

# **CENTS AND SENSIBILITY**

Annual Analysis of the Federal Budget by  
The Canadian Conference of the Arts



**June 2003**

# CENTS AND SENSIBILITY

## The CCA's Annual Analysis of the Federal Budget

### 1. Introduction

The CCA has been conducting annual analyses of the federal budget as a service for its members for more than a decade. The title of this year's analysis, 'Cents and Sensibility,' highlights the ongoing need for sensibility, on the part of the federal government, to the implications of funding decisions – and indecisions – on the stability and health of the cultural sector. The analysis uses the term “sensibility” in its twin meanings of being sensible (and thus reasonable and practical) and being sensitive (and thus having concern and understanding for others).

In many respects, this year's budget was sensible for the cultural sector. While health care was clearly the big winner in the budget, overall funding levels for culture remained relatively stable – and even increased in some cases. Notwithstanding this, a number of budget decisions seem to suggest a lack of understanding on the part of the federal government of the short and long-term consequences of unanticipated funding cutbacks, uncertainty over future funding levels, and perceptions of vulnerability of the cultural sector in the current political and bureaucratic environments.

Unanticipated cutbacks to the Canadian Television Fund and the Canada Magazine Fund, uncertainty over the future of the May 2001 Tomorrow Starts Today funding beyond its scheduled sunset in 2003/4, and potential vulnerability in the face of government-wide expenditure reallocation exercises, generate considerable uncertainty and instability in the sector. This is particularly disturbing in light of the Department of Canadian Heritage's emphasis in the past few years on programs which support “stabilization”, “sustainability”, and “capacity building”.

What's more, there is a concern shared by many in the cultural sector that the current leadership campaign for the federal Liberal party – a race which includes the candidacy of the Minister of Canadian Heritage – could prove damaging to federal support for culture. With the attention of the government and key cabinet ministers focused on the leadership campaign and a federal election in the offing, the Department of Canadian Heritage might not receive the normal amount of ministerial attention, and cultural policy and initiatives may become unwitting casualties in the race for the Liberal leadership. The \$25 million cut to the Canadian Television fund is a clear illustration of how a cultural policy measure can be undermined in this climate.

This analysis contains four sections: the first is a “big picture” examination of federal funding levels to the cultural sector; the second section looks more closely at recent funding and organizational developments at the Department of Canadian Heritage; the third section

provides a detailed examination of key funding issues, trends, challenges and opportunities for various sectors in the arts and cultural milieu; and the final section reports on current developments across the cultural sector beyond federal funding issues (e.g. legislative developments, tax and regulatory issues, etc.).

## 2. The Big Picture

The table below shows funding levels for the Department of Canadian Heritage and selected agencies and crown corporations for the period 2002/3 to 2005/6 (the shaded column shows funding for this fiscal year). The 2002/3 column shows forecasts of the actual spending for last fiscal year (figures in brackets show planned spending for that fiscal year). Figures in brackets for fiscal years 2003/4 to 2005/6 show the Planned Spending figures from last year's Part III Estimates (2002/3).

**Table 1 – Spending for the Department of Canadian Heritage and Selected Agencies and Crown Corporations, 2002/3 to 2005/6 (millions of dollars)**

Organization <sup>1</sup>	Forecast Spending	Planned Spending		
	2002/3	2003/4	2004/5	2005/6
Department of Canadian Heritage				
Main Estimates	1,037.3 (1,037.3)	964.0 (881.4)	788.7 (763.2)	773.0
Adjustments	89.6 (56.5)	232.4 (70.2)	412.2 (132.2)	251.0
Net Planned Spending	1,126.9 (1,093.8)	1,196.4 (951.6)	1,200.9 (895.4)	1,024.0
Canada Council for the Arts	153.7 (149.7)	151.3 (149.4)	125.1 (124.4)	125.1
Canada Museum of Science and Technology	27.2 (26.0)	35.3 (35.3)	29.1 (29.1)	23.6
Canadian Broadcasting Corp. <sup>2</sup>				
Main Estimates	NA <sup>3</sup> (1,020.2)	997.4 (NA)	NA	NA
Net Planned Spending	1,045.1 (1,040.2)	1,017.4 (995.6)	957.4 (955.6)	957.4
Canadian Museum of Civilization	80.0 (78.2)	84.3 (84.0)	81.6 (81.4)	56.3
Canadian Museum of Nature	26.9 (26.9)	33.9 (33.8)	35.2 (35.0)	41.2
National Archives of Canada	59.5 (55.0)	49.5 (49.8)	52.8 (49.8)	53.0
National Arts Centre	26.6 (24.8)	26.3 (24.8)	26.3 (24.8)	26.3
National Film Board of Canada	65.3 (61.1)	63.2 (61.0)	63.4 (61.0)	63.4
National Gallery of Canada	42.5 (42.4)	41.3 (41.2)	41.3 (41.2)	41.4
National Library of Canada	45.0 (38.8)	41.8 (36.1)	41.1 (36.1)	41.1
Telefilm Canada	137.1 (137.1)	130.1 (130.1)	129.6 (129.6)	125.6

1. With the exception of the National Archives of Canada and the National Library of Canada, all of these organizations also generate annual revenues.

2. See discussion of the Canadian Broadcasting Corporation below.

3. Figures not available in the estimates documents.

**Sources:** Government of Canada, 2002-2003 Estimates, Parts I and II: The Government Expenditure Plan and Main Estimates and 2003-2004 Estimates, Parts I and II: The Government Expenditure Plan and Main Estimates; Department of Canadian Heritage, 2002-2003 Estimates, Part III: Report on Plans and Priorities and 2003-2004 Estimates, Part III: Report on Plans and Priorities.

Overall, funding levels have held relatively steady from last fiscal year to the current year, and planned spending for many of the organizations is set to hold steady for the two coming fiscal years (spending for 2004/5 and 2005/6 must of course be interpreted with care as it represents planned spending – not funding that appears in the Main Estimates).

**“Adjustments.”** The item marked “adjustments” in the figures for the Department of Canadian Heritage must also be interpreted with caution. The Department describes adjustments as “linked to a series of planned initiatives that will be the subject of consultation with various stakeholders”<sup>1</sup>. These do not appear in the Main Estimates and as such, should be interpreted carefully. Discussions with sources in the department suggest that funding in the adjustments row is either funding that was announced in the budget but that did not make it into the estimates (since the estimates exercise precedes budget announcements) or that the funding refers to initiatives for which the department has yet to seek cabinet approval. To the extent that it is the latter, these figures should be interpreted with great care.

The CCA is awaiting further information from the department as to the funding initiatives that appear in the “adjustments” row. For the time being, we know that \$75 million in each of 2003/4 and 2004/5 is the budget announcement renewing – at substantially reduced levels of funding – the Canadian Television Fund, which was set to sunset in 2002/3. It is also possible that the department is listing the renewal of the *Tomorrow Starts Today* funding in the adjustments line (sources in the department were unable to confirm or refute this possibility). It will be important to continue to monitor this issue as these amounts represent considerable portions of the department’s planned spending for this fiscal year and the next (close to half a billion dollars in 2004/5).

**“Reallocation.”** One of the budget announcements that received scarce media attention, but that may have considerable influence on current and future funding – was the federal government’s commitment in Budget 2003 to “reallocate funding from lower to higher priorities,” and in particular, to reallocate \$1 billion annually from existing programs, beginning this fiscal year.

While sources at the department were not in a position to comment on either the methodology or the potential outcomes of this reallocation exercise, it is rumoured in the cultural sector that for this fiscal year the department has been directed to “find” \$60 million worth of program spending for reallocation. The *Publications Assistance Program* and the *Canada Magazine Fund* are said to be particularly vulnerable in this reallocation round. The fact that the postal subsidy for Canadian magazines is being challenged under NAFTA by the United Parcel Service only adds to the precarious nature of this layer of government funding.

Moreover, cultural funding as a whole may be quite vulnerable in an environment of reallocation because reallocation only pertains to *nonstatutory spending*, that is, spending for

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1. Department of Canadian Heritage, *2003-2004 Estimates, Part III: Report on Plans and Priorities*, 5.

which the government of the day must seek Parliamentary approval through the annual estimates process. Statutory spending, in contrast, is spending that Parliament has previously approved via other legislation, and therefore does not require annual Parliamentary approval (e.g. the Canada Health and Social Transfer, and fiscal equalization payments to the provinces that flow through the Department of Finance).

Spending in the cultural sector may be vulnerable because the lion's share of cultural funding is nonstatutory spending. In the 2003/4 Main Estimates, *97.8 percent* of the Department of Canadian Heritage's total budget was nonstatutory. *This is the highest proportion of nonstatutory programming of all federal departments.* While nonstatutory programs make up more than 90 percent of many other departments' spending, the concern for the cultural community is whether the Department of Canadian Heritage will end up shouldering a disproportionate share of the reallocation burden. Some sources in the cultural sector say that the department has been hit harder than others in this first reallocation round.

The President of the Treasury Board will be making an announcement respecting the reallocation exercise shortly. The announcement is expected to identify program spending that has been reallocated (i.e., reduced or eliminated) and to describe the methodology used to undertake the reallocation exercise. To this point, there has been no official (or unofficial) word as to the reallocation methodology. Knowing how the burden of reallocation has been and will continue to be distributed across government departments will be crucial, particularly for the Department of Canadian Heritage, because of its significant proportion of nonstatutory programs.

### **3. THE DEPARTMENT OF CANADIAN HERITAGE**

The Canadian Heritage Portfolio includes the Department of Canadian Heritage, seven departmental agencies (including the National Archives, the National Film Board, the National Library, and the Canadian Radio-television and Telecommunications Commission) and ten Crown Corporations (including the Canada Council for the Arts, the Canada Science and Technology Museum, the Canadian Broadcasting Corporation, Telefilm Canada, the Canadian Museum of Civilization, the Canadian Museum of Nature, the National Arts Centre, and the National Gallery).

The department maintains 26 points of service in five regions across Canada. This is up from last fiscal year's 24 points of service, owing to the addition of 2 new headquarters offices in Ottawa. In addition, there are five cultural Trade Development Officers abroad that aim to stimulate international cultural trade.

The organization describes its mission as "building a cohesive and creative Canada" and, as the table shows, it has identified four strategic objectives in this regard. The department organizes the information in its *Report on Plans and Priorities* under each of these headings.

What can sometimes be unclear, however, is the relationship between these strategic objectives and the department's new organizational structure.

**Table 2: 'Unpacking' the Department of Canadian Heritage**

	Description
Strategic Objectives	<ul style="list-style-type: none"> <li>- Promoting Canadian content.</li> <li>- Fostering cultural participation and engagement.</li> <li>- Fostering and strengthening connections among Canadians.</li> <li>- Promoting active citizenship and civic participation.</li> </ul>
Departmental Organization	<ul style="list-style-type: none"> <li>- Five Sectors:               <ul style="list-style-type: none"> <li>• Cultural Affairs: includes arts, cultural industries, copyright, Canadian culture online, and cultural sector investment review.</li> <li>• Citizenship and Heritage: includes heritage, multiculturalism, aboriginal affairs, official languages, citizenship, and the Canadian Conservation Institute.</li> <li>• International and Intergovernmental Affairs: includes international and intergovernmental affairs, and trade and investment.</li> <li>• Public Affairs and Communications.</li> <li>• Planning and Corporate Affairs.</li> </ul> </li> <li>- Three corporate branches:               <ul style="list-style-type: none"> <li>• Strategic Policy and Research: develops key policy initiatives pertaining to the department's mission and contributes to government-wide research priorities affecting the department's mandate.</li> <li>• Portfolio Affairs: seeks to integrate planning, reporting, policy and communications matters pertaining to the Canadian Heritage portfolio agencies and organizations.</li> <li>• Human Resources and Workplace Management: seeks to ensure that the department is a safe, supportive and efficient workplace.</li> </ul> </li> </ul>
Planning Reporting and Accountability Structure (PRAS) Business Lines	<ul style="list-style-type: none"> <li>- Cultural Development and Heritage: broadcasting, Cultural industries, arts, and heritage.</li> <li>- Canadian Identity: Official Languages, Canadian identity, citizens' participation, multiculturalism and sport.</li> <li>- Corporate Management: includes strategic planning and policy coordination, financial and human resource management, communications, and coordination with portfolio agencies.</li> </ul>

In May 2002, the department restructured in an effort to better support the above strategic objectives. The department is now organized into five sectors and three corporate branches as described in the table. (The restructuring may bear worrisome implications for the cultural sector because the reorganization separated arts and heritage, which used to be located together in the department's Arts and Heritage Sector. They are now located in separate sectors. The Cultural Affairs Sector houses the Arts Policy Branch and the cultural industries, while the Citizenship and Heritage Sector houses heritage programs as well as multiculturalism and official language programs. Some in the cultural sector are concerned

that this separation may weaken the voice of both arts and heritage in the department, as both may be drowned out under the new restructuring by cultural industries and official languages, respectively). The potential for confusion intensifies when it comes to the department's financial reporting. Despite its new organizational structure, the department continues to present its financial information using its current Planning, Reporting and Accountability Structure (PRAS) "in order to comply with Government-wide presentation regulations and to allow for easier year-to-year comparisons".<sup>2</sup>

Table 3 below shows spending for the three PRAS business lines of the Department of Canadian Heritage.

**Table 3 – Department of Canadian Heritage Business Lines, Net Planned Spending and Full Time Equivalents, 2002/3 to 2005/6 (millions of dollars net planned spending)**

Business Lines	Forecast Spending <sup>1</sup>		Net Planned Spending <sup>1</sup>	
	2002/3	2003/4	2004/5	2005/6
Cultural Development & Heritage (arts, heritage, broadcasting, cultural ind.)				
Main Estimates	NA <sup>2</sup> (469.4)	413.0 (NA)	NA	NA
Net Planned Spending	476.4 (499.6)	496.7 (409.1)	448.7 (372.5)	260.0
Full Time Equivalents	604 (613)	555 (613)	461 (584)	461
Canadian Identity (Official Languages, identity, citizen participation, multiculturalism, sport)				
Main Estimates	NA (503.5)	473.0 (NA)	NA	NA
Net Planned Spending	552.9 (529.7)	621.7 (469.7)	670.4 (441.4)	681.6
Full Time Equivalents	528 (537)	407 (526)	400 (514)	385
Corporate Management (inc.: strategic planning and policy coordination, financial and HR management, communications)				
Main Estimates	NA (64.5)	78.0 (NA)	NA	NA
Net Planned Spending	97.6 (64.5)	78.0 (72.8)	81.8 (81.5)	82.4
Full Time Equivalents	937 (608)	808 (605)	804 (602)	804
Total				
Main Estimates	NA (1,037.3)	964.0 (NA)	NA	NA
Net Planned Spending	1,126.9 (1,093.8)	1,196.4 (951.6)	1,200.9 (895.4)	1,024.0
Full Time Equivalents	2,069 (1,758)	1,770 (1,744)	1,665 (1,700)	1,650

1. The 2002/3 column shows estimates of the actual spending and FTEs for fiscal year 2002/3 (figures in brackets show planned spending and FTEs for that fiscal year). Figures in brackets for fiscal years 2003/4 to 2005/6 show the Planned Spending and FTE figures from last year's Part III Estimates (2002/3). Net planned spending is the sum of total Main Estimates and Adjustments (see Table 1 above).

2. Figures not available in the estimates documents.

**Sources:** Government of Canada, 2003-2004 Estimates, Parts I and II: The Government Expenditure Plan and Main Estimates; Department of Canadian Heritage, 2002-2003 Estimates, Part III: Report on Plans and Priorities and 2003-2004 Estimates, Part III: Report on Plans and Priorities.

2. Department of Canadian Heritage, 2003-2004 Estimates, Part III: Report on Plans and Priorities, 13.

The table reveals a number of features of the department:

- While net planned spending in the Cultural Development and Heritage business line is up this fiscal year, funding to this area is set to decline dramatically over the coming two fiscal years, from roughly half a billion dollars to just over a quarter of a billion. The bulk of this decline comes from a more than 50 percent reduction in planned contribution spending, from \$323.0 million in 2003-04 to \$144.1 million in 2005-06.<sup>3</sup> Notwithstanding this decline, the level of Full Time Equivalents is set to remain at roughly the same level. If program spending is more than halved, what will all of these staff be doing? The CCA is awaiting word back from the department as to the programs to be affected by these planned reductions.
- In contrast, net planned spending to the Canadian Identity business line grew about \$70 million over last year's spending, and is set to grow another \$60 million to a total of \$682 million by 2005/6. Most of this growth derives from increases in contributions, from \$490.1 million in 2003-04 to \$564.7 million in 2005-06.<sup>4</sup> The CCA is waiting to hear back from the department on these changes. Does this new spending represent new programs or augmented funding to existing programs? Or is it spending internal to the department?
- By 2005/6, total departmental net planned spending is set to shrink by roughly \$100 million from 2002/3 levels.
- Corporate management activities are the most human resource intensive, accounting for just under half of the organization's full time equivalents this fiscal year. (As noted above, the corporate management business line includes strategic planning and policy coordination, financial and human resource management, communications, and coordination with portfolio agencies.)

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3. Department of Canadian Heritage, *2003-2004 Estimates, Part III: Report on Plans and Priorities*, 15.

4. Ibid.



## 4. SECTOR-LEVEL DEVELOPMENTS

Table 4 on the next page compares funding in this year's and last year's Main Estimates for a range of grants and contributions at the Department of Canadian Heritage. The sections below examine key developments in the arts, heritage, and cultural industries sectors.

**Table 4 – Department of Canadian Heritage: Selected Grants and Contributions (dollars)**

Grant/Contribution	2003/4 Main Estimates	2002/3 Main Estimates
Arts and Heritage Sustainability Program		
Stabilization Funds	6,728,430	6,716,726
Capacity Building	11,516,014	7,495,155
Endowment Incentives	13,278,161	13,203,995
Arts Presentation Canada Program <sup>1</sup>	25,707,278	17,707,278
Broadcasting distribution	8,100,000	4,600,000
Canadian Magazine Publishing Industry (Canada Magazine Fund)	35,000,000	45,000,000
Canadian Television Fund	75,000,000 <sup>2</sup>	99,000,000
Cultural Spaces Canada Program	28,201,000	28,301,000
Museums Assistance Program	8,400,000	8,400,000
National Arts Training Program	15,216,200	10,709,000
New Media Learning Fund	2,500,000	....
Publications Assistance Program	46,400,000	46,400,000
Trade Routes	2,000,000	2,000,000

1. This increase arises from the transfer of Cultural Initiatives Program funding to the Arts Presentation Program.

2. This \$75 million does not appear in the Main Estimates; it was announced in the February 2003 budget.

**Source:** Government of Canada, 2003-2004 Estimates, Parts I and II: The Government Expenditure Plan and Main Estimates.

## ARTS

### Tomorrow Starts Today

The fate of the May 2001 *Tomorrow Starts Today* funding occupies many in the arts and heritage sector. Fiscal year 2003/04 is the final year of the three-year \$568 million funding package. Sources in the department indicate that the Minister of Canadian Heritage will seek support from her cabinet colleagues in the fall for renewal of the funds. The department anticipates it will submit a renewal request for multi-year funding. Departmental sources believe that it will be particularly difficult to gauge whether cabinet will approve renewal of the funds due to the politics surrounding the Liberal leadership race.

At present, the department is working on a renewal strategy which involves conducting formative evaluations on the *Arts Presentation Program*, the *Cultural Spaces Program*, and the *Canadian Arts and Heritage Sustainability Program* to assess how implementation is going and to assess early impacts of the programs. These evaluations are termed *formative*

because they are undertaken early in the process of program implementation (generally once the program has been operating for a year). They are distinct from summative evaluations, which conduct a full evaluation of program impacts following completion of a program. Formative evaluations focus primarily on implementation issues and seek to improve a program while it is rolling out. The evaluations of the above-noted programs will also examine their *early* impacts to assess whether they are meeting the needs of communities and, if they are not, to identify the reasons why. The evaluations should be completed by the summer and the department expects they will be made public.

The urgent need for renewal of the *Tomorrow Starts Today* funding was emphasized by participants at the CCA's 2003 Chalmers Conference, held in Ottawa at the end of May. In response to a request for participants to compile a "wish list" of sector needs, increased funding for the sector (for core funding, for arts organizations, for the Canada Council – right across the board) was top of everyone's list.

### **National Arts Training Contribution Program**

Funding to the program, which supports "independent, non-profit, incorporated, Canadian organizations which train Canadians for professional national/international artistic careers,"<sup>5</sup> showed an increase from \$10.7 million to \$15.2 million in the Main Estimates this year (see Table 4). This represents the final increase accruing to the program from the May 2001 *Tomorrow Starts Today* funding, which contributed an additional \$13 million to the program over three years. This is a very important program for national arts training and funding increases are most welcome. A summative evaluation has recently been completed on the program and it has been renewed for another five years (to 2007).

### **Cultural Capitals of Canada**

The Minister of Canadian Heritage announced the winners of the first round of *Cultural Capitals of Canada* (2003) in early May. The five winners were: Caraquet, New Brunswick; Red Deer, Alberta; Rivière-du-Loup, Québec; Thunder Bay, Ontario; and Vancouver, British Columbia. Given that the funds for this program will lapse at the end of this fiscal year, the applications for the 2004 *Cultural Capitals of Canada* have already been submitted, and the winners will be announced this fall. CCA has been a strong supporter of this program throughout its development. In 1998, as part of its Final Report of the Working Group on a Cultural Policy for the 21<sup>st</sup> Century, we recommended that a Canadian version of the European "City of Culture" project be discussed by cultural ministers and implemented by 2000. It has taken rather longer than that for this program to come to fruition and the end result is considerably different from the European version, but CCA is hopeful that it will provide Canadian cities with the opportunity to develop a substantial cultural legacy. It would be a considerable disservice for this program to fade away simply because it was late getting off the ground.

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5. Department of Canadian Heritage website.

## **Canada Council for the Arts**

Parliamentary appropriations to the Canada Council held relatively steady this year at roughly \$150 million, and the agency is hopeful that the additional \$75 million (over three years) received from the *Tomorrow Starts Today* initiative will be incorporated into its permanent budget. Precedent bodes well here, as temporary funding increases to the Council in past years have been incorporated into the agency's permanent funding. It is important to note, however, as Canada Council Director John Hobday underscored at this year's Chalmers Conference, that the Council's current level of resources is inadequate to meet the needs of the community. Moreover, given that much of Council spending derives from its endowment fund, the organization may face challenges as it seeks to weather the continuing turbulence, uncertainty and downturns in the financial markets.

## **National Arts Centre**

As shown in Table 1, funding to the National Arts Centre held relatively steady in comparison to last year's Main Estimates, and it is projected to remain at current levels for the next two fiscal years. The NAC's excellent programming, expanding audiences and sound management have also contributed to the institution's financial stability.

## **HERITAGE**

### **Built Heritage**

The Department of Canadian Heritage has been creating a national register, standards for conservation and a process of certification for restoration spending. Now that this work is sufficiently advanced, the Budget announced a \$30 million contribution program (\$10 million for each of three years) to encourage the private sector to restore and preserve historic landmarks and properties. The funds will "compensate businesses for a portion of the costs incurred in restoring heritage buildings."<sup>6</sup> The department should have the program up and running early next year.

Although the new funding is a step in the right direction, the announcement was something of a disappointment for those in the heritage sector. The level of funding is far less than is needed for restoration and preservation of built heritage. But perhaps more importantly, a tax incentive would have been preferable over direct support because it offers predictability to users (in contrast to a grant or contribution, where they face the possibility of application rejection) and continuity/stability (it is easier for the government to eliminate or reduce a spending program than a tax measure). The Department of Finance indicates that the funding program was not intended to be a substitute for fiscal measures, but rather a means of testing the new registry, standards, and certification process for the eventual enactment of tax-based measures.

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6. Department of Finance Canada, *The Budget Plan 2003*, 111.

## Museums

As shown in Table 4, funding to museums via the Museums Assistance Program held steady in this year's budget at \$8.4 million. While this program and stability in its funding are important to the sector, the Canadian Museums Association (CMA) advocated a holistic approach in its pre-budget submission. Arguing that the future of museums rests with the future of municipalities, the CMA recommended the federal government create a more favourable fiscal environment for municipalities. Many of the CMA's recommendations were reflected in the House of Commons Finance Committee's recommendations, but the budget did not include substantial support for municipalities.

As Table 1 shows, federal funding to the Canada Museum of Science and Technology, the Canadian Museum of Civilization, and the Canadian Museum of Nature is set to increase this fiscal year (by 30, 5 and 26 percent, respectively). Increases to the Canadian Museum of Civilization accrue to the Canadian War Museum. New funding to address the estimated \$30 million in cost over-runs for construction of the new War Museum (announced early this year) is not included in this year's estimates. The organization submitted a formal request to the government for additional funding in the spring of this year and anticipates that any new funds will appear in forthcoming supplementary estimates or next year's main estimates.

Most of the new funding to the Canada Museum of Science and Technology flows to the National Aviation Museum. These funds support the construction of two new buildings for the Museum, one for new aircraft, and the other for administration, library and archives. The Canadian Museum of Nature is receiving additional monies to fund public education activities.

On May 26, 2003, the government announced the establishment of the Canada History Centre, which will be "committed to providing access to our political and civic history, highlighting the important roles played by Aboriginal peoples, settlers and later immigrants who arrived to help make Canada the dynamic, democratic country it is today."<sup>7</sup> The Centre will be located in the former government Conference Centre in Ottawa and will incorporate multimedia and interactive elements in its programming activities. The government has committed some \$50 million in funding over five years for the Centre, and indicates that this funding was provided for in the federal budget of 2003. The government estimates that an additional \$40 million will be required to renovate the Centre's premises. Where will this money come from?

It is also unclear where the ongoing funding required to operate the History Centre will come from. CCA also notes that the Centre will not be arms length from government (like the other national museums which come under the 1990 Museums Act), but will be a government agency (like the National Library and Archives), under the direct control of the Minister of

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7. Government of Canada, "Prime Minister Jean Chrétien Announces the Creation of the Canada History Centre," *News Release*, May 26, 2003.

Canadian Heritage, an arrangement which will leave the new institution vulnerable to political interference.

Prior to the government's announcement creating the Canada History Centre, the Canadian Museums Association had called on the federal government to establish a national heritage policy and to undertake initiatives that would "engage all Canadians in their heritage, in all parts of Canada, not just in Ottawa."<sup>8</sup> The government is currently working to finalize a national heritage policy framework.

### **National Archives of Canada and the National Library.**

Funding to the National Archives is set to decline by 6 percent from the level in the 2002/3 Main Estimates (most of the decrease is to acquisition and holdings management), while that of the National Library is set to increase by 14 percent from the 2002/3 Main Estimates level (most of this increase is for library networking).

As this Budget Analysis was being written, the government tabled a bill to combine the two institutions. The government indicates that the resulting institution, the Library and Archives of Canada, will "play an important role in making Canadians more aware of their history and culture."<sup>9</sup> The government indicates that it has provided \$7.5 million over three years to support the creation of the new organization, although the CCA has been unable to ascertain whether these funds represent new money or monies previously allocated in the main estimates. The Library and Archives is looking for new premises, but it is unclear at this time where the funding to support this move will come from.

In late February, the government announced it had awarded a contract to refurbish the former US embassy building in Ottawa to house the new Portrait Gallery of Canada. The Gallery, which will be one of the main public faces of the new Library and Archives of Canada, is a welcome addition to the cultural landscape, but it is unclear at this time where the funding for this initiative is coming from. Is it drawing from existing Library and Archives funding? If so, is it doing so at the expense of other pressing capital projects of the new organization?

### **National Gallery**

This year's budget to the National Gallery provided an increase of \$3 million of funding to the Gallery for purchasing objects for its collection.

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8. Canadian Museums Association, "CMA Calls for National Heritage Policy," *Advocacy Alert*, May 22, 2003.

9. Department of Canadian Heritage, "Tabling of the Bill Creating the Library and Archives of Canada," *Press Release*, May 8, 2003.

## CULTURAL INDUSTRIES

### Broadcasting and Audiovisual Production

This year's budget was a good news-bad news budget for the broadcasting and audiovisual production sectors, with increases to the foreign production services tax credit, unanticipated and damaging cuts to the *Canadian Television Fund*, and uncertainty for the Canadian Broadcasting Corporation as to whether it would receive another funding injection of \$60 million, as it has in the last two years.

#### *Film or Video Production Services Tax Credit.*

This tax credit, which is available to both Canadian and foreign firms operating in Canada, provides a tax credit for production services expenses paid to Canadians or Canadian firms. The credit was increased from 11 percent to 16 percent of labour costs for audio-visual productions in Canada. While this supports the production services sector in Canada and will likely result in job increases in the sector, the federal government did not increase the tax credit for indigenous production (the Canadian Film or Video Production Tax Credit), which would support the production of Canadian content. Moreover, the tax change is estimated to provide producers with an additional \$25 million, precisely the amount cut from the budget of the Canadian Television Fund (see below).

#### *Canadian Television Fund.*

The *Canadian Television Fund (CTF)* is a public-private fund established in 1996 that seeks to encourage the financing and broadcasting of high quality Canadian television programs in the drama, children's, documentary, and variety and performing arts genres, in English, French, and aboriginal languages. Both the federal government (Department of Canadian Heritage and Telefilm Canada) and the cable and satellite television industries contribute to the fund, whose total budget is in the order of \$250 million. In February's budget, the government announced that federal funding to the CTF would decline by \$50 million (\$25 million for each of the next two years), a 25 percent decrease in the Department of Canadian Heritage's contribution to the Fund. While the sector lobbies each year for the continuation of the Fund (which was originally set to sunset in 2001), the cut was unanticipated – the government gave no indication that it was planning to decrease its contribution to the Fund.

The unanticipated cut has generated considerable uncertainty and instability in the audiovisual sector. The CTF has responded to the cuts by reallocating levels of funding between its two programming arms (the *License Fee Program* and the *Equity Investment Program*), but the Fund is still not able to support the number of productions it might otherwise have. The Canadian Film and Television Production Association (CFTPA) estimates that the cut may result in a loss of 550 hours of Canadian programming, reductions in the number of high-cost productions such as dramas, and decreases in the production of content that is "identifiably Canadian". Moreover, the sector expects it will leave "holes" in broadcasters' schedules and will result in job losses and business closures/restructuring in the

production sector. Producers, actors, and broadcasters have joined forces to press the federal government to reinstate the fund, but they continue to receive mixed messages from the Department of Finance, which has not traditionally been a strong supporter of the Fund.

#### *Canadian Broadcasting Corporation.*

The level of this fiscal year's funding to the Canadian Broadcasting Corporation (CBC) remains something of a mystery, with Minister Copps insisting in the weeks following the budget that the CBC will again receive an additional \$60 million in funding as it has in the last two years. The full amount of this funding top-up did not appear in the Main Estimates.

As shown in Table 1, the government forecast \$1,045.1 million in funding to the CBC last fiscal year. For this year, the Main Estimates figures dip down to \$997.4 million (a \$48 million decrease), but the Canadian Heritage Part III Estimates (Report on Plans and Priorities) indicate \$1,017.4 million in funding to the CBC for this fiscal year, which suggests an additional \$20 million in potential funding for the CBC.

While Sheila Copps maintains that additional monies will be allocated to the CBC in September's supplementary estimates, she cannot guarantee this funding will materialize, and if it does, judging by the Part III Estimates, it may only be in the amount of \$20 million. Moreover, it appears the federal government plans to reduce CBC funding by at least \$40 million in fiscal year 2004/5 (down to \$957 million), a level where it will remain in 2005/6 (see Table 1). The CCA is awaiting word back from the Department of Canadian Heritage as to this year's CBC funding, and will report this information when it becomes available.

Cuts to the *Canadian Television Fund* may also have a negative impact on the CBC's programming activities.

#### *National Film Board*

As shown in Table 1, funding to the National Film Board held relatively steady in comparison to last year's Main Estimates, and it is projected to remain largely at current levels in the next two fiscal years.

#### *Telefilm Canada*

Telefilm Canada funding in the Main Estimates declined from \$137 million to \$130 million, resulting from funding decreases to the *Canada Feature Film Fund*.

## **Publishing**

#### *Book Publishing*

Funding to the *Book Publishing Industry Development Program (BPIDP)* has held steady over the past few years, and publishers are reasonably satisfied with the program. An evaluation of the program will be undertaken over the course of the summer/fall as it is up for renewal in the fall. While the renewal prospects for the program cannot be known with

certainty, sources in the book publishing sector appear optimistic about the future of BPIDP. BookNet Canada, the successor organization to Canada Telebook Agency, will be focusing in the next few years on implementing electronic data interchange in the Canadian book publishing, distribution and retailing sectors in order to better integrate and disseminate information along the sector's supply chain. The sector is hopeful that BookNet Canada will help the Canadian book publishing sector to increase its market share and profitability to ensure both the short and long-term health of the industry.

### *Periodical Publishing*

As shown in Table 4, funding to the *Canada Magazine Fund* was cut by \$10 million this year, from \$45 million to \$35 million (the Fund contributes to Canadian periodical publishers' editorial costs). The reduction was unanticipated by those in the sector, who describe the consequences of the cut as "a potential disaster". Moreover, as described above, the *Canada Magazine Fund* and the *Publications Assistance Program* (which defrays a portion of publishers' distribution costs), appear to be at risk of dramatic cuts or total elimination in this round of program spending reallocation.

### **Sound Recording**

As part of the *Tomorrow Starts Today* initiative, federal funding for the sound recording sector has been reorganized and augmented. The Canada Music Fund, which replaces the Sound Recording Development Program, includes eight components that seek to "ensure that Canadians and the world have access to a diverse range of Canadian music in stores, on radio and television, at public venues and over the Internet."<sup>10</sup> The Fund's programs include the Creators' Assistance Program for artists, the Canadian Musical Diversity Program to promote diverse voices in Canadian music, the Music Entrepreneur Program to help entrepreneurs adjust to the digital economy, and the Canadian Music Memories Program to preserve significant musical works. Canada Music Fund program spending in the Main Estimates totalled approximately \$18.5 million.

Sources in the sound recording sector worked long and hard to obtain a music program and they are happy to see that their work has come to fruition. While the funding provides vital support to the sector and demonstrates the government's recognition of Canadian music, they would like to see the program continued (it is up for renewal this fall) and expanded (the sector's original funding proposals for the program were at much higher levels than the government has committed).

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10. Canadian Heritage, "The Government of Canada Announces the Music Entrepreneur Program," Fact Sheet, *News Release*, October 26, 2001.



## 5. VARIA: OTHER CURRENT DEVELOPMENTS

### Cultural Human Resources

The Cultural Human Resources Council's recent report *Face of the Future: A Study of Human Resource Issues in Canada's Cultural Sector* (December 2002), includes the recommendation to "recognize and support the needs of self-employed cultural workers." In this regard, the study recommends advocating for changes to tax legislation to better support self-employed workers, to advocate enactment of Status of the Artist legislation in those provinces and territories that do not currently have such legislation, and to advocate "that the fundamental rights of artists to ownership of copyright in their work and performance rights be secure regardless of the nature of their employment relationship." In addition to *Face of the Future*, CHRC released the National Compensation Survey for Management and Administration in Not-for-Profit Arts Organizations, conducted by Deloitte & Touche, at the 2003 Chalmers Conference. This study bleakly illustrated the low salaries and almost non-existent benefits which apply to managers in the sector, compared to other not-for-profits and the national average for other industries. Given the unpredictable nature of government funding at all levels, and the instability of the sector, this was not welcome news – but neither was it a surprise.

### Orchestras

While funding from the Canada Council to orchestras has increased over time, it represents a declining proportion of individual orchestra budgets. Orchestras Canada recently completed a cross-country research study interviewing orchestra stakeholders, many of whom are concerned about quality erosion in the sector because of funding issues. The study represented the first step in a major initiative called *Soundings*, which seeks to develop the tools to achieve sustainability for the sector. The second step is a conference to take place in early June, where the report will form the basis of discussions to develop tools to achieve sustainability in the sector.

### Built Heritage

Tabling of the Canada Historic Places Act, a key component of the Historic Places Initiative, has been delayed. It was supposed to go to the House of Commons this spring but it now will not be tabled before the fall. Sources in the sector are concerned that the Liberal leadership race has become a major preoccupation and they are worried that tabling of the bill will continue to drag on as attentions are directed elsewhere.

### Museums

The Department of Finance introduced legislative proposals that would change the *Income Tax Act* to permit museums (and other organizations) to issue charitable tax receipts where the fair market value of the donors' contribution or gift exceeds the benefit they receive.

## 6. Recurring Theme

The theme which occurs time and again throughout this analysis is that the cultural sector needs increased stable, guaranteed funding – something which is not a given in the present climate. The CCA joins with other arts organizations and artists across the country in urging the federal government to start this process by initially renewing the \$560 million funding for the foreseeable future, and ultimately increasing this amount to better serve the needs of the sector.