



December 18, 2008

Hon. James Flaherty  
Minister of Finance  
House of Commons  
Parliament Buildings  
Ottawa, Ontario  
K1A 0A6

Dear Minister Flaherty,

**Re: Suggestions for an Economic Stimulus Package**

On behalf of the President and the Board of Governors of the Canadian Conference of the Arts (CCA), I am forwarding, for your reference, a submission entitled "*The Cultural Sector: Part of the Solution for an Economic Stimulus*".

This document is the response of the CCA to your invitation to submit ideas regarding the forthcoming economic stimulus package. In the past several weeks, I have traveled to every province in Canada meeting with over four hundred artists, creators and arts professionals to discuss key priorities for the arts and culture sector in terms of policy development, financing and market development. The ideas contained in our submission to you are themes that were repeated in every community I visited.

The arts and culture sector are proud of the contributions that we make to the national economy, to the labour market and to the image of Canada at home and around the world. It is our hope that in addressing the economic challenges which currently face our nation, that you and your colleagues will allow us to increase these contributions through the implementation of our recommendations.

On behalf of the membership of the CCA, I would like to thank you and your officials for this opportunity to share with you these recommendations that allow our sector to be part of the solution.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Alain Pineau". The signature is fluid and cursive, with the first name "Alain" being more prominent than the last name "Pineau".

Alain Pineau  
National Director

Cc The Right Hon. Stephen Harper  
The Hon. James Moore  
The Hon. Dean Del Mastro  
Mr. Michael Ignatieff  
The Hon. John McCallum  
Mr. Jack Layton  
Mr. Charles Angus  
M. Gilles Duceppe  
Mme Carole Lavallée



The Cultural Sector:  
Part of the Solution for Economic Stimulus

A Submission by the Canadian Conference of the Arts

December 18, 2008

## The Cultural Sector – Part of the Solution for Economic Stimulus

### Summary of recommendations

The intention of this submission is to indicate how the arts and culture sector can be part of the solution to the economic stimulus strategy. Given the structures already in place, the sector can quickly mobilize the talents and dedication of artists, creators and arts professionals and of other sectors of the economy to achieve the objectives of creating jobs, increasing economic and creative activity, while at the same time enriching our sense of Canadian identity, enhancing our image abroad and supporting our other international trade objectives.

The Board of Governors of the CCA therefore respectfully asks that the following recommendations be included in the next federal budget:

- 1. As part of an Employment Strategy, the CCA recommends that the government invest at least \$ 1.5 million a year for the next five years in the creation of a mentorship/internship program for the cultural sector. The government has various options, including the Cultural Human Resources Council and a number of National Arts Service Organizations, to ensure this investment in job creation and in future development of the sector is administered in the most efficient and immediate ways.*
- 2. To develop markets at home and abroad, the CCA recommends that the federal government invest an additional \$ 40 million per year into the expansion of the capacity and mandate of the Canada Council for the Arts Audience and Market Development Program.*
- 3. As part of the Employment Strategy, the CCA recommends that the Department of Canadian Heritage be provided with an additional \$ 100 million to invest in the Cultural Spaces program to allow more communities and organizations to proceed with their capital development and renovation plans. This investment should be an annual increase for the next four years.*
- 4. To support the shift to the creative economy, the CCA recommends the investment of \$ 5 million per year for the next four years into the design and implementation of a national cultural research strategy. The strategy could be managed through the Department of Canadian Heritage or through a non-governmental organization.*
- 5. The CCA recommends that the federal government renew its investment in an expanded version of the New Media Fund by providing an annual allocation of \$ 50 million to the development of a multi-platform Canadian content fund.*
- 6. To support the shift to the creative economy, the CCA recommends that the government include in the 2009 federal budget a \$ 30 K exemption on revenue deriving from copyright and residual payments and complete tax exemption to grants to individual artists and creators.*

## **Background**

On December 5, 2008, the Prime Minister of Canada, the Rt. Hon. Stephen Harper invited Canadians to bring forth ideas on how best to stimulate the Canadian economy. It was clear from the comments echoed by the Minister of Finance, the Hon. James Flaherty, that the process of constructing the 2009-10 federal budget would be underway in the next several weeks.

The Canadian Conference of the Arts (CCA) welcomes this opportunity to put forward several elements that would contribute quickly and effectively to economic activity while being relatively modest in cost and administration. It is the hope of the CCA that the Minister of Finance and his colleagues will see the value in these proposals and move to include them in the forthcoming federal budget.

The Canadian cultural sector is the source of livelihood for over 650,000 of our citizens. Collectively, with direct, indirect, and induced inputs the cultural sector contributed \$84.6 billion to the Gross Domestic Product in 2007<sup>1</sup>.

The costs of creating jobs in the arts and culture sector are the lowest compared to other sectors of the economy and the return on every dollar invested is beneficial. According to the Conference Board of Canada, on average, for every \$1 of real value-added GDP produced by Canada's culture industries, roughly \$ 1.84 is added to overall real GDP and employment is also lifted. Millions of Canadians purchase books, magazines, films and videos, new media products and sound recording materials. Statistics Canada has estimated that household expenditures on cultural products continue to grow every year.

The Canadian cultural sector is also among the best-educated groups within the Canadian labour market and boasts a very high level of self-employed individuals who often work in multiple capacities in a variety of fields.

Most important of all, the cultural sector can put new funds to work within a very short period with the lowest administrative costs. The sector can and does undertake ongoing initiatives to build economic stability into the arts and culture field and to build audiences both at home and around the world for our artists, creators and arts professionals.

We submit that the government's first objective must therefore be to maintain and increase the number of jobs related to the arts and culture sector through the direct and indirect instruments at its disposal. The first step to achieve this objective is, *at a minimum*, to avoid cutting the investments the government currently makes through the various Departments, agencies, Crown Corporations, grants and contribution agreements and tax measures in place, while still seeking the most efficient way to deliver these investments and measuring their success.

In this respect, we note that a number of important programs are coming up for renewal in the next two years: while we do not believe that inefficient programs should be perpetuated, we believe that at least the same level of investments must be kept in place, through programs better adapted to the current situation.

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<sup>1</sup> ***Valuing Culture: Measuring and Understanding Canada's Creative Economy***, Conference Board of Canada, August 2008

The CCA also acknowledges the serious situation in which our museums and heritage institutions find themselves. As the Auditor General recently pointed out about the national situation, there is a considerable need for investments in the preservation and accessibility of our cultural heritage, not to speak of other levels of jurisdiction. This is why, while not including any specific recommendation in this submission, we urge the government to seriously consider any job creation proposal coming from the museum and heritage sector.

As a member of Imagine Canada, the CCA supports the suggestion that the government review and improve existing tax benefits in order to further encourage charitable giving to arts and culture organizations.

Finally, in the current economic crisis, cash-flow management and timely access to credit are creating challenges for our member organizations. We would like to see the Government of Canada, along with territorial, provincial and municipal colleagues, explore ways to help arts organizations access short-term bridge funding to ensure they remain viable in this period of economic recession.

Earlier this year, the CCA submitted to the Standing Committee on Finance a pre-budget submission. That submission, which is appended as background to this document, was written before many of the cuts to arts programs could be confirmed and certainly before the threat of a recession challenged our collective best assumptions about the stability of the Canadian economy.

In this submission, the CCA has considered existing needs and future opportunities for the arts and culture sector to enlarge the contributions it makes to the economy, quality of life, and national identity and international repute of Canadians.

### **Investing in People – Celebrating Talent**

The Canadian cultural labour force makes a significant contribution to the economy and to job creation. According to a recent Conference Board of Canada report, *Arts and Culture as Cornerstones in the Creative Economy*:

The Conference Board of Canada estimates that the real value-added output by culture sector industries totaled \$46 billion in 2007. Our estimate, taking into account direct, indirect, and induced contributions, is that the economic footprint of the culture sector was approximately \$84.6 billion in 2007, or 7.4 per cent of Canada's total real GDP, and that the culture sector contributed 1.1 million jobs to the economy.<sup>2</sup>

Investing in cultural workers makes sound sense in terms of stimulating the economy and creating jobs. One of the key means of investing in this specialized, dynamic, creative workforce is to help emerging cultural workers bridge the gap between formal training and the workforce. The most effective means of doing this in the cultural sector is through support for mentorships and internships.

There is consensus in the sector about the value, indeed the necessity, of on-the-job training for the vast majority of cultural occupations . from the Film and Television

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<sup>2</sup> ***Valuing Culture: Measuring and Understanding Canada's Creative Economy***, Conference Board of Canada, August 2008

industry, to Music and Sound Recording, to Interactive Media to Publishing, and the Live Performing Arts.

The CCA supports the need for a national mentorship/ internship program for the cultural sector. By providing funding for this program, the federal government would create employment possibilities for young people entering the field from universities, colleges and national arts training institutions.

The government has a number of options already in place to ensure that such a program is implemented quickly and efficiently. Such an approach could create new jobs in all disciplines and across Canada for artists, creators and arts and heritage professionals. This investment would see great benefits for the Canadian labour market at a modest administrative cost.

A three year program of 100 mentorships/internships a year would do much to strengthen the talent base of the sector and stimulate job creation in the fast evolving Creative Economy. As the Conference Board points out: "Clearly, a growing, dynamic culture sector is central to Canada's success as a creative, knowledge-based economy."

At an estimated total cost of \$15,000 for each mentorship (to be matched by employers), the program would cost \$1, 5 million a year . a relatively small investment in a sector that contributes *directly* \$46 billion to the economy annually.

***As part of an Employment Strategy, the CCA recommends that the government invest at least \$ 1.5 million a year for the next five years in the creation of a mentorship/internship program for the cultural sector. The government has various options, including the Cultural Human Resources Council and a number of National Arts Service Organizations, to ensure this investment in job creation and in future development of the sector is administered in the most efficient and immediate ways.***

### **Building Markets for Canadian Arts and Culture**

In an increasingly globalized world, Canadian artists, creators and arts professionals appreciate the need to cultivate new markets for their work both at home and around the world.

Canadian artists and creators of all disciplines have won international recognition for their work. As a result, there is a strong national audience base and a growing international demand for Canadian artistic and cultural works. And, interestingly enough, there is evidence that sending our artists, creators and cultural institutions abroad supports Canada's other trade objectives as well.

Earlier this year, the federal government cancelled two programs which were and remain critical elements in developing these markets. *PromArt*, a program at the Department of Foreign Affairs, and *Trade Routes*, operated by the Department of Canadian Heritage, facilitated the promotion of Canadian talent and culture around the world.

The CCA has heard from many arts organizations and individual artists, creators and arts professionals about the serious consequences for their short and long-term goals with the elimination of this support. The CCA has also received representations for the

creation of a Canadian British Council model to assume the responsibilities for the promotion of Canadian arts and culture around the world.

The common denominator in the ideas emanating from the cultural sector is the need for the federal government to reaffirm its commitment to supporting market development at home and around the world for the cultural sector of the economy, as it does for other sectors. The CCA believes that this objective can be achieved quickly and without a costly and time consuming infrastructure.

It is the view of the CCA that the Canada Council for the Arts is in a position to undertake this responsibility through its Audience and Market Development Office.

It is also important to note that the Canada Council for the Arts operates at a cost of 13% of its total budget. This ensures that the funds will efficiently managed and directed to achieving the goals of market expansion and development.

***To develop markets at home and abroad, the CCA recommends that the federal government invest an additional \$ 40 million per year into the expansion of the capacity and mandate of the Canada Council for the Arts Audience and Market Development Program.***

### **Cultural Infrastructure – A Durable Commitment to Excellence**

The physical infrastructures that support our theatres, galleries, museums, concert halls and other cultural facilities across Canada are under the same kind of pressures that other elements of the Canadian infrastructure are facing.

Changing technologies and technological standards, aging buildings, leaky roofs and substandard seating and audience facilities are problems that arts and heritage professionals are confronting on a daily basis.

Recent additions to the Royal Ontario Museum, the Art Gallery of Ontario, new facilities for the National Ballet School and the building of the Four Seasons Centre are examples of the kind of renewal that is necessary to maintain high standards of accessibility to Canadian audiences throughout the country. While the above examples are Toronto based, the same can be said of facilities in every city and community across Canada. Many of these were built to honour our Centennial year some 41 years ago.

The Department of Canadian Heritage currently administers a program called *Cultural Spaces* which provides support to the capital development plans of select applicants. The program has been significantly under-funded when one considers the growing demand for capital development. While not creating immediate jobs in the cultural sector as such, this kind of investments in the future will contribute to boost the economy through creating jobs in the construction sector and will ensure the longer term health and growth of the sector.

Such an enhancement to the *Cultural Spaces* program could include the re-equipping of new media and film organizations that struggle to keep up with the changes in technology they require to remain competitive.

***As part of the Employment Strategy, the CCA recommends that the Department of Canadian Heritage be provided with an additional \$ 100 million***

***to invest in the Cultural Spaces program to allow more communities and organizations to proceed with their capital development and renovation plans. This investment should be an annual increase for the next four years.***

### **Filling the Information Gap – A National Cultural Research Strategy**

There is a widespread recognition that Canada needs the establishment of a national cultural research strategy that provides better data on cultural labour market trends, audiences, new markets, diversity and economic impact of governments investment in the arts, cultural industries, and heritage sector.

Over the past several years, successive budget cuts at Statistics Canada have disproportionately affected arts and culture and deprived the sector of essential data for its proper assessment, planning and development. Contrary to other sectors of the economy, the cultural sector cannot currently afford to pay for the statistics it needs to establish its importance and contribution to the Canadian economy. Similarly, the government does not have some of the required tools to evaluate the impact of the investments it already makes in the sector.

This lack of research impedes planning and development not only within the federal government but also within the arts and culture sector itself. Canadian universities have shown an enthusiasm for partnering with arts organizations to address this gap, however, funding is the biggest challenge.

On December 8 and 9, 2008 in Toronto, the National Director of the CCA attended a meeting of Presidents from the Association of Universities and Colleges of Canada (AUCC). This meeting brought together executives from academia, policy research, think tanks, and cultural corporations. The goal was to lay out a strategy to secure investment for the research, dissemination, and commercialization of the art, design and culture (ADC) sector.

In line with this meeting of Presidents, the CCA supports the AUCC in securing innovative government programs and strategies which will fully exploit the potential of research and commercialization of the ADC sector. The CCA also recognizes Canada's universities and colleges as hubs of creation and innovation. As such, the CCA supports partnerships between government programs and the education sector in expanding the potential of Canada's arts, design and culture.

Since a solid groundwork already exists, the project could be implemented quickly and in a manner consistent with the highest research standards.

***To support the shift to the creative economy, the CCA recommends the investment of \$ 5 million per year for the next four years into the design and implementation of a national cultural research strategy. The strategy could be managed through the Department of Canadian Heritage or through a non-governmental organization.***

## **Canadian Content Creation – A Multi-Platform Approach**

Canada is becoming a hot-bed of creativity in the development of material for the new production and distribution technologies that challenge the traditional concept of Canadian content generation for broadcasting.

The content that is generated is finding new markets and users. The federal government has an opportunity to bolster this emerging field of creativity and content development. The recently cut *New Media Fund* administered by Telefilm Canada was a modest step in that direction.

A Multi-platform Canadian Content Fund to stimulate creation of Canadian cultural content for any production or distribution technology would serve several key public policy objectives and unleash the creativity and innovation within the creative economy.

Given the level of activity in these areas and the international demand for content in all formats, such a fund could be established and functioning in a very short time period. There are several established institutions that could deliver these funds quickly and create employment for Canadian artists, creators and other skilled workers.

***The CCA recommends that the federal government renew its investment in an expanded version of the New Media Fund by providing an annual allocation of \$ 50 million to the development of a multi-platform Canadian content fund.***

## **Fiscal measures to support creativity**

Apart from direct stimuli provided through direct investments in the cultural sector, the government can also use the fiscal measures at its disposal to further support culture as an important component of the creative economy.

Rewarding innovation and creativity by Canadians would be a welcome step towards achieving our productivity goals. For some time, the CCA has advocated for the exemption of a portion of copyright and residual income from federal income tax. In its February 2006 report entitled *From Bronze to Gold+*, the Canadian Council of Chief Executives (CCCE) endorsed this concept and broadened the CCA's proposal to include all forms of intellectual property.

The Government of Québec introduced a similar measure in 1995. The Québec exemption works on a sliding scale enabling creators and copyright owners to deduct a maximum of \$ 15,000.00 per year in copyright income. The measure has been amended to include income from the private copying levy, the public lending right program, and the neighbouring right in sound recording. The extension of a similar scheme at the federal level would allow creators and innovators to fully enjoy the economic fruits of their labour, thus offering an important stimulus to innovation and creativity in all fields of endeavour.

The CCA submits that such a measure should also include residual payments for public use of productions in which performing artists in film and television performed. These residual payments are not currently covered under copyright law, but are analogous to royalty revenues for creators and copyright owners. To achieve equity in the

development of a federal exemption, the realities of these performers must be accommodated.

Finally, CCA member organizations representing individual artists and creators have for many years sought a tax exemption for grants to individuals. We recognize that this is an issue that requires expert advice and guidance in order to ensure that consistency can be achieved in the tax treatment of grants to individuals.

***To support the shift to the creative economy, the CCA recommends that the government include in the 2009 federal budget a \$ 30 K exemption on revenue deriving from copyright and residual payments and complete tax exemption to grants to individual artists and creators.***