



2009-10 Federal Budget: Investing in The Creative Economy

The Canadian Conference of the Arts' pre-budget submission to the Standing Committee on Finance

The Canadian Conference of the Arts (CCA) is Canada's oldest and largest arts advocacy and cultural policy development organization. As the national forum for the arts and cultural community in Canada, it provides research, analysis and consultations on public policies affecting the arts and the Canadian cultural institutions and industries. It also fosters informed public debates on policy issues and seeks to advance the contribution of the cultural sector to Canadian society, economy and international profile.

Recommendation: As a *minimum*, and beyond other legislative and regulatory measures required to provide the appropriate framework for the creative economy, that the total budgets which the federal government invests in the Canadian arts and culture sector be maintained at the 2008-2009 levels. As important public investments in the creative economy are required, any modifications to the programs or any money from "sunsetting" programs should be redirected to enhance the ability of the arts and cultural sector to serve Canadians at home, to contribute to the competitiveness of Canadian cultural industries and to Canada's image and commercial successes on the international scene.

Executive Summary:

Artists, creators, cultural institutions and industries occupy a large part in the life of Canadians. They are present in our economy, in our health care, education and social integration sectors. They help create our image to ourselves and to the world, they support our foreign policy objectives as well as our commercial objectives in the global economy. The contribution that the arts and cultural sector makes to Canadians can be estimated in a variety of fashions, although their intrinsic value is not always easily quantifiable.

To focus on the economic impact alone: the Conference Board of Canada recently published a report prepared in collaboration with the Department of Canadian Heritage estimating that the economic footprint of the cultural sector stood at \$84.6 billion in 2007 or 7.4 per cent of Canada's gross domestic product. With an estimated one million jobs in the sector, arts and culture is on par with the agriculture and forestry industries, *combined* with the mining, oil and gas industries. In this context, it is clear that it is in the interest of Canadians that their federal government invest in this important sector of the New Economy.

In its report **Compete to Win**, the Competition Policy Review Panel acknowledges the importance of arts and culture sector and advises the Government of Canada to put in place measures that will foster its vitality: New technology and increased international exposure create new opportunities for Canadian cultural businesses in global markets, and the current Canadian cultural policy framework will need to be updated in light of this new economic reality. (p.34)

We welcome the fact that the government of Canada has recognized the wisdom of investing in the long term growth of the cultural sector by granting a \$ 30 million dollar increase to the base budget of the Canada Council for the Arts. In the views of the Canadian Conference of the Arts, this increase represents a good practice in the funding of arts and culture because it allows cultural organizations and individual creators to plan their development through access to stable funding.

However, over the past several weeks, disinvestments in the order of \$ 65 million have been announced. These cuts will severely impact the cultural sector's ability to grow and contribute to what should be the objectives of our government, namely economic prosperity, international clout and Canadians' quality of life.

It is with this in mind that the Canadian Conference of the Arts expresses deep concern with regards to the government's recent decisions to disinvest in this important sector of our society. While not disputing the need for the government to evaluate and appropriately adjust the way it plays its role on the national and international stages, the CCA fails to understand the logic of cutting support to our exports and to our image as a nation. At the moment of writing this brief, we can only hope that the federal government is preparing substitute investments programs and tools to satisfy what we deem to be its responsibilities to all Canadians.

Investing in the creative economy

Were there any doubts that the fundamental nature of Canada's economy was in the midst of profound change, one need only look at the business pages of any Canadian newspaper. The auto industry is in serious decline, the agricultural sector is facing challenges coping with rising fuel costs and the marketing control system that has developed over the decades. The transportation industry is struggling to deal with rising gas prices and the banking system has been side-swiped by the American economic crisis.

On the other hand we see that Google is being valued at over one billion dollars and we see the mayors of our major cities pleading with Senators to ensure that Bill C-10 does not hobble the film industry which has become an important economic engine for these and other Canadian communities. We see increasing contributions to the Gross Domestic Product by the arts and cultural sector, as well as a growth in the export of Canadian cultural goods and services.

The arrival of the creative economy cannot be ignored. Perhaps that is why the Conference Board of Canada convened last March, in conjunction with the Department of Canadian Heritage, an International Forum on the Creative Economy in Ottawa to examine this phenomenon more closely. There was little doubt expressed that the creative economy was something that has attracted the attention of governments around the world that are developing strategies to strengthen and stimulate this new and powerful renewable resource.

The nature of the creative economy has not been completely defined despite the best efforts of scholars like David Throsby of Australia who has tried to define which occupations and industries fit into this developing model. Nonetheless, impressive headway has been made by governments in the recognition and exploitation of the potential that the creative economy holds for job creation, export development, innovation and productivity. For example, the Scandinavian countries have worked together to define a regional strategy for the development and promotion of the creative economy.

The hope that the traditional agrarian/industrial base of the economy can somehow be resuscitated back to the glory days is one that dies hard. However, the creative economy represents a real chance for a country such as Canada where, in the cultural sector, artists and creators have already reached the level of international recognition.

What does the Creative Economy Labour Force Look Like?

The main distinctions between the labour force in the agrarian/industrial economies and the creative economy are:

- In the latter, the majority of workers are self-employed (independent contractors);
- They are selling their brain power to generate new ideas. This is why the exploitation of intellectual property is an important source of revenue for much of this labour force;

- They are highly educated and equipped with a variety of skills for multi-tasking and working on a variety of platforms (Internet, film, video, sound recording, publishing, broadcasting, etc.)
- They undertake a process of life-long learning and acquiring new skills as technologies and opportunities evolve;
- Elements of the creative economy can negotiate collectively as a result of the federal status of the artist legislation, a unique innovation which could be broadened to other groups of self-employed professionals;
- As self-employed, they are not eligible for Employment Insurance, disability or maternity benefits, the social safety net does not currently work for them;
- Much of the activity within the creative economy has a high risk element, not every innovation will be successful;
- Government funding at all levels is a crucial element in the support and promotion of the creative economy.

What Does This Mean for Public and Fiscal Policy in the 2009-10 Federal Budget?

The challenge for public and fiscal policy in advancing the Canadian strategy for the creative economy is coping with two economies; the emerging creative version and the declining agrarian/industrial model on which much of public policy is based. The ways the government can intervene are multiple, from financial support to appropriately tailored legislative and regulatory frameworks.

The arts and culture sector is an important component of the creative economy. In fact, it could be said that the arts and culture sector has been at the vanguard of the creative economy for the past four decades.

The key distinction from a public policy viewpoint is the growth of the self-employed element of the labour force working in a system that was solidly based on the employer/employee model. In the opinion of the Canadian Conference of the Arts, this review of the current Canadian cultural policy framework proposed by the Competition Policy Review Panel should include the following elements:

- Our social benefit system must be adapted to allow self-employed individuals access to them. As a strategy to accomplish this objective, the exploration of the concept of flexibility should be undertaken (this concept is developed in the research paper *From Economy to Ecology: A Policy Framework for Creative Labour*, published by the CCA in March 2008 and available at the following Internet address:
<http://www.ccarts.ca/fr/advocacy/publications/policy/economiecreative.htm>
- A review of labour laws should be undertaken to ensure that the self-employed can benefit from the protections provided therein;

- A review of income tax measures should look at measures such as income sharing to insulate the creative work force from fluctuating income levels;
- It would be wise to identify new tax rates for copyright and residual income to reward and stimulate creativity and innovation, the model developed by the Government of Quebec in this regard is worth consideration;
- One should also look at increased support for international market development by artists, producers, distributors and other creative professions to broaden the financial base of these groups,
- Finally, one should continue federal support for the sector councils to enable them to provide professional development support and succession planning for the arts and culture sector as well as, other components of the creative economy.

Immediate Challenges for Federal Budget 2009-10

While the Canadian Conference of the Arts appreciates that the fore mentioned policy measures are important, they will not be achieved overnight. Of more pressing importance is ensuring that as these policies and adjustments take place, the financial underpinnings of the creative economy are solid and stable.

Funding for the arts and culture sector

The arts and culture sector is the epicenter of the creative economy because it generates the ideas that will be developed by the industry. In that sense one can compare this sector to the Research and Development branch in the pharmaceutical industry. Like other experimental sectors, the arts and culture milieu needs the long-term, sustained financial support of Government to keep its capacity of producing innovative ideas. While it is important to support a number of punctual events, long-term investment in artistic and cultural creativity is required. Other instruments are equally important, whether they be tax credits for the creation of Canadian cultural expression, tax incentives for creators or the legislative framework for copyright.

This year, the Government of Canada will have many occasions to show its willingness to support the birth of new ideas and works of arts with the renewal of many key cultural programs. In the two coming years, a total of \$ 342.3 million of program budgets are up for renewal within the Department of Canadian Heritage. These types of programs serve to provide support to a wide variety of activities within the creative economy. They have played a crucial role in ensuring that some modicum of financial stability has provided support for the growth of the contribution of the arts and culture sector to the creative economy in Canada.

The revision of the Copyright Act (Bill C-61):

Even if it is a critical element, the arts funding is definitely not the only element to take into account to establish a vivid creative nation. As long as creative workers are pulling out the main part of their revenue from ideas that they are selling, intellectual property represent a key element of the creative economy framework. In the new rehash of the Copyright Act, the prologue establishes the marketplace framework for intellectual

property. It invests in creators and copyright owners economic and moral rights which provide the means to support original production and innovation.

The CCA appreciates that there are many competing interests whose voices will be heard during the forthcoming Parliamentary hearings on this legislation. The CCA considers these revisions to be another critical cornerstone of the creative economy. Therefore, we look to Parliamentarians to situate this legislation on the broader landscape of the creative economy rather than simply attempt to moderate the competing interests of creators, copyright owners and user communities.

The importance of getting C-61 right is critical to the ability of Canada to compete effectively in the global creative economy. Let us not be held hostage to the self-interested pressures of foreign governments in this important public policy discussion.

Bill C-10 and the Film and Video industry

Another very important element of a creative nation is, indeed, the freedom to create new works of art. The CCA has joined with many other voices from the artistic, cultural and civil liberty communities to express concern over provisions with C-10 that have a major impact on the Film and Video Certification Program. The CCA has asserted that the provision of the act that gives discretion to the Minister of Canadian Heritage to deny certification to productions deemed ~~to~~ ^{contrary to public policy} is an unwelcome form of interference in the creative process. It has been the contention of the CCA and others that existing measures in the Criminal Code provide sufficient protection for the misuse of public funds for film and video projects that are objectionable. The CCA welcomes the amendments of Senators Fox and Moore as important validations of the freedom of expression and the provision of an appeal mechanism for film producers.

The Senate Committee on Banking, Commerce and International Trade has heard from a host of interveners, including the Mayors of Montréal and Toronto, about the importance of the film industry to their local economies. These individuals appreciate that the future of the creative economy relies on a fair and stable environment for important sources of employment such as the film and video industry. The CCA urges the members of the Standing Committee to support these amendments if they are passed by the Senate when C-10 returns to the House.

CCA urges the Committee to support the following:

As a *minimum* and beyond other legislative and regulatory measures required to provide the appropriate framework for the creative economy, that the total budgets that the federal government invests in the Canadian arts and culture sector be maintained at the 2008-2009 levels. As important public investments in the creative economy are required, any modifications to the programs or any money from “sunsetting” programs should be redirected to enhance the ability of the arts and cultural sector to serve Canadians at home, to contribute to the competitiveness of Canadian cultural industries and to our image and commercial successes on the international scene.