



IATSE Budget Submission to the House of Commons Standing Committee on Finance

Introduction

As the largest trade union representing workers in Canada's entertainment industry, the IATSE has been advocating for years to protect existing jobs and create new jobs in Canada's creative industries. IATSE members are an integral part of this industry; we are not actors, writers or producers but the skilled workers behind the scenes who work on big-budgeted foreign service films such as *The Revenant* in Calgary, or Canadian television series such as *Mr. D.* in Halifax. We are also the crew who are working backstage on *Kinky Boots* in Toronto or loading in the Metallica concert in Quebec City.

IATSE is in the fortunate position right now of working in an industry that benefits from a low dollar. Much of our film and television work is through agreements with the major Hollywood studios, who operate on project-by-project budgets that stretch much further in Canada when our dollar is low. The low dollar is also of benefit to the live performance industry. A weaker dollar encourages Americans to travel here. Toronto Centre is a prime example of this, with many of Canada's largest theatres currently experiencing fuller houses due to the tourism boom. Busier theatres mean more work for our members. And while we are currently reaping the benefits, the dollar fluctuates and producers also take other factors, such as tax credits, into consideration when determining where they will locate their next project.

Executive Summary

Workers in the entertainment industry face unique challenges in the workplace. They are, by necessity, a transient workforce, moving from one project to the next. These workers therefore need legislative solutions to support this unique situation and to ensure that young workers are able to choose the industry as a relatively stable provider of good, middle class jobs. Support for arts and culture is critical, not only because of its ability to enrich our day-to-day lives, but because the industry is a huge economic driver. **According to the Canadian Media Production Association, Canada's film & television industry generated 125,400 full-time equivalent jobs (FTEs) in 2013/14 and generated \$7.5 billion in GDP for the Canadian economy.¹**

While figures are not available specific to the live performance industry, we would also like to note Statistics Canada's *Canadian Culture Satellite*, which provides a broader picture of all culture industry jobs, and for which 2010 figures are the most recent. **These figures indicate that the direct economic impact of culture industries was \$53.2 billion in Canada in 2010, or 3.4% of Canada's Gross Domestic Product (GDP). In 2010, there were 703,900 jobs directly related to**

¹ *Profile 2014: Economic Report on the Screen-based Industries in Canada*. Produced by the Canadian Media Production Association (CMPA) and the Association québécoise de la production médiatique (AQPM), in conjunction with the Department of Canadian Heritage. 2015.

culture industries, or 4.1% of total employment. These figures include full-time and part-time jobs, while part-year employment is included on a pro-rated basis.²

The impact that the entertainment industry has on the Canadian economy is clear. A successful entertainment industry means a richer cultural mosaic, more good Canadian jobs and a stronger economy. The IATSE has two proposals to help ensure this happens:

1. Changes to the Federal Employment Insurance Program; and
2. Tax Incentives for the Live Performing Arts.

Changes to the Federal Employment Insurance Program

In 2012, through the omnibus Bill C-38, the federal government made structural changes to the Employment Insurance program. Since then, the government has classified EI claimants into three categories. Unfortunately, a number of our members fall into the third category, which is referred to as "frequent users". Frequent users are defined as persons who have made three or more EI claims and collected 60 or more weeks of benefits in the past five years. These recipients have only six weeks to find a job in a "similar occupation" at 80 percent of pay or more, and then have to take any work that is at least 70 percent of previous pay.

In an industry such as ours, which is both cyclical and seasonal, this can present a problem. In between movie shoots or theatre productions, how many "similar occupation" opportunities are out there for special effects artists, grips, focus pullers, props masters, wardrobe attendants, projectionists, or lighting board operators? They are being penalized for doing the highly specialized work that these cultural industries require. Our members regularly work and are high contributors to EI, but with the unpredictability of the industry, some will find themselves having to file for EI occasionally, though generally for short periods of time. To penalize workers whose chosen industry – one which is a huge plus for the economy, a major draw for tourism, and critical to the country being able to offer cultural opportunities to its own denizens – is unfair and untenable.

Indeed, some changes to EI have discouraged young workers from choosing the arts as a career. Young workers face many hurdles today to find a successful career. Removing this safety net, in an industry that is already cyclical, is more instability than some young people are prepared to take on. We do not want to eventually face a situation where arts workers are aging out of the industry with no one left to carry the mantle, leaving the industry in a cultural vacuum. We are therefore asking that the federal government repeal the changes made to EI and ensure that the people paying into the program are not penalized if and when they are obliged to use it.

Tax Incentives for the Live Performing Arts

Arts and culture is a major employer of Canadians. According to Statistics Canada's latest figures, there are more workers in the Information, Culture and Recreation sector than in agriculture,

² *Canadian Culture Satellite Account, 2010*. Statistics Canada. <http://www.statcan.gc.ca/pub/13-604-m/13-604-m2014075-eng.htm>

forestry, mining, fishing, or oil & gas.³ The federal government has recognized the importance of supporting the film & television industry through tax programs and incentives such as the Canadian Film or Video Production Tax Credit, the Foreign Service Film or Video Tax Credit, and there are similar incentives at the provincial level. We are thankful for the implementation of these programs and thrilled at their success. These credits have promoted and developed the Canadian film & television industry and made it much more globally competitive. Proof of their success can be observed by how readily the programs have been adopted by countries around the world as well as numerous American states.

The State of Louisiana launched a live production tax credit, in 2009, of 35% on production and infrastructure expenditures on live performances that originate in the state, to a maximum of \$10-million a project. The State of Illinois passed similar legislation in 2011, with the apparent intention of tempting large-scale productions to leave Toronto for Chicago. In 2014, Rhode Island implemented their own Musical and Theatrical Production Tax Credits. New York City has also just come on board with new initiatives that establish equal tax treatment for live theatrical productions. This has levelled the playing field between New York-based theatrical productions and film and television shows. Prior to this legislation, tax codes allowed film & television productions to expense up to \$15 million in qualified costs, when 75% of compensation paid was for services performed in the United States. Broadway shows and other live theatrical productions did not previously qualify for the tax incentive. The new law allows 100% of an investment to be deducted by the investor from his or her income in the year of the investment.

As of January 2016, all forms of entertainment media will be treated similarly by the IRS, essentially allowing producers to immediately recoup their investments prior to taxes being assessed on profits earned.

What the IATSE and many in this industry would like to see is the same sort of support for the live performance industry that is provided to the film & television industry. The film & television tax credits are typically based on quantifiable labour expenditures, and established infrastructures exist for ensuring compliance. Furthermore, they operate in conjunction with other financial support mechanisms such as the Canada Media Fund. Similarly, live performance tax credits should be compatible with other funders, such as the Canada Council for the Arts. The cost of administering these programs is minimal, so neither should the creation of a similar tax credit for live performance incur substantial administrative costs or require much additional government infrastructure.

The IATSE believes that the creation of a live performance tax credit would provide a direct incentive for increased theatrical production in Canada, including large scale, Broadway-style productions. While the cost of mounting, running, and touring these large scale productions is not insubstantial, they provide long-term, well-paying jobs directly to hundreds of workers, not to mention the many jobs that are created indirectly through increased tourism, use of restaurants, hotels, shopping, etc. Toronto Centre, represented by the Honourable Bill Morneau, has the largest theatre district in Canada. As Minister of Finance, Minister Morneau will be very aware of the spillover job effects that a successful live performance industry can have. Whether an arts patron or in business, the value is there, and it is our hope that this government will work with us to make this a reality for Canada.

³ *Employment by Major Industry Group*, Statistics Canada. December 2015.
<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr67a-eng.htm>

Conclusion

The IATSE would like to express our thanks to this government for the commitments it has promised to the arts sector through increased funding to the CBC, Canada Council for the Arts, and Telefilm, as well as its commitment to prepare young workers for arts and heritage careers through the Young Canada Works program. We look forward to Government of Canada support on our initiatives and are hopeful that we will see their implementation, providing needed support to the entertainment industry and its workers.

We would be pleased to participate in any consultations or opportunities to move either of these initiatives forward. We thank you for everything you have already done for arts and culture, and for your time and consideration.