



2008 Federal Pre-Budget Consultation

**A creative Canadian Economy:
Taxation and Beyond**

Submission by the Canadian Conference of the Arts
to the Standing Committee on Finance

August 15, 2007

Summary of Recommendations

Recommendation 1

The CCA recommends that the Standing Committee on Finance endorse a minimum \$ 30 K exemption on revenue deriving from copyright and residual payments and complete tax exemption to grants to individual artists and creators.

Recommendation 2

The CCA recommends that the Standing Committee on Finance discuss the ongoing issue of income averaging with officials from the Department of Finance to determine if a new system could be developed to take into account the financial realities of artists and creators. The CCA also requests that the basic personal deduction limit for self-employed Canadians be raised to \$12K.

Recommendation 3

The CCA invites the Standing Committee on Finance to recommend to the Minister of Finance that the 2008 federal budget make an additional recurrent increase of \$ 20 million to the Canada Council budget beyond the \$ 30 million recently confirmed to its base budget, with a view to eventually making its annual budget reach \$300 million. Further, the CCA urges the Minister of Finance and the Minister of Canadian Heritage to confirm their intention to renew on a recurrent basis the “Tomorrow Starts Today” envelope of programs when it expires in 2009-10.

Recommendation 4

The CCA recommends that the Standing Committee on Finance urge the Minister of Finance to work with the Minister of Canadian Heritage so that the parameters of a new national museum policy be announced within the context of the 2008-09 federal budget.

Recommendation 5

Given the economic importance of copyright revenue to artists, creators and copyright owners, the CCA urges the Standing Committee on Finance to press the Ministers of Canadian Heritage and of Industry to expedite the introduction of the next phase of revisions to the Copyright Act..

Recommendation 6

The CCA urges the Standing Committee on Finance to recommend that new funds be allocated to the Department of Foreign Affairs to support the efforts of in the promotion of Canadian culture by foreign affairs staff members as well as those artists, creators and arts organizations building foreign audiences and revenue diversification.

Recommendation 7

The CCA urges the Standing Committee on Finance to press the Minister of Canadian Heritage to clarify immediately the criteria of the new program supporting the festivals announced in the 2007 federal budget.

Recommendation 8

The CCA recommends that the Standing Committee on Finance stress the importance of the Canadian Television Fund and the policies and objectives under which it currently operates be recognized by the government through the Minister of Canadian Heritage. The CCA further requests that any substantive change to these policies and objectives be the result of an open and transparent process consistent with the cultural objectives set by Parliament in the Broadcasting Act (1991)

"I believe in government support for the arts – which really means the people supporting the arts – because there's no free lunch; support comes from taxes. Particularly today, when it is more a knowledge economy than it is an industrial economy. If you are going to attract and retain those knowledge workers, in addition to providing education, health, sewers and roads, you need to provide access to culture or have a cultural infrastructure."

James Fleck, entrepreneur, business professor and philanthropist

Who we are

The Canadian Conference of the Arts (CCA) is Canada's oldest and largest arts umbrella organization providing a national forum for the entire arts and culture community from all disciplines and regions of the country. The mission of the CCA is to provide research, analysis and consultations on public policies affecting the arts and the Canadian cultural institutions and industries. The CCA fosters informed public debate on policy issues and seeks to advance the cultural rights of Canadians.

The CCA has been a participant in pre-budget consultations for over twenty years. During this time, a broad series of recommendations have been put forward to the Minister of Finance and the Standing Committee on Finance. In 2006, the CCA stressed the importance of reflecting the changing realities of the Canadian labour force through measures to provide greater access to social benefits and security to self-employed Canadians, which is the case for a majority of workers in the cultural sector. Many of these recommendations were restated in the response of the CCA to the Advantage Canada framework later released by the Minister of Finance.

As a result of these recommendations, the CCA will continue to discuss measures such as income averaging, access to Employment Insurance benefits, tax exemptions for copyright and residual income and other proposals with officials within the Departments of Finance, Human Resources and Canadian Heritage. The CCA recognizes that progress on these issues may require new approaches to achieve parity for self-employed Canadians, including artists, creators and arts professionals.

Taxation as a tool of cultural policy

The CCA recognizes that over the past twenty-five years, the federal government has provided important taxation benefits to self-employed artists and creators and has made major progress in rewarding charitable giving for the not-for-profit charitable sector. These gains have been the result of years of collaboration with the federal government and of the tenacious efforts of the arts and culture sector in cooperation with the larger voluntary and charitable sector.

However, some very important and well identified measures to encourage creativity have yet to be adopted. Given the focus of this year's consultation and the proven efficiency of such measures in other jurisdictions, we will restate them once again:

Recommendation 1

The CCA recommends that the Standing Committee on Finance endorse a minimum \$ 30 K exemption on revenue deriving from copyright and residual payments and complete tax exemption to grants to individual artists and creators.

Recommendation 2

The CCA recommends that the Standing Committee on Finance discuss the ongoing issue of income averaging with officials from the Department of Finance to determine if a new system could be developed. The CCA also requests that the basic personal deduction limit for self-employed Canadians be raised to \$12K.

Finally, under the heading of taxation measures, the CCA wants to express its full support for the recommendations made in the brief presented by Imagine Canada, most particularly those dealing with the implementation of the Blue Ribbon Panel Report on Grants and Contributions (February 2007).

The Current Concerns of the CCA

“In Europe, government supports arts programs. In Québec, through the Ministère de la Culture et des Communications, there is more support than in other provinces in Canada. The Canada Council in Ottawa is also a player nationwide. These funding programs are essential but insufficient to meet the need, and there is a call to encourage both increases in government funding and incentives to encourage private investment in the arts.”

Dr. Phyllis Lambert – architect and founding director and chair of the Board of Trustees of the Canadian Centre for Architecture

As important as they may be, taxations measures are not sufficient to ensure that Canada enjoy the benefits of a knowledge economy. This is why our 2008 pre-budget submission must also focus on the issue of public funding for the arts and culture sector in Canada, particularly federal funding programs and institutions. Our decision to do so is based on several realities, namely:

- the envelope of funding programs operating under the *Tomorrow Starts Today* rubric will expire at the end of 2009-10;
- the long-awaited federal museums policy has yet to be announced;
- the ongoing dispute over the Canadian Television Fund may result in significant changes to how original Canadian television content is funded by the private sector contributors;
- reductions in funding by the Department of Foreign Affairs for arts and cultural activities in our missions and posts abroad have had a serious impact on the ability of Canadian artists, arts organizations and the staff of our embassies and missions to promote Canadian talent and develop new markets for our cultural goods and services;
- much needed increased and stable funding for the Canadian Broadcasting Corporation has yet to materialize;
- the \$ 30 million festivals program announced in the 2007-08 federal budget has not been implemented in time for the 2007 festival season;

- the next phase of revisions to the Copyright Act to enhance the economic and moral rights of creators and copyright owners has been consistently postponed.

Federal Funding Programs

Like all who care about Canadian cultural expression, we rejoice greatly in the recent announcement that the budget of the Canada Council for the Arts will be increased by 30 million \$ on a permanent basis to mark its fiftieth anniversary.

While it is definitely a step in the right direction by the government, this increase still falls short of the level of investment needed in the arts and culture sector. The growth rate for the cultural labour force has consistently been twice that of any other element of the Canadian labour market and the economic arguments for public investment in the sector has been stated by several businessmen and experts over the years.

In addition, the Canada Council has broadened its reach to include the culturally diverse and aboriginal arts communities in its programs. While this recognition is most welcome and consistent with the changing nature of Canadian society, it has exacerbated the challenge of stretching resources across an ever growing field of arts activities.

Finally, the recent increase announcement could be largely wiped out by the expiry of the *Tomorrow Starts Today* program in 2009-10. Under this envelope, the Council has received an additional \$ 25 million for the term of the program. Further the Public Lending Right Commission has also received one million dollars from this increase to recompense professional authors for the public lending of their works through the library system.

The Canada Council is not the only institution at risk if the *Tomorrow Starts Today* suite of programs is not renewed. The Department of Canadian Heritage is responsible for the delivery of the other component programs of this envelope. These programs provide critical investments in a wide range of artistic and cultural endeavors across Canada.

Among the programs included in the envelope are:

- Arts Presentation Canada – which provides support to arts presenters and festivals across Canada;
- Canadian Arts and Heritage Sustainability Program – which supports and promotes improved management and planning practices in national arts and heritage service organizations. It also encourages such organizations to develop endowment funds by providing matching funding;
- Cultural Capitals of Canada –; which encourages municipalities across Canada to celebrate the arts;
- Cultural Spaces Canada – which provides contributions for capital projects by arts and cultural organizations

- Trade Routes – which supports international market development for Canadian cultural goods and services;
- National Arts Training Institutions Contribution Program- which contributes to the operation of national professional arts training institutions such as the National Ballet School and the Dancer Transition Resource Centre and 34 other institutions training professional artists, creators and other professionals;
- The programs associated with the Digital Future initiatives.

Recommendation 3

The CCA invites the Standing Committee on Finance to recommend to the Minister of Finance that the 2008 federal budget make an additional recurrent increase of \$ 20 million to the Canada Council beyond the \$ 30 million recently confirmed to its base budget, with a view to eventually making its annual budget reach \$300 million. Further, the CCA urges the Minister of Finance and the Minister of Canadian Heritage to confirm their intention to renew the “Tomorrow Starts Today” envelope of programs when it expires in 2009-10.

Museum Policy

The museum and heritage community has worked diligently over the past several years with the Department of Canadian Heritage to develop and implement a new national museums policy. These institutions, stewards of Canadian history and of the Canadian experience, are facing operational challenges as well as infrastructure issues. The Minister of Canadian Heritage has gone back to the drawing board and has not yet been able to indicate when a new policy will be unveiled and implemented.

While the government must be congratulated for providing much needed infrastructure funds to our national museums and other national cultural institutions, there is a sense of real urgency within the museum community that the federal government deliver a revamped national museum policy without further delay. These institutions deserve to know the intentions of the federal government in continuing this relationship and the resources that will be dedicated to assist them in their cultural mission.

Recommendation 4

The CCA recommends that the Standing Committee on Finance urge the Minister of Finance to work with the Minister of Canadian Heritage so that the parameters of a new national museum policy be announced within the context of the 2008-09 federal budget.

Copyright

Another important element in the support of artistic creation and innovation is the provision of economic and moral rights of creators and copyright owners through the Copyright Act. The CCA sees copyright as an essential tool through which creators and copyright owners can realize financial benefits from the public use of their work. For more than a year now, the Department of Canadian Heritage and the Department of

Industry have reportedly been developing the next phase of revisions to this important legislation

Recommendation 5

Given the economic importance of copyright revenue to artists, creators and copyright owners, the CCA urges the Standing Committee on Finance to press the Ministers of Canadian Heritage and of Industry to expedite the introduction of the next phase of revisions to the Copyright Act.

Cultural Diplomacy

The 2006 billion dollar reallocation program had a serious impact on the public diplomacy program of the Department of Foreign Affairs. As a result of this exercise, \$ 11.9 million in supplementary funds was trimmed from the programs supporting cultural activities in our posts and missions abroad and support for artists, creators and arts organizations developing audiences around the world. These reductions have been the source of some confusion and consternation within the arts and culture sector.

While the CCA recognizes that the funds that were reallocated were supplementary to the base funding of the public diplomacy program, we urge the Standing Committee on Finance to recommend that these cuts be reversed in the next budget.

Recommendation 6

The CCA asks that the Standing Committee on Finance recommend that new funds be allocated to the Department of Foreign Affairs to support the efforts of in the promotion of Canadian culture by foreign affairs staff members as well as those artists, creators and arts organizations building foreign audiences and revenue diversification.

Festivals

The 2007-08 federal budget announced the creation of a \$ 30 million festivals program. As of yet, this program has not been launched nor have any details of the criteria or objectives been released. Summer is high festival season across Canada. The CCA regrets that the program was not sufficiently developed to provide assistance the many worthwhile festivals taking place this summer in all parts of the country, many of which have registered deficits despite increased successes in attendance.

It is the hope of the CCA, that the 2008-09 federal budget will be able to confirm this funding into the next several years and provide program criteria and other critical information to festival organizers in ample time for the 2008 summer festival season.

Recommendation 7

The CCA urges the Standing Committee on Finance to press the Minister of Canadian Heritage to clarify immediately the criteria of the new program supporting festivals.

Canadian Television Fund

Over the past several months a dispute has developed over the Canadian Television Fund. Since its creation in 1996, this fund of some \$ 250 million dollars has supported the development of original Canadian television programming and of a vibrant audiovisual independent production sector. The fund is comprised of an investment of \$ 100 million per year by the federal government and contributions by broadcast distribution undertakings (BDUs). The Fund represents not only a commitment to the development of Canadian television content but also an investment in creativity and a source of livelihood for a wide array of artists, creators and arts professionals.

The Minister of Canadian Heritage has confirmed that the federal contribution will continue for two years, and the CCA appreciates this commitment from the Minister. However, the BDUs continue their efforts to bring fundamental changes to the Fund which could subvert the objectives under which it was envisioned and created. The CCA insists with the government and the regulatory agency that any substantive changes to the Canadian Television Fund be subject to a full public and transparent policy review process. The recent attempt by an internal CRTC Task Force failed to reach a consensus and did not engage in a true open and transparent process in the development of its Report and sweeping recommendations.

Recommendation 8

The CCA recommends that the Standing Committee on Finance stress the importance of the Canadian Television Fund and the policies and objectives under which it currently operates be recognized by the government through the Minister of Canadian Heritage. Further that any substantive change to these policies and objectives be the result of an open and transparent process consistent with the cultural objectives set by Parliament in the Broadcasting Act (1991).

The CCA gratefully acknowledges “Reflections in a Dancing Eye” by Joysanne Sidimus and Carol Anderson for the fore mentioned quotations.