provides the opportunity for charitable gifts around strategic initiatives with the organization. It also assures a donor that the institution knows where it's going and knows what it does and knows what it does well.”

One participant succinctly expressed the importance of a sound management structure: “What do we need to know as donors? Very pragmatically, to be reasonably confident that our investments will be effective. We certainly want to be sure that there's a well-qualified management team in place, that the board members are fully committed to the organization, and that the board members understand their roles, functions and governance responsibilities. Collectively, the organization has agreed-upon goals and strategic plans. And, hopefully, the artistic leader, the board chair and the general manager are working together, not, as so often happens, operating as three solitudes.

“We're particularly concerned about the organization's financial health, its rootedness in the community, and its ability to sustain worthwhile programs. And last, and of course by no means least, the absolute excellence of the artistic product or services.”

Furthermore, donors want to know that “an institution has a sound investment policy around its endowment.”

In summary, major donors need to know the strategic direction and the financial management practices of arts organizations in order to assure themselves that their money will be invested wisely and will effectively support the organization's efforts to achieve artistic excellence.

Recommendations

- 1. Develop a package that will help arts organizations and fundraisers to “make the case for the arts.” The package should cover the social and economic benefits of the arts.**
- 2. Arts organizations should invest in the creation of a professional advancement department.**
- 3. Arts organizations must learn to make donors feel appreciated, and should be prepared to offer public recognition to donors.**
- 4. The Government of Ontario’s matching gift program is a powerful lever for fundraising and is a model for other provinces and levels of government.**
- 5. The federal government should eliminate the remaining capital gains tax on gifts of listed securities and provide more favourable tax treatment for donations of exchangeable shares.**
- 6. Arts organizations must demonstrate sound management practices, including strong financial management.**
- 7. Arts organizations must establish clearly the vision, strategies and goals that fully demonstrate their commitment to artistic excellence.**



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ROUNDTABLE ON PHILANTHROPY IN THE PERFORMING ARTS

National Arts Centre, Le Salon, September 18, 2002

Keynote Speaker: Alberto Vilar, President and Founder, Amerindo Investment Advisors

Host: Peter A. Herrndorf, President and CEO, National Arts Centre

Roundtable Chair: David Zussman, President, Public Policy Forum

Chair 2001: The Honourable Mitchell Sharp, P.C., C.C.

Special Guest: Pinchas Zukerman, Music Director, National Arts Centre Orchestra

Roundtable Organizer: Darrell L. Gregersen, CEO, National Arts Centre Foundation

Confirmed Participant List

Gail Asper, Winnipeg
Jenny Belzberg, Calgary
Grant Burton, Toronto
David Campbell, Toronto
Mona Campbell, Toronto
James Fleck, Toronto
David Fountain, Halifax
Margaret Fountain, Halifax
John Hobday, Montreal
Rosamond Ivey, Toronto
Don Johnson, Toronto
Louis Lagassé, Sherbrooke
Hon. John Manley
Andrew McDermott, Ottawa
Kelly E.D. Meighen, Toronto
James Pitblado, Toronto
Sandra Pitblado, Toronto
Michael Potter, Ottawa
E. Noel Spinelli, Montreal

Principal Auditors

Mme Aline Chrétien, Honorary Chair, Gala 2002
Alex Himelfarb, Clerk of the Privy Council and Secretary to the Cabinet
Ron Bilodeau, Associate Secretary to Cabinet & Deputy Minister to the Deputy Prime Minister
Judith LaRocque, Deputy Minister, Canadian Heritage

Audience

Community members, arts organization representatives and media



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AGENDA

- 7:30 am Breakfast
- 8:00 am Welcome
Peter A. Herrndorf, President and CEO, National Arts Centre
- 8:05 am Opening Remarks, Chair of Roundtable 2001
The Honourable Mitchell Sharp, P.C., C.C.
- 8:10 am Keynote Address
Alberto Vilar, President and Founder, Amerindo Investment Advisors
- 8:35 am Chair's Remarks
David Zussman, President, Public Policy Forum
- Mr. Zussman invites participants to dialogue, beginning with the presenting sponsor of the evening's fundraising Gala
- 8:37 am *Andrew McDermott, Director, Government Relations, TELUS*
- 8:40 - 10am Roundtable Leadership Discussion
Chair, David Zussman, President, Public Policy Forum, encourages dialogue about
- the transformational power of giving to the arts in Canada;
 - the process philanthropists undertake when making decisions regarding leadership gifts;
 - the unique challenge and benefits of supporting the arts;
 - how to encourage other leaders to support the arts;
 - recommendations for Canada's arts organizations
- 10:00 am Closing Remarks
Peter A. Herrndorf, President and CEO, National Arts Centre

**THE IMPORTANCE AND POWER OF PRIVATE
PHILANTHROPY IN THE CLASSICAL
PERFORMING ARTS**

**SEPTEMBER 18, 2002
NATIONAL ARTS CENTRE
OTTAWA, CANADA**

Keynote Address
Alberto Vilar
Founder and President
Amerindo Investments

My comments today on *The Importance And Power Of Private Philanthropy In The Classical Performing Arts* are organized into three highly interrelated topics:

- I. The vision that a philanthropist must have for the arts and for the role his or her philanthropy can play in realizing that vision.
- II. Why give at all, let alone in size? More specifically, what are my own personal motivations for giving to the arts, and for believing that I can help influence the arts and giving in general?
- III. What lessons has my experience in arts philanthropy generated from which other arts organizations, including Canadian, might benefit?

1. A VISION AND ROLE FOR THE ARTS

Philanthropy and its cause consume a large part of my free time. My brief comments today about a broad set of topics in philanthropy are understandably personal, which is consistent with the nature itself of private philanthropy. Giving money away is a very difficult challenge and requires a great deal of attention, time, effort and money to staff properly. I intentionally do not channel my philanthropy to areas that I believe are the appropriate moral and fiscal responsibility of tax-funded governments, such as care for the poor and the unemployed, amongst many others.

My own philanthropy is divided into three areas: the classical performing arts, which is the largest; healthcare, and education. Much of what I do in education is directed to the arts.

I have always believed that the classical performing arts are a very important part of our cultural legacy, which deserves to be preserved. Music has been the largest source of enjoyment in my life. I consider it a major tragedy that so many people today will go through

life without any exposure whatsoever to the classical performing arts. The chief culprit in my opinion starts with an education system that emphasizes things like driver education and sports over music education, and uses the higher costs of music education as a facilitating excuse. To me, music is an essential field of education that demands our complete support. (I would have liked to have had the opportunity to be here last year to offer my views on *investing in youth and education in the performing arts* when my friend, Jim Wolfensohn, was the keynote speaker.)

My support for the arts is largely spread over four areas: new opera, choral and symphonic productions and co-productions; new technology for the arts (which largely involves opera translation titles that go on the back of seats); education programs, and the rebuilding of physical structures.

I provide major philanthropic support to some 15 organizations in the classical performing arts in the U.S., Europe and Russia, including eight training and development programs; plus support for several colleges and universities that are committed to fostering arts education, training and development.

Why do I give to these particular areas, especially to opera, which has been characterized by some in the press as the last costly and outdated foothold of the leisurely rich? It is because I believe opera is about fabulous music, the best trained voices in the world, and the cultural enrichment of our lives. Its substantial and never-ending needs fall into three fields: the development of new singers, the development of new audiences and new productions.

Why do I give largely to top-ranked opera houses rather than to far lesser known ones? Because the large, well-known Houses set the standard for other Houses to follow, and have been major survivors through thick and thin.

**2. THE SECOND QUESTION I WANT TO ADDRESS IS WHY GIVE AT ALL?
AND WHY GIVE IN SIZE?**

I would cite four reasons for giving:

1. To share one's wealth and good fortune with others and with society at large.
2. The opportunity to support specific philanthropic activities that are of great interest to you especially where one's giving could have a significant impact on the direction of that activity. I cite ahead several examples of projects and gifts of mine that just might have an impact on the arts. Other examples would be a computer science center being built at my undergraduate college, because I want the opportunities I had in technology to be made available to the college's students. I also fund four nationally ranked research hospitals in the U.S. that focus on illnesses and clinical treatments that I believe will lead to new breakthroughs in disease treatments that could benefit many.
3. Another related reason for giving is to use it as a cornerstone for building the type of legacy and example you want to leave behind.
4. There are two other key professional purposes for giving. First is to fund the "project" under consideration. The second equally important reason is to set an example for others to emulate. It is a myth that very large donors give anonymously. It is for this reason that I believe large gifts should be publicized, in order to leverage the impact of the gift. Unfortunately, there is a deep-seated European bias that believes naming gifts are a self-serving conceit of donor recognition. My answer is rubbish; in fact, I maintain that it is just the opposite. We should make no mistake, however, that a large naming gift intended to enlist others runs the risk of incurring some degree of public antagonism.

Recognizing that there could exist a thin line between pride of authorship and immodesty, let me cite four arts projects I have undertaken where I can lay some claim to having had an impact on the arts in a measurable way.

1. The Vilar Center for the Arts — Vail/Beaver Creek. This is a world-class beautiful year-round community that lacked a performing arts centre. Now it has one with 75 performances a year, with up to 20% in classical music and 15-to-20% for children.
2. The Vilar Opera Translation Titles. These are the back-of-the-chair titles that were initially installed at the Metropolitan Opera in New York. They are now in Vienna and are expected to open in London this Friday and on the 16th of October in Barcelona – available in up to seven languages. This is probably the biggest achievement in the cause of audience development in the history of opera.
3. The Kennedy Center’s Vilar Institute of Arts Management. This is a program that trains the future managers of the “Carnegie Halls” of the arts world.
4. Young Artists Programs. Modeled on the highly successful program at the Metropolitan Opera, there are now four new programs in London, St.Petersburg, Russia and the U.S., that are giving promising young singers two-year programs in all aspects of stage-career training at major Houses.

3. WHAT LESSONS HAS MY OWN EXPERIENCE GENERATED FOR OTHERS: OR, WHAT ADVICE CAN I GIVE INSTITUTIONS LIKE CANADA’S NATIONAL ARTS CENTRE

By way of background, I believe there are some very big changes ahead that could favourably influence the growth of arts philanthropy, at least in the U.S. and Europe, where I have a lot of experience. I believe that there are two likely developments that could increase U.S. and, hopefully, Canadian philanthropy over the next one-to-two decades, and in turn help the arts. I

belong to the school of thought that believes that today's senior generation will pass on to their next-of-kin some percentage of their accumulated wealth, some portion of which would then be expected to go to fund new philanthropic foundations. The tax laws of the U.S. favour this historic, generational transfer of wealth. The recent loss of wealth in the U.S. stock market is certainly not without precedent; it is also partly cyclical in nature in that it is tied to the health of the economy. Perhaps more importantly, it does not preclude new wealth from being created by others in new industries in the years ahead. It is also a fact that a lot of the U.S. stock market wealth loss has been offset by increases in private home equity values.

The second factor to consider is the entirely new wealth that will be created over the balance of this decade and next by the significant restructuring of the world economy into what I would call the third wave of technology in 40 years; namely, the Internet-networked wave which will be driven by e-commerce, the integration of all software facilitated by new web services, and by the widespread development of broadband across businesses and consumers. Technological advances have traditionally fuelled huge cycles of great new wealth, as was the case with railroads, cars, and planes. From the perspective I've gained over the past 35 years as a pioneering investor in electronic and medical technology, I believe that the build-out of the new digital, Internet-networked economy over the next decade plus could generate several trillion dollars in new wealth around the world. I believe that smart arts organizations need to start thinking and planning for their ability to capture a fair share of this new wealth.

At this point, a rhetorical question to ask is whether the arts should be privatized by philanthropy. I find it bizarre, if not rather annoying, that I have been charged with trying to import U.S. styled philanthropy into Europe, the U.K., and Russia, when in fact I believe the U.S. system of funding the arts is nuts. The right mix of support for the arts. I believe, is a combination of private and public funding, which is not the case in the U.S. – which is almost entirely private funding dependent. It seems as though the early American puritan settlers from Europe, who admittedly had no government revenue to draw upon, purposely set it up this way – to avoid any public support for the perceived work of the devil.

Whatever the ills and adverse side-effects are of capitalist business cycles, great fortunes have been made in the stock market over the years that have been channeled into philanthropy. This includes the likes of Bill Gates, Gordon Moore of Intel, Ted Turner, George Soros, amongst others.

WHAT DO I SEE AS THE MAIN PROBLEMS TODAY OF PRIVATE PHILANTHROPY?

I would list them as four:

1. The Press (which I will comment on further ahead)

2. The lack of a cultural tradition of family/individual giving in many places. (This is more of a 20th-century phenomenon in Europe, the U.K., and Russia, caused in no small way by the devastation of two world wars. This had the unintended effect of giving private support an extended honeymoon as a result of government itself having filled this necessary funding vacuum.)

3. Government itself. This involves namely two issues:
 - i. The use of tax benefits
 - ii. The need to educate people in private philanthropy, principally, that it is not in competition with government support. Social compacts with government, as many in Europe have come to believe out of convenience and ignorance, should not preclude private philanthropy and government support from working together.

4. The Economy.

Hopefully, today's cyclical weakness will give way to a global recovery starting next year.

Let me return to perhaps the most troublesome issue, namely the press:

From my experience, the biggest single negative force in philanthropy is bad journalism. Please note that I said bad journalism. Press coverage of philanthropy is quite different from music criticism, which I think is a legitimate part of the arts that serves a professional purpose. Music critics, however, will very likely have been professionally trained at what they do; this is quite unlikely to be the case in the coverage of arts philanthropy.

The question is why do journalists cast dispersion on private giving, or just go out of their way not to recognize private arts philanthropy?

I attribute the press's negativism partly to a misunderstanding that has a cultural and historical basis, of the very nature of private philanthropy. Journalists in Europe have been culturally raised to believe that supporting the arts is the express responsibility of government. Hence, many unfounded charges arise because of this, namely, that the private patron will interfere artistically. When you think about it, this accusation actually insults the recipients of donor gifts. It says that the main opera houses and concert halls I give to in the U.S., England and Europe are willing to compromise their companies artistic integrity to take money.

How pathetically insulting can it get?

I regret to say that my experience with the press follows an 80/20 rule. About 80% of the stories about me have not been based on any interviews whatsoever; rather, they were cut and pasted from other interviews off the Internet. What is misreported stays misreported. Secondly, about 90% of second-hand stories contain erroneous information.

There are two key reasons why bad press concerns me. Firstly, it can inhibit the development and growth of philanthropy. Secondly, bad press can kill a golden opportunity of bringing readers' attention to new acts of philanthropy that just might educate and incentivize others to give. I do not advocate that the press should do anything more than simply report the news; what it shouldn't do is attack the giver and scare others away.

LET'S MOVE ON TO THE ROLE OF GOVERNMENT. COULD THERE BE A NEW ROLE FOR GOVERNMENT IN PRIVATE ARTS FUNDING?

First, I ask somewhat sarcastically, why should people support something that is important to them and to society such as the arts, education, medical research, simply because the government is giving them a tax break?

Tax Considerations

The U.S. case is highly misunderstood by Europeans for two reasons. Half the people in the U.S. take no deduction at all, and gifts given out of capital that exceed one's annual income can't be deducted. You can't earn \$1 million a year, and try to deduct a \$25-million gift that came from capital and not income.

Yet for psychological and other reasons, especially in the case of smaller gifts, in which tax deductions are important and useful, I would argue in favor of implementing marginal changes over time in charitable tax benefits. This also requires arts organizations to lobby this effort — which is not easy.

WHAT CAN PERFORMING ARTS INSTITUTIONS THEMSELVES DO TO APPEAL TO LARGE-SCALE PRIVATE PHILANTHROPY?

First, classical music, including opera and ballet, involves passion, affinity and enjoyment. Music lovers generally want to be part of the total experience. This should not be hard to exploit. My experience is that the people who most appreciate what philanthropy does are the real music lovers who actually see many performances.

Arts institutions need to be imaginative, creative and proactive to get their fair share of philanthropy. I would suggest the following for starters:

Arts organizations should design very specific programs to work with the press on what a specific gift means and does for the House.

Institutions should think about donor recognition, come up with major projects that make sense to donors, such as education. A lot of people want to have a part in developing tomorrow's talent.

As I have said elsewhere, any gift has two real purposes. First is to fund a given project. A second, equal, purpose is to use the gift as a tool to motivate, incentivize, and attract other donors. There is nothing more credible than a gift-in-hand. That is why I believe major gifts should be publicized.

LARGE-SCALE NAMING PROJECTS SHOULD BE CREATED FOR SPECIFIC DONORS IN MIND

These are very specific ongoing projects that are identifiable for their size, purpose, et cetera, which Houses ought to be able to tailor to a major patron. Occasionally the mega, one-off project appears — such as the Disney Frank Geary Philharmonic Hall in Los Angeles, The Royal Opera House in London, The Kleines Festspielhaus in Salzburg.

The four projects I now focus on make good naming projects. An example is the Translation Titles — hopefully a half dozen houses will soon have them.

Education: In addition to the Kennedy Center Arts Management Project, I'm very interested in getting young people into Houses. This is fertile ground for fundraising and patronage.

People like to help young people; The Young Artists Programs at the MET, which I support, has literally been replicated by me in four other places.

Matching gifts are something that make sense and that work. I have successfully deployed them in Los Angeles, the MET, and Salzburg.

OTHER SUGGESTIONS FOR LEVERAGING PATRON DEVELOPMENT

- ❖ Don't spend a lot of time looking for the next Bill Gates — the time and cost can't be justified.
- ❖ Don't stack the board of directors with people who have not given elsewhere.
- ❖ Create intelligent and appealing “recognition” for major gifts as noted above.
- ❖ Patrons lounges can be effective.
- ❖ Tailor program brochures to recognize new productions, gifts, et cetera.
- ❖ Use the example of a “stage bow” for donors.

In sum, for patron development to be very successful, I think it needs to be treated as though it were a business service: what does the “client” or patron need in order to be happy. One must think like a product manager who strives for client loyalty and growth in annual fees/revenues.

In conclusion, I think private philanthropy has the wherewithal to continue to grow in the U.S. and Europe (albeit the latter is from a very low base), for different reasons, but it is really up to the arts organizations themselves to devise specific program initiatives that can work. I would venture that the ultimate success of philanthropy, at least for Europe, will require a highly integrated, three-prong program that involves incentivizing and educating individuals/families into a culture of giving, a helping “educational” hand from government, and at least a neutral press.

Thank you.



NATIONAL ARTS CENTRE
CENTRE NATIONAL DES ARTS

**ROUNDTABLE ON PHILANTHROPY IN THE
PERFORMING ARTS**

**SEPTEMBER 18, 2002
NATIONAL ARTS CENTRE
OTTAWA, CANADA**

Introductory Remarks

Peter A. Herrndorf
President and Chief Executive Officer
National Arts Centre

Good morning, ladies and gentlemen.

Bonjour, mesdames et messieurs. Bienvenue au Centre national des arts.

I'm Peter Herrndorf, the President and Chief Executive Officer of the National Arts Centre. On behalf of the NAC, I'm delighted to welcome all of you to this national roundtable on "philanthropy in the performing arts."

Today's roundtable is the first time that so many of Canada's leading arts donors have come together to discuss the importance of philanthropy in the performing arts. When we had our first roundtable discussion last year, our keynote speaker was Jim Wolfensohn, the President of the World Bank, and he put forward a passionate case for engaging Canada's *corporate leaders* in the performing arts. We hope that today's discussion will be equally stimulating.

As Canada's National Arts Centre, we're committed to helping to bring about a new era for "giving to the arts." We have a mandate to work with and to support Canada's artists and arts organizations from coast to coast; and we believe this roundtable in fostering an exchange of ideas about the impact of giving to the arts can be an important first step in persuading and inspiring other Canadians to come forward.

That's particularly important these days because while the arts have made some progress in recent years, we continue to lag far behind Canada's hospitals and universities in attracting significant levels of philanthropic support. Hospitals and universities have attracted dramatic increases in charitable support over the past decade, while the growth in arts support has been much more modest.

All of that suggests that arts organizations have three very clear challenges to address over the next few years. First, we have to come to terms with the fact that it's probably unrealistic to expect substantial increases in arts funding from government over the next few years; secondly, if we're going to rely increasingly on philanthropic support, arts organizations will have to

develop a far more compelling case for the value and importance of supporting the arts, much as Jim Wolfensohn did last year; and finally, arts organizations are going to have to work much more effectively with potential donors — developing, in other words, a collaboration that allows both the donor and the arts organization to achieve their goals.

The people sitting around this table this morning are some of Canada's most committed philanthropists and arts supporters, and we've asked you to be here today so that we can learn from your experiences and benefit from your advice and guidance.

With that in mind, let me go around the table and ask each person to introduce themselves and tell us where you're from.

We're also delighted that there are so many leaders in government, business and the performing arts who are here today... and I'd like to acknowledge a few of them.

Let me begin by recognizing, in particular, the wonderful Madame Aline Chrétien — the honorary chair of the NAC Gala tonight. She is also an accomplished pianist and a great supporter of the arts. The founder of the National Arts Centre, Hamilton Southam, is also here, along with the NAC's distinguished chairman, David Leighton. And we're very pleased that two senior government officials are here to listen to the discussion: Ron Bilodeau, the Associate Secretary to the Cabinet and the Deputy Minister to John Manley; and Judith LaRocque, the Deputy Minister of Canadian Heritage, who's a great friend of the performing arts.

We're also fortunate to have a number of colleagues from arts organizations across the country in the audience this morning. We're really pleased that you could make it.

I'd now like to begin the proceedings by inviting one of Canada's most admired citizens to make some opening remarks. He is, of course, Mitchell Sharp and during a remarkable career, he's been, among other things, Canada's Minister of Finance, Canada's Minister for External Affairs, Prime Minister Chrétien's "dollar a year" special assistant, but most importantly, one

year ago tonight, he was the guest conductor of the National Arts Centre Orchestra. Ladies and Gentlemen, please welcome a man who's even more passionate about music than he is about politics, the Honourable Mitchell Sharp.

(Mitchell's remarks)

It's now my great pleasure to introduce our keynote speaker. Alberto Vilar has become a legendary figure in the world of philanthropy in recent years and like Mitchell Sharp, a passionate supporter of music and the performing arts.

In 1979, he founded Amerindo Investment advisors—a firm which focused its investments on emerging technology companies like Microsoft, Oracle, America-On-Line and e-Bay. His company flourished and Mr. Vilar's financial success allowed him to spend much more of his time pursuing his interests in the performing arts, in arts education and in health care issues. In the process, he has become as *New York* magazine said recently, “the greatest benefactor in the history of classical music”—making multi-million dollar gifts to, among others, the Royal Opera House in London, the Kennedy Center in Washington, the Kirov in St. Petersburg, and the Metropolitan Opera in New York.

The reason for his generosity, he says, isn't complicated: he wants to give something back for a lifetime of pleasure. “The most satisfying, deep, lasting and fulfilling thing in my life has been music,” he says, and he hopes that his generosity inspires others to follow his example.

Ladies and Gentlemen, please join me in welcoming Alberto Vilar...

(Vilar Remarks)

Thank you very much, Mr. Vilar. I'm sure I speak for everyone here today when I express our appreciation for coming to Canada to address the roundtable. All of us hope that the extraordinary example you set catches fire in Canada and inspires people throughout this country to step forward.

Before we move on to this morning's discussion, I'd like once again to thank Madame Aline Chrétien for making the time to be here today. She has other commitments and has to leave us, but all of us appreciate her being part of the roundtable this morning.

I'd now like to introduce the moderator of today's discussion, David Zussman. In his role as President of the Public Policy Forum, David is one of Canada's most trusted and influential policy advisors, and he plays a critically important role in building dialogue between government, the private sector and the not-for-profit community. He and his wife, Sheridan Scott, are also active supporters of the National Arts Centre, and we very much appreciate his volunteering to lead the roundtable discussion for the second year in a row.

Let me close the roundtable by thanking everyone here for a fascinating and enlightening discussion. I hope the ideas we've shared this morning help Canada's arts organizations become far more successful in their fundraising efforts.

I particularly want to thank our keynote speaker, Alberto Vilar, for his inspiration and wisdom, and David Zussman for so ably chairing this roundtable. Have a great day, and we hope you enjoy the concert tonight.