



Submission to the House of Commons Standing Committee on Finance

Pre-Budget Consultations

August 2011

**Festivals and Major Events Canada (FAME)** appreciates the opportunity to participate in the House of Commons Standing Committee on Finance's 2011-2012 Federal Budget public consultation process. The following brief explains FAME's recommendations to create a \$50 million annual investment fund for Canada's festivals and major events; revisit the funding model for the Canadian Tourism Commission; and undertake a comprehensive review of the aviation cost structure in Canada

### **Who We Are**

FAME is a member-supported advocacy organization bringing together the knowledge and experience of Canada's major world-class festivals and events in order to provide leadership in advancing the economic and societal importance of our sector to government, media and the public. Formed in 2010 as the *Canadian Festivals Coalition*, the name was recently changed to be inclusive of the importance of our major international events sector.

This submission seeks to raise Committee members' awareness of the importance of the festivals and major events sector to the Canadian economy, and our ancillary contributions to the Tourism industry. Our recommendations reflect the challenges and opportunities facing our sector and are consistent with the government's efforts to increase revenues through strategic investments; reducing the tax and regulatory burden; and finding innovative ways to further amplify Canada's voice and competitiveness in international markets.

### **Economic Importance of the Festivals and Major Events Sector**

A 2009 study commissioned by the Canadian Festivals Coalition (now FAME) estimated that 15 of the largest festivals and events in Canada attract **12,600,000 attendees annually, contribute \$650 million in GDP** to their local economies, and supports the equivalent of **15,600 full-year jobs** nationwide.

This substantial economic impact is derived from both operational and tourism spending estimated at **\$1.1 billion per year**. The analysis also estimated that tourism and operational spending related to these events generates approximately **\$260 million in tax revenue** for all three levels of government.

The analysis was performed by Enigma Research using the economic impact assessments conducted by large events as required under the terms of Industry Canada's Marquee Tourism Events Program (MTEP). All events conducted onsite intercepts along with other quantitative methodologies to accurately measure attendance and calculate tourism spending.

The 15 events included in the analysis were: the Canadian National Exhibition, the Carnaval de Québec, the Charlottetown Festival, the Festival d'été de Québec, Les FrancoFolies de Montréal, Luminato, the Montreal International Jazz Festival, the Montreal Just For Laughs Festival, the Cisco Ottawa Bluesfest, the Pacific National Exhibition, the Royal Agricultural Winter Fair, the Shaw Festival, the Stratford Shakespeare Festival, the Toronto International Film Festival and the Vancouver International Jazz Festival.

### **Behind the Scenes**

Festivals and major international events are key economic drivers in the new economy providing must-see, high-calibre programming for discerning travelers in the highly competitive international tourism industry. Yet, beyond the stage and their programming are burgeoning centres of innovation, creativity and commerce. Events such as the Toronto International Film Festival and the Calgary Stampede transcend the festival calendar and are the centrepiece for business activity for an entire Canadian industry.

Member Profile:



*The Toronto International Film Festival (TIFF) is one of Canada's most glamorous and successful events, attracting thousands of tourists to attend screenings and the chance to meet their favourite celebrities. What most Canadians don't realize is that behind the cameras and red carpets, TIFF is one of the most important business forums for the film industry in Canada and around the world. According to their 2009 economic impact study, TIFF generated over \$105 million of economic activity. Of this nearly \$11 million is attributed to direct tourism expenditure, over \$20 million in festival operating expenses and another \$16 million spend from film industry representatives and media attending TIFF from around the world. An additional \$57 million of economic activity in Canada is expected to arise from business dealings negotiated at TIFF.*

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### **Recommendation**

Festivals and Major Events Canada (FAME) recommends that the federal government re-establish investment in the economic development opportunities in Canada's major festivals and events sector through the creation of a permanent, \$50 million investment fund, administered annually by Industry Canada. The Marquee Tourism Events Program (MTEP), as a pilot project, provided the opportunity for festival and event administrators and government officials, to better understand each other's corporate cultures and lay the foundation for future efficiencies.

We believe that a new program of matching federal funds, with resources raised from private sources, will have a catalytic effect on sectoral growth while providing a significant return to Canadians. An ideal funding program would:

- Invest \$30 million annually in Canada's major international festivals and events to be allocated by merit-based economic criteria and not subjected to regional quotas and limitations.
- Allocate \$20 million dollars annually to emerging and regional festivals and events based on empirical economic criteria and subject to regional considerations.
- Allow collaboration with the industry to perfect the application, qualification and remittance practices informed by the successes and challenges of MTEP and reflective of the operational realities of the sector.
- Provide for multi-year project funding to maximize opportunities for product development and return on investment.

The federal Marquee Tourism Events Program (MTEP) investments enabled Canada's major festivals to leverage additional partnerships, broaden marketing reach and augment programming that attracted larger crowds and extended visits. These investments were directly contributed to higher attendance, increased local business levels and additional tax revenues for all levels of government.

### **Role of Federal Funding**

Canada's major festivals and events receive a significantly lower percentage of public sector support than our international competitors. As a result our members are constantly exploring new fundraising and sponsorship arrangements to improve programming and broaden our marketing reach.

Most of our members have seen government funding as a percentage of total operating budget decrease over the years. In order to better understand the history of federal support, it is important to remember that the 1997 federal government ban on tobacco product advertising had a detrimental effect on the ability of festivals and events to raise private sector sponsorship funding. Although this legislation was supported by a large social consensus for health reasons, the decision resulted in a \$50 million a year loss to the festival and events industry. This was then compounded as a result of the so-called Sponsorship Scandal which, although a result of wrongdoing by intermediaries, caused the cancellation of \$30-50 million a year in federal support programs for festivals and events. Most recently, Industry Canada's Marquee Tourism Events Program (MTEP) provided two years of stimulus funding which ended in 2010.

### **Why Fund Canada's Successful Festivals and Events?**

Canada's major festivals and events are among the best in the world. There is a mind set in Canada that believes public sector dollars should be reserved for the needy and struggling. Success should not negate a *need* for federal investment, in fact we believe that the government should be investing more in low-risk, high-yield opportunities that will generate revenues in the short term and assist the government in paying down debt.

Though most Canadian festivals and major events will not go under without federal funding, they will not reach their full potential of international programming excellence nor broaden their marketing reach to attract new patrons and export revenues to maximize the economy impact. Programmes like MTEP have made our events more successful by providing the seed capital for initiatives that increase earned revenue and attracting more sponsors.

2011 is proving to be challenging. The compounding of a strong Canadian dollar, high gas prices and continued economic uncertainty in the United States and Europe are dampening international travel intentions and softening box office sales. MTEP funding ended in 2010, leaving our members with limited options to increase our presence in key markets or finance new ventures.

### **How would the money be spent?**

We are a growing economic sector with world-class product and established private sector support, operating in highly competitive international markets. We are **not** looking for government funds to subsidize our existing budgets; we are seeking a form of public sector venture capital to leverage additional money from earned revenue and sponsors to facilitate incremental expansion, improved programming and enhanced promotional initiatives.

Investments in our sector have broad beneficial flow-through effects for the Canadian economy including transportation, hospitality, accommodations and the greater tourism industry.

Member Profile:



*In 2010 the Stratford Shakespeare Festival used MTEP funding to step up marketing and promotional activities in Canada and the U.S. The economic impact of the Festival was estimated to be \$139 million generating \$76 million in tax revenue and supporting some 3,000 full-time jobs. It is estimated that every ticket sold at the Festival generates \$270 in economic activity for the surrounding region. 80% of the individuals visiting the Festival originate from more than 80km from Stratford with 90% coming specifically for the work of the Festival.*

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Through public and private sector partnerships FAME members are able to bring world-class arts and cultural programming into open public spaces. In making these events accessible to the widest possible audience, we are providing entry to those who may not otherwise be able to afford and inspiring the next generation of Canadian artists, performers, innovators and entrepreneurs.

Member Profile:



*In 2009, Luminato, Toronto Festival of Arts and Creativity, utilized MTEP contributions to present a three-day, free public presentation by Cirque du Soleil. Performances ran all day, activating 1 km of Toronto's beautiful waterfront and culminated in a spectacular closing ceremonies. These final weekend performances attracted over 450,000 people*

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Many of Canada's festivals and major events are recognized international brands that enhance Canada's reputation as a modern, sophisticated country and create a sense of urgency for potential visitors to travel to Canada.

Member Profile:



*Through the 2009 MTEP funding, the Just For Laughs Festival added a new fringe festival called Chaos modeled after the Edinburgh Festival in Scotland. The festival is broadcast to millions of fans all over the world, raising Canada's international profile and highlighting Montréal as a metropolitan city with a vibrant cultural scene.*

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### **Enriching Communities and Increasing Global Competitiveness**

Today's global economy creates a very competitive market for countries and cities to attract business, investment and people. Canada's future prosperity relies heavily on attracting new residents and investment from around the world.

While a number of traditional economic factors are considered, there is a growing trend towards measuring the "livability" or quality of life of major international cities. Indices such as *Mercer* and *the Economist* use criteria including safety, education, hygiene, health care, culture, environment, recreation, political-economic stability and public transportation to determine the rankings.

Canadian cities such as Vancouver, Calgary, Montreal, Toronto and Ottawa all rank highly on these surveys. All of these cities have vibrant arts and cultural entertainment including major festivals and events. These events enrich the lives of their communities by creating access to top quality programming, generating significant local and regional economic activity, and promoting volunteerism while strengthening the community's civic pride.

Canada's festivals and major events contribute greatly to the quality of life of our greatest cities. They enhance our international reputation, create a demand for those with intentions to visit our beautiful country, and help to convince the globally mobile to consider Canada as their destination to work, rest and play.

### **Tourism Industry Priorities**

Festivals and Major Events Canada endorse the following recommendations which have a significant impact on the Canadian tourism industry:

#### **Canadian Tourism Commission Funding**

The Canadian Tourism Commission (CTC) is responsible for marketing Canada internationally. They compete for an international tourism market worth \$3 billion a day.

Core funding of the CTC has dropped year over year for most of the last decade and now rests at \$72 million for 2011/12. This is 27% less than they received in 2001. By comparison, the United States' new tourism marketing organization will operate with an estimated budget of \$200 million. Many other countries are also making large investments in their national tourism marketing organizations, leaving Canada 20th in the world for national tourism organization funding.

In this highly competitive marketplace, Canada cannot expect to succeed by relying on its natural endowments and cultural attractions. Competitive marketing and destination branding are needed to benefit from the economic potential of international tourism.

## **Recommendation 2**

FAME recommends that the federal government revisit the funding model for the Canadian Tourism Commission with the objective of providing a competitive and stable base for effectively marketing Canada internationally.

### **Aviation Cost Structure**

Last year, 21% of Canadian leisure travellers in 2010 drove to the United States to use less expensive plane tickets purchased for travel within the U.S. or internationally, according to a recent Canadian Travel Intentions survey. This "leakage" amounts to millions of Canadian travellers who found the price of Canadian plane tickets more expensive than the total cost of driving to the U.S. and flying from airports like Buffalo, Detroit, Plattsburgh or Bellingham.

This trend is the result of a mounting burden of taxes and fees imposed on the aviation sector that discourage competition and drive up the prices of air tickets both to and within Canada. Airport ground rents, the Air Travelers Security Charge, airport improvement fees, NAV CAN charges, payments to municipalities and aviation fuel taxes are all piled in to the final price of a ticket. These infrastructure funding and user-pay policies imposed by the Canadian government add upwards of \$160 to the cost of an overseas trip to Canada compared with the United States, where the aviation sector operates in a far more supportive environment. Measured against rest of the world, the competitiveness of our aviation cost structure is ranked 125th by the World Economic Forum.

Canada is a "fly-to" destination and price competitiveness is vital to attracting visitors. The cost of flying to Canada must be comparable to, or less than, other competing destinations. If millions of Canadians are willing to endure the time and hassle of crossing to the United States to fly, potential visitors from overseas will avoid Canada altogether.

## **Recommendation 3**

FAME recommends that the federal government undertake a comprehensive review of the aviation cost structure in Canada with a view to achieving a fair tax and regulatory regime that would allow the travel and tourism sector to compete on a level playing field with the rest of the world.

## **Conclusion**

FAME's pre-budget recommendations address the major challenges facing the Canadian tourism industry, particularly the areas of marketing, access and product development. We believe that these reasonable proposals will increase inbound tourism volumes resulting in real economic growth opportunities to all regions of the country. In this time of fragile economic recovery, investments in Canada's festivals and major events will generate deficit-reducing revenues in the same fiscal year.