

# The Paris National Opera

## The successes of the 1995-2004 Era and challenges for the Future

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In 1995, I served as executive vice president to Hugues Gall, who was then the chief executive officer of the Paris Opera. I felt the necessity to leave a written testimony of the Hugues Gall period which appeared to represent a significant turn around in the management of the old Academy, successively royal, imperial then national of music. I also felt that an external and very methodical if not to say critical and scientific view point was necessary in order to bring the appropriate objectivity to this testimony about this old institution which has sparked so much passion. Years before, I had worked with Jean Claude Tarondeau at a Foundation dedicated to improving management education in France. Jean Claude and I decided to join our efforts and write this book.

Our goal was to highlight and explain the successes of the Paris Opera, both in terms of audience and economics during Hugues Gall mandate (1995-2004). These results are more meaningful when compared to those of the Metropolitan Opera of New York, the Vienna Opera House - Wiener Staatsoper -, and the Bayerische Staatsoper of Munich, which are comparable in size.

Jean Claude Tarondeau will briefly summarize and explain these results. I will comment on the challenges the Paris Opera is likely to face in the coming years. As we will often compare the Paris National Opera house to the Metropolitan Opera of New York in particular, it is necessary to keep in mind that the first is a state controlled organization, financed by the French government (65% of its budget) while the Met is a private institution which receives practically no subsidies from the federal or state governments or from the city of New York.



## 1. The results: achievements and limits

Several indicators attest to the success of the Paris Opera House under Hugues Gall's direction from 1995 to 2004: the creation of a lyric repertory acclaimed by the public and a good control of key economic and financial figures.

A repertory comparable to those of the best opera houses in the world

From 1995 on, the Paris Opera created a lyric repertory. This represented a radically new policy compared to practices since the war. By 2004, Gall left behind him a repertory of eighty lyric works.

The repertory of the Paris Opera remains a bit smaller than those of Metropolitan Opera of New York and the State Opera of Vienna. It draws more from Baroque works of the 18th century and reserves a greater part to the contemporary operas than the Met.

	17/18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
Paris Opera House	17,15	56,82	26,14
New York Met	11,48	65,57	22,95
Wiener Staatsoper	8,57	68,57	31,43

Table 1: Comparison of the repertories (in % of works available in repertory)



Between 1998 and 2004, six of the most often featured works, in Bastille and Garnier together, generated 30% receipts at the Paris Opera. They are, in decreasing order: *Carmen*, *Tosca*, *La Bohème*, *Il barbiere di Seviglia*, *the Magic Flute* and *Faust*, all works from the 18th and 19th centuries. The situation is similar for the Met during the same period: seven works account for 30% of the presentations and, probably, a higher percentage of receipts - in the same order: *la Bohème*, *Carmen*, *Turandot*, *Tosca*, *Aïda*, *Madama Butterfly* and *Traviata*, all these works are from the second half of 19th century. In Vienna, German operas of Mozart, Offenbach, R. Strauss and Wagner share the favor of the public with those of the Italian composers of 19th century: Verdi and Puccini. The most performed seven works are: *the Magic Flute*, *la Bohème*, *Rosenkavalier*, *Tosca*, *Tales of Hoffmann*, *Tristan und Isolde* and *Aïda*, which represent 30% of the performances. Such proportions are comparable to those of New York and Paris.

Bizet, Puccini and Mozart reign in Paris. Puccini, Bizet and Verdi are the masters in New York; while Mozart, Richard Strauss and Puccini are the most played in Vienna.

The Paris Opera repertory - as well as the repertory of the two other institutions - is composed of the most popular works but appears less centered on Italian and German 19th century works. In short, these three opera houses are drawing from the same universal repertory of lyrical works with just a touch of local differentiation.



## *A different emphasis*

The annual number of new lyric productions, purchases and co-productions is slightly higher in Paris than in New York and Vienna. In recent years, the number of different lyric works presented per season is fundamentally the same in Paris (24) and New York (26). Vienna, on the other hand, presents more than 50 different works each year.

The number of works presented each season and the number of representations of each work clearly differentiate the Paris Opera and the New York Metropolitan (which use mixed stagione/repertory strategy) from the Operas of Munich and Vienna, operas which conform more to the pure repertory model.

The number of lyric representations is lower in Paris than in the three other houses. On the other hand the number of ballets presented is higher. As the box office potential per representation is double for the lyric spectacles than for ballets, this distribution of activity penalizes the Paris Opera compared to the other houses.

Average activities by season	Paris Opera House	Metropolitan Opera New York	Staats Oper Vienna	Bayerische Oper Munich
Number of lyric works	24	26	53	41
New lyric productions	7	5	7	6
Number of lyric representations	183	217	250	211
Number of representations by work	8	8	5	5
Number of ballets	161	76	50	73
Total number of representations	344	293	300	284

Table 2: Comparison of the lyric and choreographic activities

The Opera of Paris could take a better advantage of its two theatres. It could potentially offer as many lyrical performances as the other houses which only have one.



## Comparison of costs

Whereas public attendance grows steadily during the period with an occupation rate of 93% in 2003 compared to 76% in 1993, between 1998 and 2004 three equilibriums guarantee, in the case of the Paris Opera the control of costs vs. resources (figure 1) .

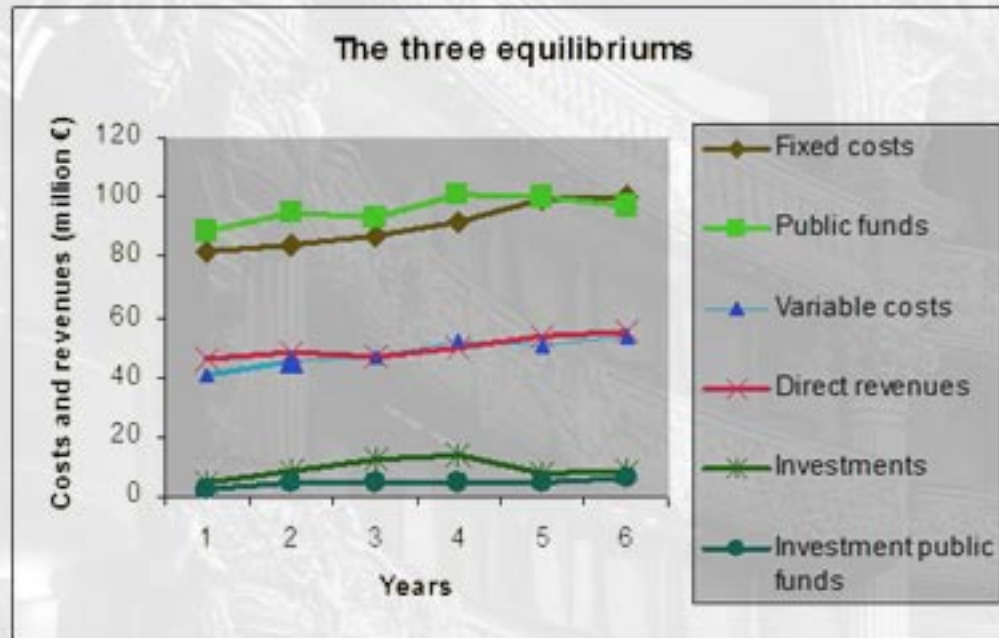


Figure 1: The Paris Opera three equilibriums (1998-2003)

Notably, the variable costs of productions are perfectly balanced by box office resources. Fixed costs are covered by public funding. Compared to previous years, the progress is outstanding. How does this compare to other opera houses ?



Without investments and fundraising costs, the total cost per representation is 498 000 € in New York compared to 389 000 € in Paris. But the proportion of the lyric performances, (which are more expensive to produce than the ballet performances), is higher in New York than in Paris. With an identical activity structure, the total cost per representation would be quite equivalent in New York and Paris. The total cost per ticket sold is respectively 162 € for the Met and 196 € in Paris. The difference can be explained by differences in the number of auditoriums of each house and their seating capacities.

	Opera of Paris	Metropolitan Opera de New York	Staats Oper Vienna	Bayerische Oper of Munich
Annual total costs in millions of € 2002	142	158	78	77
Cost per representation in thousands of € 2002				
variable	137			
fixed	252			
total	389	498	259	228
Total cost per ticket sold in € 2002	196	162	156	134
Box office d'€ 2002 in millions of € 2002	48	82	35	23

Table 3: Comparison of financial data

At the State Opera of Vienna, lyric performances account for 80% of performances, a level equivalent to that of the Met. The average total cost per representation is established at 259 000 € which is much lower than in New York and Paris. This is remarkable since the number of different works offered each season in Vienna is twice the amount of works presented by the Met and the Paris Opera. Another opera of repertory, the Bayerische Staatsoper of Munich is comparable to the Staatsoper of Vienna with still lower total costs per representation.



Annual total costs (except investments and fundraising costs) are almost twice as high in New York and Paris than in Munich or Vienna for only 15% more performances. By combining the effects of a lower volume of activity and a higher operational budget, the Paris Opera is the most expensive on the basis of tickets sold.

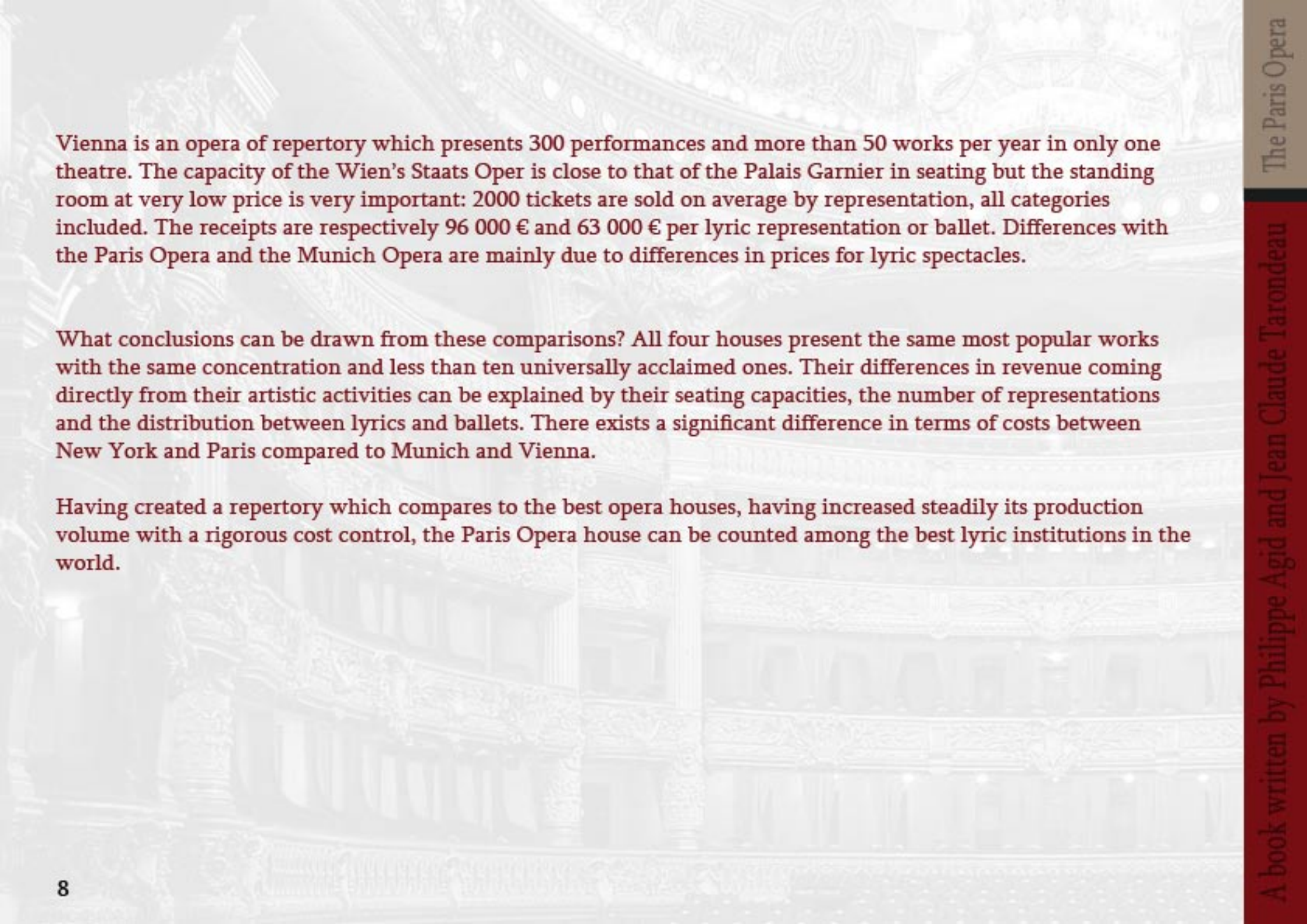
With regard to costs, the four opera houses can be placed into two quite homogeneous groups: New York and Paris on one hand, Vienna and Munich on the other.

With regard to revenues, the receipts of the Met are of 303 000 € per lyric spectacle and of 91 000 € per ballet. (The Ballet in New York is totally independent from the Metropolitan Opera. This is not the case in Paris). In fact, the lyric performances record the strongest differences in receipts per representation: 303 000 € in New York instead of 151 000 € in the Bastille Opera and 106 000 € in the Palais Garnier. Explanations of these differences hold, with appreciably equal shares, to differences in size rooms and differences in average ticket price: 89 € in New York for 59 € for the Bastille Opera and 65 € at the Palais Garnier. It is necessary to add the effect of the respective numbers of lyric representations, 217 at the Met for 183 in Paris, to explain the total box office resources of each one of the two institutions.

In € 2002	Lyric		Ballet	
	Ticket price	Receipt/spectacle	Ticket price	Receipt/spectacle
Bastille	59	151 000	35	86 000
Garnier	65	106 000	35	54 000
Met	89	303 000	28	91 000
Vienna	48	96 000	33	63 000
Munich	44	84 000	25	41 000

Table 4: Comparisons of price of place and receipts of spectacle





Vienna is an opera of repertory which presents 300 performances and more than 50 works per year in only one theatre. The capacity of the Wien's Staats Oper is close to that of the Palais Garnier in seating but the standing room at very low price is very important: 2000 tickets are sold on average by representation, all categories included. The receipts are respectively 96 000 € and 63 000 € per lyric representation or ballet. Differences with the Paris Opera and the Munich Opera are mainly due to differences in prices for lyric spectacles.

What conclusions can be drawn from these comparisons? All four houses present the same most popular works with the same concentration and less than ten universally acclaimed ones. Their differences in revenue coming directly from their artistic activities can be explained by their seating capacities, the number of representations and the distribution between lyrics and ballets. There exists a significant difference in terms of costs between New York and Paris compared to Munich and Vienna.

Having created a repertory which compares to the best opera houses, having increased steadily its production volume with a rigorous cost control, the Paris Opera house can be counted among the best lyric institutions in the world.



## 2. The Explanations: a Strategy and a New Form of Governance

### *A predefined strategy*

For the first time in its history, a director chosen for the Paris Opera formally proposed a strategy and a multi-year action plan: the number and nature of artistic activities projected over several years, the organizational methods required, the estimated level of State financial support, the box office resources and the private funds he promised to raise. What is particularly remarkable is that this action plan, approved by the government at the request of Hugues Gall and subject to regular monitoring, was executed as stated. The Opera director and State representatives kept their respective commitments based on a clear, simple contractual document, in spite of the supplementary cost of the Aubry laws on work time reduction.

### *A new form of governance: autonomy defined in a “quasi-contract”*

The history of the Paris Opera highlights permanent, stable factors: the culture of luxury and splendor, respect for traditions, and the preservation of close links with public authorities, which confer its institutional features. Throughout this history, various forms of governance have been practiced. The Opera was directly run by the State during the First Empire and up to a point after its nationalization in 1939. Its management has been transferred through royal privilege to Lully, organized under a concession system between 1831 and 1939, and, between 1995 and 2001 formally, under a quasi-contractual business plan to a director committed to a multi-year business plan he himself proposed.

The Paris Opera turned in highly variable artistic and economic performances under these different forms of governance. Historical analysis suggests that there is a positive relationship between the institution's degree of autonomy and its results.

Table 5 classifies the Opera's five significant historical periods from left to right in order of increasing autonomy of the institution vis à vis the State.



The Imperial Academy was integrated into the Emperor's Household and its autonomy was practically non-existent. Its artistic "successes" were short-lived and can only be assessed in the light of the pressures and constraints politically imposed.

The Paris Opera was directly dependent on the State after its nationalization in 1939. Artistic performances were generally in decline, particularly in terms of volume of productions. The policy that followed was hesitant and unstable, alternating dark periods with periods of light such as the directorship of Rolf Liebermann. But there was an ongoing deterioration in the economic position, and a continuous increase in public subsidies.

	First Empire Napoléon	1945-1994	Louis XIV and Lully	Quasi-contract and Gall	Concession 1831-1939
Institution's degree of autonomy	Total dependence	Direct State management	Autonomy transferred by privilege	Autonomy defined in a quasi-contract	Autonomy restricted by specifications
Artistic success	Occasional and short-lived	Declining, inconsistent	Exceptionally high	Box office success, Coherence, stability Creation of a repertoire	Box office success, Low risk-taking
Economic success	Non-significant	In steady decline	Excellent	Clear improvement Good control	Good, except at the end of the period
Environmental conditions		Changes in production techniques		New technologies, Favorable structural factors	Considerable increase in labour productivity
Exceptional factors			Lully's wide range of talents, and personality Royal support	Management team's professionalism	

Table 5: Performances and forms of governance at the Paris Opera



At the other end of the scale of autonomy is the 1831 concession. The “director-entrepreneur” autonomy was restricted by the concession specifications that defined public policy (volume of productions, new productions, incentives to put on French works) and the rules governing the concession contract. Though, the operational management freedom was high. Also, it is true to say that the offer of new lyrical works was abundant. The Opera indisputably attracted enormous audiences, and most directors were able to succeed financially except at the end of the concession period, when the general economic conditions caused higher personnel expenses, to such a degree that increasing public subsidies became essential.

During the nine years that Hugues Gall was director (1995-2004), the Paris Opera was in a paradoxical position. It was a public institution, highly dependent on the budget and on the Ministry of Culture, and two-thirds of it was financed by the state administration. But it was also an organization enjoying the autonomy defined by a quasi-contract between the management and the relevant authorities. Under the new status that Hugues Gall himself had requested, the director had unchallenged power and considerable capacity to make autonomous decisions, providing he remained within the framework of the approved business plan.

The institution’s degree of autonomy appears to be correlated with the level of artistic and economic performance, but it is not the only explanatory factor. Lully’s outstanding success was also due to his exceptional talents as composer and manager, and the quality of his relationship with the king. The professionalism of Hugues Gall and his team, the seating capacity and the technology of the Bastille Opera must also be taken into consideration in explaining the recent results of the Paris Opera.



### 3. Future Challenges for the Paris Opera:

#### Issues specific to the Paris National Opera

Among them, we have to focus first on the resources, then on the governance challenges.

#### *Resources:*

A. The programming of lyrical performances must obey strict economic constraints, which are the choice of titles; the amount of variable resources dedicated to each lyrical production and of course the price levels for tickets. One notices that good financial management and an appropriate understanding of the audience expectations go well together. A high attendance, of course depending on the choice of titles, will help maximize the box office resources. Does it mean that the Paris Opera directors are condemned to play constantly the most successful operas, such as *Traviata*, *Carmen*, *Faust*, *The Magic flute*, etc...? It means that all lyrical variable production costs have, season after season, to be covered by resources generated by the box office. Stronger margins generated by hit productions are necessary to subsidize operas that are less popular. The 1995-2004 experience of the Paris Opera shows that every year lyrical productions can be divided in three groups. Group 1 includes productions at very reasonable costs and large attendance, such as *Carmen*, *Le nozze de Figaro*, *Faust*, *Rigoletto* etc. Group 3 includes expensive productions which draw reasonable attendance, such as *War and Peace*, and the creation of new operas (*Salambo*, *K*, *Péréla*). Group 2 would be somewhere in between groups 1 and 3: higher costs than the average and lower attendance. All figures are, of course, highly dependant on the time of season and on the number of performances given. It is easy to understand that high production costs must be justified by a certain number of performances. This brings us back to the necessity of a reasonably wide repertoire, which Jean Claude has emphasized.



B. As a result, we believe that the number of performances ensured by the Paris National Opera should be increased. On the one hand, the market is there, providing that quality performances, popular titles and price range like that of the 1995-2004 period still prevail. One should also notice that the global lyrical offer in Paris might tend to decrease at both the Chatelet and Theatre des Champs Elysées. On the other hand, such a policy would mean better coverage of the existing fixed costs linked to the permanent artistic resources – the 180 musicians of the orchestra, the 150 dancers of the ballet, the 100 singers of the choir -, and the permanent technical and administrative employees of the house: altogether around 1600 people. The financial projections in our book demonstrate that the number of lyrical performances could be increased by 15%, especially at Bastille where the positive margin box office resources and variable costs for each lyrical performance is the highest. The resources necessary to produce more, including a slight increase of employees could be self-financed by the box office without requiring any increase of public subsidies. Our projections also suppose that the number of ballet performances would not be reduced. A decrease in the number of ballet performances would be meaningless, given their commercial success and, once again, the importance of the fixed costs linked to their existence.

C. The Paris National Opera, as any opera house in Europe or in North America must, of course, focus on its core activities - we say “coeur de métier” in French -, that is opera productions and performances. In this respect, it is a permanent challenge to define what activities the opera house should concentrate on, what it should produce directly against the activities which could be produced, bought or hired externally. The key objective is to ensure the highest artistic quality. There is no given list of what should be done directly by the house and what can be done elsewhere. Nevertheless, it remains a constant preoccupation. Answers may differ from house to house.

This goal goes together with a huge and specific issue of the Paris Opera which is keeping the salary expenses to a reasonable level, as wages and social costs of permanent employees represent more than 80% of the annual public subsidy.



D. Increasing the amount of private subsidies is another challenge for the Paris National Opera. Figures are totally different on each side of the Atlantic. Private funding (other than those generated by the box office and side activities such as sales of post cards, public visits of the Palais Garnier or hiring the foyers for private events) represents a completely different challenge for the Paris National Opera or any opera house in France or Germany and, let us say, any opera house in the United States. In spite of recent improvements- the overall total of private subsidies to the Paris Opera amounts to 6 million euros in 2006 (3,5 in 2004) and less than 4% of its budget – this is very far from the millions of euros raised by the Met, which represent 47 % of its total budget. The number of private funders is quite significant. A large number of private subsidies provide an opera house with more stability.

### *Governance challenges*

We call them “governance challenges” because the state administration, that is to say the government is potentially present behind all major financial decisions in Opera management. The financing of 65 % of the institution’s budget is one example. Hugues Gall made it clear that the government should not interfere with management decisions as long as the detailed multi-year business plan was respected. The existing status of the Paris national opera is specific about the extent of the Director’s power and responsibilities. In fact, these responsibilities may be restricted if a business plan does not formally exist. That can also be restricted, and this has been up to a point the situation under Hugues Gall period, if human resources difficulties create supplementary costs. The implementation in 1999 and 2000 of laws reducing the working time of most employees brought about such difficulties. State administration representatives get nervous if a too great-percentage of the resources allocated to the Opera goes to wage increases, instead of quality and quantity of performances. The global challenge for the future is to ensure optimal conditions to make possible the best overall performance of the Paris opera.



First, as we have emphasized the professional and artistic improvements from which the Paris Opera has benefited since the beginning of the nineties, we consider it a necessity that these professional improvements are maintained and further developed.

Second, it is necessary to build a business plan for this six year period which must both be the action plan of the director and meet the requirements of the state administration, and more specifically, the Minister of Cultural Affairs whose existence is a French - and possibly a European - specificity. Of course, flexibility is necessary: unpredictable events may occur. However, a minimum stability, both in terms of activities, and financing is necessary. Such a business plan does not exist since the “quasi contract” of 1995-2004. The heart of this business plan must once again be: for a given budget, how many lyrical and ballet titles should be presented in how many performances. A wide range of financial choices then arises.

Third, it must be recognized that a rational human resources policy still needs to be developed in the interest of both the 1600 employees and of the secure development of the institution. This has appeared as a major weakness from 1944 to 2004, and it remains a difficulty that most other major opera houses in Europe and North America do not face. In one way or another, this historical issue should be addressed as efficiently as possible.

Fourth, the board of the Paris National Opera should be made responsible for ensuring sure that the business plan is respected. The clearer the policy and the business plan will be, the greater the chances are that it will succeed.

### Issues that are not specific to the Paris Opera.

The most important issue is probably the weakness of the creation of popular new operas. 150 years ago, a director of a big opera house's key challenge was to identify new composers and operas that could be created in their theaters with great artistic and commercial success. The Met was willing to present the new Verdi's, Wagner's, Puccini's operas; this was also the case at Covent Garden, at La Scala in Milan, at the Paris Opera, in Austria, in Germany etc...



Of course, lyrical creation still exists. It is very alive and creative in North America. Kurt Weil wrote some of his best operas in the USA, such as *The great Mahagonny* ; Gershwin's *Porgy and Bess* is a popular masterpiece; Leonard Bernstein's *Candide* and *West Side Story* also. This was some 50 years ago for Bernstein and more for Gershwin and Weil! But, can we still speak of popular operas, in the sense of Verdi's or Puccini's or Mozart's operas? The future will let us know. Composers try very hard in America, and we hope they will succeed, as the greatest in the 19th century did. Let us recognize that to day, operas houses live mostly on the existing repertoire which, by itself, is great.

This is perhaps why the issue of inventing new ways to present productions of the existing repertoire emerges. In the sixties, the challenges were to ensure the highest musical and vocal quality to the performances. Then came the issue of modernizing the productions. Musical goals still dominate but more and more emphasis goes to dramaturgy. Discussions and sometimes strong disagreements occur. Nevertheless, the demand for opera seems to remain high.

The challenge in Paris as, we suppose, in New York and elsewhere is to find the financial resources required, and assess the proper balance between cost, artistic quality, and a sufficient diffusion.

Opera remains an extraordinary form of art which brings unequal emotion and global satisfaction - not to say happiness - to those who take the time to be attentive to it. This is why we advocate so passionately for organizational strategies that will enable opera houses to revive and feature, on a consistent basis, the masterpieces of opera so loved by its adepts worldwide.

[1] The Ballet Institution is totally independent from the Metropolitan Opera. This is not the case in Paris.