



Canadian Conference of the Arts (CCA)

Culture: a sound public investment

Presentation to the Standing Committee on Finance

Pre-Budget Consultations 2012

September 29, 2011

Good morning,

My name is Alain Pineau, national director of the Canadian Conference of the Arts, Canada's oldest and most broadly based cultural umbrella organization. The CCA provides the national forum for the entire arts, culture and heritage community, from all disciplines and regions.

In its submission, the CCA emphasizes the wisdom for the federal government to maintain and, if possible, to increase its investments in the arts, culture and heritage sector. We also argue that the government should take tax measures which recognize the large numbers of self-employed artists and creators as entrepreneurs running small and medium sized enterprises.

In our opinion, making sound and prudent investments in growth areas may be the proper strategy to adopt. Given the evidence at hand, it is the CCA's position that in order to achieve a sustained economic recovery in Canada, or at least to attenuate the impact of another increasingly likely economic crisis, it would be wise to maintain, or better still, to increase federal investments in arts and culture through the Canada Council for the Arts.

How to create quality sustainable jobs

The cultural sector's direct contribution to the Canadian economy is over \$46 billion and it provides direct employment to over 640,000 Canadians, which is three times the number employed by the insurance industry and twice the number in the forest industry. At 26%, the percentage of Canadian cultural workers who are self-employed is more than twice the percentage of self-employed people in the overall economy (12%).

A large segment of the cultural sector is comprised of small- and medium-sized businesses that are continually adapting to changing markets and evolving business models. To make a living in the cultural economy, cultural workers must develop entrepreneurial skills. Beyond their economic contribution, the cultural businesses that they start, such as art galleries, craft shops, bookstores and entertainment venues, are essential to the unique character and quality of life in urban neighbourhoods. And in the new creative economic environment provided by digital technologies, artists are more than ever at the forefront of innovation and entrepreneurship.

Rooted in its increasing cultural diversity, Canadian creativity is a non-polluting and inexhaustible natural resource helping to grow Canada's economy. Thus, we suggest that it is essential that the federal government invest in the development of markets both internally and abroad, through programs supporting touring of artists, works and cultural institutions.

How to ensure relatively low rates of taxation

A number of economists argue that to stimulate the economy, it is better to cut taxation to small- and medium-sized businesses. Culture falls into this category.

Over the years, recommendations have been made by the CCA and its members concerning income averaging for artists and creators whose revenue may fluctuate greatly from one year to another. It remains our conviction that rather than taxing revenue from a single, extraordinary year at maximum bracket rates, taxing income averaged over a few years creates a more stable financial environment for artists and creators, and recognizes the multi-year investment that a single creation often requires. An alternative solution to income averaging, which we put forward in our memoir, is to allow professional artists and creators to use the current year of revenue to

establish the level of tax-free contribution to a Registered Retirement Savings Plan. Such a regime already exists in Québec and could easily be extended to the whole country at the federal level.

Similarly, revenue derived from copyright or residual payments, and grants to individual artists and creators, should be exempt from taxation. For several years now, the province of Québec has exempted a certain level of copyright revenue from taxation. This fiscal approach encourages those who seek revenue from their intellectual property. By setting a reasonable ceiling to such tax-exempt revenue, the government could make sure that only artists and creators whose revenue is modest benefit from this measure. Such measures would not cost the Treasury much and would be easy to administer.

How to achieve a balanced budget

While the CCA understands the necessity to start eliminating the annual federal budget deficit, we submit that it would be short-sighted to do so at the expense of sound investments in the arts and culture sector. The cultural sector is an important component of the knowledge economy - where Canada's future lies. In terms of job creation, it provides a very good return on investments.

Conclusion

In the digital age, it is of utmost importance for a nation not only to invest in digital infrastructure but also in content development and production. In our opinion, the federal government has a duty to support the development of all forms of cultural content which reflect our identity as a nation, contribute to the country's standing abroad and support our commercial objectives on the international scene, while at the same time making a significant financial contribution to the domestic economy.

On another front, the government will shortly present a new bill on intellectual property and the CCA urges all members of Parliament to make sure that artists are fairly compensated for the use of their work in the digital economy.

Finally, the CCA submits that, like all other divisions of the Canadian economy, the arts and culture sector and different levels of government need accurate and timely statistics to plan and evaluate policies and programs. It is the CCA's hope that the government will continue to support Statistics Canada and the Department of Canadian Heritage in developing a satellite account for culture as has been done for tourism, transport and the voluntary sector.