

The Substation

A Home for the Arts

電力站

5 March 2021

Press Release – The Substation’s Response to NAC’s Media Statement

We refer to the NAC’s Media Statement on the Permanent Closure of the Substation, and would like to respond to a number of the points made by the NAC.

1. The statement that the Substation sought autonomy over the whole of 45 Armenian Street “so that it could generate income from venue hire”, is incomplete. We sought autonomy over the whole space so that we could continue to operate it as a multi-disciplinary arts centre and arts incubator.
2. To reiterate, the Substation is an arts centre; we are *not* an arts group. The financial and operating models of the two are very different.

In Singapore, the Esplanade is an example of an arts centre¹. The Substation is a similar animal, albeit on a much, much smaller scale. As the operator of an arts centre, we have autonomy over our physical spaces, which we dedicate primarily to arts usage. We attract and can select suitable hirers (e.g. theatre, dance and music groups), both short and medium term, which provide a “community effect” at the space, over and beyond their revenue contribution.

Just as the Esplanade, there are spaces within the building which we will lease out for commercial use (for the Esplanade, its restaurant and retail spaces, and for us, the garden area which was occupied for several years by Timbre), as well as for use by arts groups at *non-commercial*, highly subsidised rates (such as our dance studio).

Just as the Esplanade, we have employees who oversee building facilities and venue management, and we bear the costs of property maintenance and utilities.

Besides scale, we differ from the Esplanade in our market positioning as we cater to emerging and mid-career local and regional artists of all disciplines. Our track record of fostering cultural medallion recipients and internationally recognised senior artists attests to the enduring success of this community effect.

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Donations to The Substation Ltd in 2020 are eligible for a 250% tax exemption
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The Substation is a recipient of the National Arts Council’s Major Grant
1 April 2017 to 31 March 2020

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¹The Esplanade Co Ltd Annual Report FY2019/FY2020

3. NAC mentions in its Media Statement the Substation's reliance on "government funding of an average of 86% of annual income, the highest among NAC's Major Companies".

We do not agree with the comparison with other Major Companies, as the operating model of an arts centre is very different from that of a theatre, dance or music company.

Again, by analogy, the Esplanade's headline figure for deficit before grants was \$54,184,000 for FY19/20, and its grants for the year and government subvention-rental of property in aggregate amounted to \$56,155,000 in FY19/20² (i.e. *more than 100%* of its deficit before grants).

4. The NAC mentions that the Substation's "expenditure on programming has been a small proportion of total operational expenses, at 23% on average from FY17-FY19. In contrast, The Substation has incurred more than \$1,500,000 in salaries and other manpower costs."

First, we would like to clarify that our manpower costs of more than \$1,500,000 referred to by the NAC were incurred over a period of *three years* i.e. the costs were on average just over *\$500,000 per annum* between FY17 and FY19.

We presently have 11 employees in total: two Artistic Directors, one General Manager, one Facilities Manager, one Caretaker, two Technicians, one Cleaner, one Admin Manager and two Programme Managers. We believe in paying fair wages to our employees, and we certainly do not overpay them. Indeed, we believe our employees turn down higher paying jobs in the arts market for the "symbolic remuneration" of working at the Substation.

Second, based on our calculation using our published audited financial statements for FY17 to FY19, our programming costs as a proportion of total operational expenses³ was *35.7%* on average for the said 3 financial years (and not 23%).⁴ We would also point out that there are different ways to look at expenditure on programming as a proportion of total operational expenses. If you include the remuneration of employees whose work encompasses artistic programming, such as the Artistic Directors and Programming

² The Esplanade Co Ltd Annual Report F&2019/FY2020 Page 132

³ Total expenses less finance and selling, general and administrative (SG&A) expenses

⁴ Our programming costs as a proportion of *total expenses* on average for FY17 to FY19 was 27.9%

Managers, as part of programming costs, our percentage of expenditure on programming as a proportion of total operational expenses increases to 76.3% on average for FY17 to FY19.

For reference, the Esplanade's headline programming costs amounted to 14% of its total expenditure in FY19/20.⁵

5. We would like to stress that when we make references to the Esplanade in this Press Release, we are *not* doing so to criticise or critique its financial or operating model, but rather citing it as an example and illustration of the financial model for an arts centre (such as the Substation).
6. NAC refers in its Media Statement to having “invited the current Board to co-create the vision for the renovated arts centre with us”. For full transparency, the NAC's letter to the Board dated 17 February 2021 did *not* refer to “co-creation”. The letter merely stated that The Substation, as a co-tenant, would “be consulted to provide inputs for the future of 45 Armenian Street in relation to its precinct”.
7. In conclusion, the Substation is an arts centre. The essence of an arts centre is autonomy of physical spaces such as a theatre and gallery for artists to make their art and interact. Once the Substation vacates 45 Armenian Street, taking into account the financial support offered by NAC, and on the assumption we are unable to raise substantial private funding⁶, we would have to reduce staff by more than half, and our programming budget and bandwidth would have to be drastically reduced. We believe that this would severely impact the Substation's mission to nurture younger artists. The consequence of this is not merely a tweaking of the Substation's vision, but a drastic divergence from its original mission. In other words, the Substation will no longer be the Substation as we know it.
8. While NAC did say the Substation could return to 45 Armenian Street as a co-tenant with other groups, it would still have meant the Substation could no longer operate as an arts centre, our *raison d'être*.

Even if we had returned to 45 Armenian Street after the renovations, the Substation would have been a diminished presence in the building that it had occupied and defined for 30 years.

⁵ The Esplanade Co Ltd Annual Report F&2019/FY2020 Page 133

⁶ Please refer to our Press Release and FAQs on the difficulties we have faced in raising substantial private funds sufficient to sustain the organisation

9. The Board did not think this was the right outcome given the proud heritage of the Substation. We acknowledge the pain that many in the arts community feel about the decision we have taken. We feel the loss ourselves, profoundly.

About The Substation

The Substation is Singapore's first independent contemporary arts centre. Established in 1990 by the late Kuo Pao Kun, it is known for its pioneering and experimental arts programming. Over the years, The Substation has worked with some of Singapore's most critically acclaimed artists, writers and intellectuals including Alvin Tan, Goh Boon Teck, Amanda Heng, Lee Wen and Kok Heng Leun. The Substation is a recipient of the National Arts Council's Major Company Scheme from April 2020–March 2023.

Website: substation.org

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