



2012 Pre-budget Consultation Questions

Culture and creativity as economic engines

1. Economic recovery and growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Quality of life as leverage for economic growth

In periods of austerity, governments often have the reflex of cutting down investments in arts and culture which they perceive as luxuries to be supported in times of prosperity. Such a reflex ignores the economic and social returns stemming from the creation of jobs in that sector and the social cohesion that results from cultural production. While remaining prudent with expenses, the government must contribute to economic growth through investments that increase the quality of life of communities, of which culture is an important component.

According to a 2011 report prepared by RMC Research for the American Planning Association, traditional programs for economic development such as job creation, increase of fiscal revenue, increase in retail activity, and general support to business can work, but when they are combined with creative approaches integrating arts and culture, and when they target individuals and their communities, such programs and policies provide a context more conducive to economic development and investment.

The economic importance of culture is illustrated by data such as:

- According to the Conference Board of Canada, the economic contribution of the Canadian cultural sector in 2007 was estimated to be \$84.6 B or 7.4% of GDP (in direct, indirect and induced contributions).
- The direct economic impact of cultural industries (including information) has grown from \$39 B in 2002 to \$45.9 B in 2011, a 2.1% yearly growth.
- In Québec, the economic impact of arts and communications represents \$10 B, 4.1% of provincial GDP, 130,000 jobs, \$2.2 B in employment revenue and \$673 M of revenue for the government.
- In Alberta, the art sector provides 3 % of GDP and in Ontario, 4%.

Recommendation: Increase investments in arts and culture via the Canada Council for the Arts, the Department of Canadian Heritage, the CBC, the National Film Board, Telefilm, the Canada Media Fund, and across the spectrum of cultural industries programs supporting growth in this strategic sector. These investments need to be recognized as key inputs to a thriving digital economy.



2. Job creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Creating a job in culture is not expensive and offers real returns

Creating a job in the arts and culture sector is less costly than in any other sector of the economy: the average cost varies between \$20 K and \$30K compared to \$100K to \$300K for jobs in medium and heavy industry sectors.

Recommendation: Increase the funding for the Youth Employment Strategy in cultural institutions and industries: such investments in youth will go a long way.

Investing in Canadian content

The production of musical and audiovisual products supports many jobs across the country. Film and television production represents \$2.4 B and in 2010-11, has created 128,000 full time employee (FTE) jobs, of which 50,300 were technical jobs.

Recommendation: Provide better regulatory and financial support to the audiovisual sector and for the use of new production technologies.

Investing in domestic and international touring creates jobs

In order to maximize small production budgets, our creators get into co-production agreements in Canada and abroad. To maintain employment and make investments profitable, productions must travel. And public support is often needed for the price of shows to be affordable to Canadians. Public investment acts as leverage, consolidates the financial situation of cultural enterprises, gives artists longer employment and allows for the exposure of Canadian talent throughout our vast country and on the international scene. Support for the development of domestic and international markets rests on the same logic that has led the government to provide increased support for touring exhibitions in the 2012 budget.

Cirque du Soleil, the National Ballet, Robert Lepage and Stratford's production of Jesus-Christ Superstar have all enhanced Canadian reputation around the world as a hotbed of creativity. Our artists shine on international stages and there is evidence that they support our other commercial objectives by contributing to our image as Arts Nation.

Recommendation: Invest in touring at home and abroad and adopt mechanisms to facilitate and support co-productions.



3. Demographic changes

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The integration of communities and generations through arts and culture

The aging of the population is far from being the only or even the most important demographic change affecting Canada. The increasing cultural diversity of the Canadian population has major impacts on our society. We refer here not only to the effects of immigration but also of the growth of aboriginal components of our society. These changes impact the creation and consumption of cultural products and must be taken into consideration in designing socio-economic policies. Cultural diversity, which Canada officially promotes on the international scene, is a unique natural resource for Canadian cultural creativity without equivalent anywhere else in the world. Moreover, beyond their positive contribution to the economy, several studies document the positive impacts of arts and culture on social integration and quality of life.

To support training in culture is to boost Canadian creativity

Canadian creativity is an inexhaustible and non-polluting natural resource. We do not suffer from manpower shortages in culture but rather from small markets, hence the importance of supporting touring. But there are also pressing needs in training to support intercultural cross-fertilization. We question the decision of the Department of Human Resources and Skills Development to stop funding the Cultural Human Resources Council (CHRC). CHRC is an important forum and delivery mechanism for training in arts and culture. The ever increasing importance of digital technologies has already brought about important changes in arts practices and consumption. Canadian youth have grown up with these new technologies and they must have access to the resources and skills required to innovate and create. Inversely, older artists and creators who have experience and knowledge also need to be introduced to the potentialities of the new digital environment. In this context, we need inter-generational mentorship programs to allow artists of all ages to interact and share skills to create new and exciting cultural products and transition successfully towards a digital creative economy. The CHRC is ideally positioned to implement this direction.

Recommendation: **Find new ways of funding the Cultural Human Resources Council.**



4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

While arts and culture are highly efficient in resource use, traditional notions of productivity do not apply well to this sector, except for a limited number of cultural industries. Productivity is often expressed in terms of output generated and hours worked. For the most part, artists, musicians and visual artists do not count their many unpaid hours of work refining their craft. Yet these hours unquestionably do increase their productivity resulting in success in their markets.

That said, the cultural sector is in dire need of timely and reliable data to follow its own evolution and develop and evaluate appropriate programs and policies designed to boost its performance. Having to deal with successive waves of budget cuts, Statistics Canada has abolished its Culture Division and put an end to a number of programs and surveys related to arts and culture. We submit that it is time to reinvest in the collection and analysis of trustworthy evidence when it comes to the multi-billion dollar arts and culture sector of the economy.

Recommendation: **Reinvest in the collection and analysis of culture statistics.**

The cultural sector is largely composed of small and medium sized enterprises, a classification that represents 90% of the Canadian economy. The large majority of cultural businesses such as publishers, film and television producers, the recording industry, and performing arts organizations fall into this group. Found in every corner of the country, 75% to 85% of small cultural businesses are profitable, which compares favourably with SME in other sectors of Canadian economy. The Canadian Digital Media Network 3.0 Report (May 2012), puts forward recommendations aimed at further improving the profitability of the creative sector. It insists on the fact that we must adopt policies for the development, promotion and the sustainability of 'Canadian voices' (i.e. our culture and history). We must provide for the presence of Canadian content on all distribution systems.

Recommendation: **Develop coordinated policies to support the production of Canadian content on all platforms.**

Recommendation: **Reinvest in the preservation, access and digitization of our heritage, an area hard hit by the 2012 budget.**



5. Other challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

A solution to several challenges: pursue fiscal equity

Artists face a unique fiscal situation: nearly 30% of them see their annual revenue fluctuate by more than 50% from year to year. Yet, statistics show that in 2009, the average revenue of Canadian artists was 30% below the national average. We submit that the new *Copyright Act* adopted in June will further deepen this divide. Yet, the government has at its disposal other fiscal means than direct subsidies to encourage job creation and the contribution of artists and creators to the economy.

Recommendation: Introduce fiscal measures that mitigate the effects of fluctuations of income such as income averaging for independent artists and allow the taxable income for the current year to be used as a reference to establish the level of contributions to an RRSP.

Recommendation: Allow artists and creators to deduct up to \$15,000 of their income derived from copyright royalties and neighboring rights below \$60,000 as is done in Quebec. Such a measure would be relatively cheap for the government and provide greater tax fairness to the individual artists.

Copyright revenue declared	Exemption
\$0-\$15,000	100%
\$15,001-\$30,000	\$15,000
\$30,001-\$60,000	Diminishing rate applies
\$60,000+	0%

While we understand and support government's fiscal prudence, we deem important that partial compensation must come from the private sector. It is well documented that charitable organizations play a key role in Canadian communities, through the services they deliver, the contribution they make to our quality of life and to our economic prosperity. It is therefore important to improve incentives for giving. In this context, the CCA supports Imagine Canada's recommendation to establish a stretch tax credit for charitable donations.

Recommendation: Increase the federal tax credit for charitable donations from 29% to 39%.