

Canadian Conference of the Arts' Pre-Budget Submission 2005

- Setting the Stage -



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Setting the Stage

As Canada's largest arts and culture advocacy organization, the Canadian Conference of the Arts (CCA) is in a unique position to reflect the views and interests of a wide range of artists, creators, arts organizations and cultural the industries. It has been the privilege of the CCA to participate in these pre-budget consultations for many years.

As we look ahead to the 2006 federal budget, it may be useful to establish some general orientation to the state of the arts and cultural industries at this point in 2005.

It was with profound relief that Canadian artists, arts organizations and some of the cultural industries learned that the 2005 federal budget had been passed by Parliament. One of the important measures in the federal budget was the extension of some of the programs and initiatives were first introduced as part of the *Tomorrow Starts Today* (TST). This significant funding package was announced by former Prime Minister Jean Chretien and former Minister of Canadian Heritage, the Hon. Sheila Copps in May of 2001, was to last three years.

In early 2004, key elements of TST were extended for a single additional year. The CCA and many arts organizations, individual artists and creators, enforced the efforts of the Department of Canadian Heritage to seek a longer term commitment for these funds. The uncertainty created by the political situation around the 2005 federal budget created a real sense of anxiety across the arts and cultural sector, rendering long-term planning virtually impossible.

Some of this anxiety was relieved when the current Minister of Canadian Heritage, the Hon. Liza Frulla, was able to announce late in 2004 that she and her Cabinet colleagues had agreed to a one year extension for the 2005-06 fiscal year. While this announcement was greeted with much appreciation, the longer term fate of these funds rested in the hands of the Minister of Finance, the Hon. Ralph Goodale who was drafting the federal budget.

The 2005 federal budget extended these programs for a further four fiscal years, until March 2010. The Government is to be congratulated for this commitment, which provides artists and arts organizations with an enviable ability to undertake long-term planning. This commitment demonstrates the strong confidence in Canadian artists and arts organizations by the Minister of Canadian Heritage and her Cabinet colleagues. The CCA applauds this development.

The CCA also applauds the strong all-party support for the renewal of these programs. The CCA hopes that this unanimous support for investment in the arts and cultural industries represents a turning point in how the sector is perceived by our elected representatives.

While this investment is most welcome, it is the intention of the CCA to address the three areas of concern to the Standing Committee:

- policies and new investments in our business
- policies and new investments in our human capital
- policies and new investments in our physical capital

In the course of preparing this brief, the CCA consulted with many of its member organizations to determine their views on these issues. Many of them have indicated that they are preparing their own submissions to the Standing Committee with specific proposals essential to the interests of their sector. It is the view of the CCA that it is best to let these organizations address their proposals to the Standing Committee with the level of detail and insight that comes with their long experience in their areas of expertise. It is clear that they have invested considerable study, thought, and time in the preparation of their proposals. The CCA commends these presentations to the Standing Committee as worthy of your most serious consideration.

The CCA will address issues of broad pan-sectoral importance in this brief, as well as those issues that have been identified by other organizations who cannot participate directly or indirectly in the pre-budget consultations.

Policies and New Investments in Our Business

The arts and cultural industries in Canada are a remarkable success story. In over fifty years, the marriage of talent, entrepreneurial spirit and public investment through policies and financial support has resulted in one of the fastest growing and dynamic sectors in the Canadian economy.

The evolution of the cultural sector has been facilitated by an impressive array of legislation, regulation, investment incentives and direct financing. Statistics Canada reports that the economic impact of the cultural sector is \$ 33 billion and represents 733,000 jobs. The cultural labour force grew by 160% from 1971 to 2001, while the whole labour market grew at a rate of 81% in the same period.

The cultural sector continues this pattern in 2005, embracing new technologies, developing new markets at home and around the world, and winning acclaim and honours for outstanding work in all art forms and media.

Yet for all of this success, the cultural sector has ongoing difficulty convincing governments, the private sector and the Canadian public that this is a sector that merits serious and sustained attention. Incontrovertible economic evidence, widespread critical and public appreciation of the work of our artists, creators and producers is politely acknowledged. However, the ongoing task of fostering creativity, innovation and development in the cultural sector has not been widely embraced by our policy makers, Parliamentarians and the general public. This is a challenge that the cultural sector must address with the creativity and energy which is emblematic of their work.

The Canadian Conference of the Arts has adopted the creative continuum model to better understand how the arts and cultural industries function. This model is also helpful in assessing the strengths, weaknesses and needs of the key players that sustain the arts and cultural industries in Canada. The model is a simple one:

creation[]production[]distribution[]preservation

Through the efforts of the Canadian Heritage Portfolio the entire creative continuum is addressed. These institutions collectively invest significant portions of their budgets in the creation, production, distribution and preservation of works by Canadian artists, creators and producers. They address our collective heritage as Canadians and citizens of the world. They successfully lever additional support for these activities from other levels of government and the private sector.

Within the Government of Canada, the Department of Canadian Heritage and its portfolio of agencies and institutions represents the most important source of policy development and investment in the arts and cultural industries. The Canadian Heritage Portfolio has developed a remarkable range of tools to foster and sustain growth in the arts and cultural industries.

While each element of the Portfolio addresses their mandate through different tools targeted at different aspects of the arts and cultural industries, they are all inter-related in their mission and their collective impact on the cultural sector. Each element within the Portfolio makes an important contribution to the cultural vitality of Canada.

The Canadian Heritage Portfolio includes:

Canadian Radio-television and Telecommunications Commission
Library and Archives Canada
National Battlefields Commission
National Film Board of Canada
Status of Women Canada
Canada Council for the Arts
Canada Science and Technology Museum Corporation
Canadian Broadcasting Corporation
Telefilm Canada
Canadian Museum of Civilization
Canadian Museum of Nature
Canadian Race Relations Foundation
National Arts Centre
National Capital Commission
National Gallery of Canada
Canadian Heritage Information Network
Canadian Conservation Institute
Canadian Cultural Property Export Review Board

The Department of Canadian Heritage is more than a shepherd for the Portfolio agencies. It plays a strong and direct role in the development of policies and the delivery of programs that support and encourage productivity in the arts and cultural industries.

These include:

- book and periodical publishing industry policies and programs
- film, video and new media policies, programs and tax incentives
- sound recording policies and programs
- capital development program
- sustainability initiatives
- support for cultural festivals and special events
- museums and heritage policy and programs
- support for the development of international markets
- joint responsibility for copyright policy
- support for national training institutions for professional artists and creators
- multiculturalism policies and programs
- broadcasting policies and programs

The inherent interconnectedness of the elements of the Canadian Heritage Portfolio manifests itself in a variety of ways. When the Canada Council for the Arts provides funding to writers there is a direct impact on the publishing sector, which receives the bulk of its support through the Department of Canadian Heritage. When the CRTC grants broadcasting licenses, it ensures that the broadcaster commits to the development of Canadian programming

Despite the impressive range of activities supported through the Canadian Heritage Portfolio, the CCA is not convinced that sufficient resources have been dedicated to reflect the level of growth and the challenges facing these important institutions.

When the CRTC licenses broadcasters, it ensures that they will make a direct contribution to the development of Canadian programming. This in turn has an impact on the resources of Telefilm Canada and the Canadian Television Fund, which are often sought as funding partners for the development of new content.

In the face of these realities, many CCA members have joined a coalition calling for an increase in funding to the arts by \$ 5.00 per capita, through the Canada Council for the Arts.

Recommendation:

That the Standing Committee on Finance endorse the request of the Canadian Arts Coalition to increase per capita spending on the arts by \$ 5.00.

While such an increase may relieve the pressures on the resources of the Canada Council, care must be taken to ensure that the other vital elements of the Canadian Heritage Portfolio have the resources necessary to continue their important contributions to artistic and cultural development.

At the time that this brief was being prepared the CBC is into its third week of a national lockout. The silencing of our national voice leaves many Canadians cut off from the programming and news that the CBC provides. The CBC is one of the strongest and most effective vehicles for the promotion and development of our national identity. While it has been given the mandate to bring Canadian voices and experiences to the nation and beyond, it is facing real challenges in doing so within its current Parliamentary allocation.

In the last federal budget, the Minister of Finance announced a pan-governmental \$12 billion reallocation program. Each Department and agency was asked to identify 5% of its budget to be reallocated to high priority areas of the federal government. Many elements of the Canadian Heritage Portfolio felt that such a reallocation would seriously impede their capacity to fulfill their mandates and would likely result in the loss of jobs, reduced accessibility to the public and curtailed programming.

Through the efforts of the Minister of Canadian Heritage and her departmental colleagues, the agencies of the Canadian Heritage Portfolio were exempted from the reallocation exercise for the fiscal year 2005-06. The CCA believes that this exemption should be made permanent. The application of the reallocation exercise would further erode the ability of the Portfolio to foster and sustain artistic and cultural expression.

The CCA believes that a serious examination of the needs of each Canadian Heritage Portfolio agency is urgently required. The study should include a needs assessment, the development of growth management strategy and reflect the levels of growth in each sub-sector served by the Portfolio or departmental program.

Recommendation:

That the Standing Committee on Finance identify the funding requirements of the Canadian Heritage Portfolio agencies and the Department of Canadian Heritage before the next federal budget.

Increased Accountability – Striking a Better Balance

In recent years, the Government of Canada has adopted increasingly rigorous accountability measures for the recipients and administrators of public funds. These measures are an understandable effort by the Government to ensure the prudent use of public funds.

Many arts and heritage organizations have found that the accountability measures are often disproportionate to the amount of public funds that they receive. Arts and heritage organizations are working with few staff and modest budgets and find the burdens of accountability occupying more and more of their work time. When the pressures of marketing, budgeting, fundraising and other day-to-day operations of these organizations are coupled with extensive accountability requirements, the administrative burden can be overwhelming.

This burden is not only onerous for the recipients of public funds, but also for the public servants who administer granting and contribution programs. Public servants observe that an inordinate amount of their time is dedicated to ensuring that the accountability measures are in place and due diligence is followed for every disbursement. This level of oversight often diverts them from other duties of equal importance, such as policy development and program refinements.

The CCA recognizes the importance of prudent management of tax dollars. However, it is the view of many within the arts and culture sector that the current level of demand for accountability may be excessive in some cases.

The CCA encourages the Standing Committee on Finance to recommend a better balance in exacting accountability measures from the recipients of public funds.

Performance indicators have become a fetish in the accountability realm. Some things cannot be measured quantitatively, a fact particularly true in the arts and heritage sector. More realistic assessment tools should be developed to recognize that many of the benefits accruing from a healthy arts and culture sector cannot be captured or measured by economic or production data.

Recommendation:

That the Standing Committee on Finance request that the Treasury Board rethink the accountability measures and develop more effective tools to permit an appreciation of performance in the arts and culture sector.

Polices and New Investment in Our People

Taxation of Artists and the Arts

Every year when the CCA prepares its pre-budget submission, the issue of taxation of artists comprises an important part of our representation to the Standing Committee on Finance. This year is no different.

One of the chronic problems artists face is the question of employment status. Many professional artists have opted to provide their services on a self-employed basis. This decision often reflects the manner in which professional artists must pursue their careers. An actor or actress may work in many different productions for different companies each year. A musician must similarly seek income opportunities across a wide range of activities including teaching and performances.

The Canada Revenue Agency has challenged the self-employed status of artists across Canada, and in some cases has ruled that an employee/employer relationship exists. Such a ruling has serious consequences not only for the artist, but also for the engager of the services of that artist. Arts organizations operate on a very narrow budgetary margin, and when such a ruling affects many artists (such as members of an orchestra or a dance company), the financial implications can place enormous stress on its resources.

The CCA has been investigating this issue with the assistance of the law firm Mathews, Dinsdale and Clark in an effort to bring this matter to a conclusion which is satisfactory to the arts sector and the Government departments involved in this issue. The objective of this exercise is:

“To establish a policy that all professional artists will be deemed to be carrying on a business for the purposes of their artistic income (independent contractor), unless:

- in the case where there is no collective bargaining relationship, an engager and the artist enter into a contract of service (employee/employer relationship) that is explicit and unambiguous,
- an engager and an association representing a group of artists negotiate a provision that artists governed by a collective agreement are in a contract of service relationship.

The review of case law undertaken by Mathews, Dinsdale and Clark is appended to this brief. Essentially, the review demonstrates that the objective noted above is consistent with Canadian case law. It also provides details about how this issue is dealt with in other countries to accommodate the unique manner in which professional artists earn their livelihood and relate to the taxation system.

Recommendation:

That the Standing Committee on Finance recommend that the Canada Revenue Agency in cooperation with the Canadian Conference of the Arts and other key arts organizations develop a policy interpretation consistent with the aforementioned objectives.

Canada and the World – Artists and Arts Organizations on the Global Stage

Canadian artists and arts organizations have developed a strong reputation for excellence and innovation around the world. They represent to the world the distinguishing features of Canadian life: diversity, innovation, excellence and a commitment to our bilingual society and our aboriginal peoples.

The appetite for Canadian talent in all of its manifestations is growing steadily, while at the same time our collective ability to support the development of foreign audiences is diminishing. The recently released discussion paper on Canada's International Policy is indicative of a policy reversal that has serious consequences for Canada's artists and arts organization.

While previously the projection of Canadian culture and values was the so-called "third pillar" of Canadian foreign policy, its only mention is in the broader context of public diplomacy. This demotion of Canadian culture as an important element of our global image is regrettably consistent with scant resources dedicated to the promotion of Canadian artistic expression in the world.

The Department of Foreign Affairs has traditionally been a source of financial support for Canadian artists and arts organizations working internationally. Unfortunately, their budget to support this work has been steadily eroded to the point where less than five million dollars is dedicated to the promotion of Canadian talent abroad. Cultural attaches and ministers in our posts abroad must raise funds locally to accommodate any level of cultural programming.

The capacity to develop audiences internationally is an important element in developing a more diversified funding base for many individual artists and arts organizations. Rather than encouraging such initiatives, the Department of Foreign Affairs is not in a position to provide the level of financial and logistical support necessary to build paying foreign audiences beyond the most elemental levels.

The CCA will develop recommendations for the Standing Committee on Foreign Affairs when it reviews the discussion paper later this year. In the meantime, however, we call upon the Standing Committee on Finance to recommend a significant increase to the budget of the Department of Foreign Affairs to support the growing demands and opportunities for Canadian artistic talent in the international domain.

Recommendation:

That the Standing Committee on Finance recommend to the Minister of Finance an increase in the arts promotion budget of the Department of Foreign Affairs in the 2006 federal budget.

Investing in Our Physical Capital

Canada's Centennial marked a major turning point in the way Canadians viewed themselves. In honour of the celebration, towns, cities and communities across Canada embarked on projects to commemorate one hundred years as a nation.

Many of these projects were facilities to house the arts and heritage activities. In the almost forty years of their existence many of these facilities are in urgent need of upgrading and maintenance.

When it comes time to address these needs many arts and heritage organizations turn to the Department of Canadian Heritage's Cultural Spaces Program. This program provides contributions to underwrite a portion of the costs. The program is greatly oversubscribed and the competition for funds is great.

Some of the clients of this program find that the criteria and the system of disbursements once the contribution is approved to be almost unworkable. It is clear that assembling the resources for major renovations or retrofits is a time and energy consuming process. This is particularly true for smaller arts and heritage organizations that rely on volunteers to assist in the task.

The time frame allowed by the criteria of the program is too short for smaller organizations. The Department of Canadian Heritage is aware of these concerns and has taken some steps to address them. However, despite the concerns of the clients about elements of the program, there is a strong appreciation for the need to expand this program with some modifications.

The physical capital invested in our national museums is an area where much attention should be focused. The CCA echoes the call of the Auditor General for more resources to ensure that these institutions can meet the demands of an aging infrastructure. The longer that this attention is delayed the larger the price tag will be not only in terms of dollars but the capacity of these institutions to serve the Canadian public.

Recommendation:

That the Standing Committee on Finance urge the Minister of Finance to significantly address the infrastructure needs of our national museums in his next budget.