



**PACT Submission
to the
House of Commons Standing Committee on Finance
Pre-budget Recommendations
August 2011**

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Executive Summary

The Professional Association of Canadian Theatres (PACT), representing over 130 professional for-profit and not-for-profit theatre companies in English Canada, welcomes the opportunity to make recommendations to the Standing Committee on Finance 2011 pre-budget deliberations. As the Committee considers how to achieve a sustained economic recovery in Canada and create quality sustainable jobs, both of which are connected to a competitive tax regime and the fiscal health of our federal government, the arts sector brings an important perspective and opportunity.

Recommendation 1:

PACT recommends that the Government of Canada help expand the revenue base of theatres (and all charitable organizations) through broadening the base of charitable giving by establishing a Stretch Tax Credit for Charitable Giving.

Recommendation 2:

To contribute to the continued economic growth of the arts sector will require sustained investment. While acknowledging the fiscal challenges ahead for all of us as Canadians, PACT continues to recommend that the Parliamentary appropriation to the Canada Council for the Arts be increased to \$300 million, from \$181 million, over the next four years.

Recommendation 3:

PACT recommends that the Government of Canada invest \$25 million in strategic Market Access and Development Initiatives for Canadian artists, a measure that will support Canada's foreign policy objective to expand international trade and ensure access for all Canadians.

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Now, more than ever, Canadians are concerned, even fearful, of what the future holds. We value the fact that our economic fundamentals are sound, something which the Government of Canada is to be commended for. As the Government navigates through what is bound to be a stormy period, we urge decision-makers to remain focused on the breadth of what makes Canada a successful, vibrant country.

The arts play an important part in this, a fact recognized by the Government of Canada:

We have tabled--and passed--five budgets through Parliament, and, in each one of the budgets, we have increased funding for culture.

Let me say that again. We have tabled five budgets, and we have increased our support for arts and culture in every one of our budgets.

Why did we choose to do so?

Because supporting Canadian culture means supporting the Canadian economy.

Arts and culture represents over 630,000 jobs in the Canadian economy.

Canada's cultural industries represent \$46 billion in the Canadian economy.

Let's put that in perspective; the arts and culture sectors are larger than Canada's insurance industry, and Canada's forest industry combined.

**The Honourable James Moore, Minister of Canadian Heritage, 17
February 2011**

Contributing \$1.3 billion in direct spendingⁱ, Canada's performing arts sector is one part of the overall cultural sector, one that touches Canadians in real life in communities and cities across the country. By definition, the performing arts are 'live' and bring a unique experience, each time, to audience members. There is no substitute.

The importance of real time, real experience is recognized in the Children's Arts Tax Credit, announced this year. It supports parents in encouraging the development of artistic expression in children. We are optimistic that Canadians will embrace this new tax measure.

Looking ahead, PACT submits that it remains important to keep the fundamentals of Canada's arts sector sound. Like other businesses, the performing arts are subject to the ravages of the market and the economy. Earlier this year, Statistics Canada reported that the sector shrank 3.7% between 2008 and 2009, the height of the recent recession.ⁱⁱ Recognizing that salaries and wages account for a major portion of expenditure, this meant lost jobs.

As any business, our members can best serve the needs of their audiences – Canadians from coast to coast to coast – in an environment of stability and confidence. Measures that will help theatres expand their revenue base and community support would be helpful. Over time, sustained, gradually increasing federal investment in the arts sector will benefit Canada's economy and our foreign policy objectives, particularly the diversification of trading relationships and the quality of life for Canadians.

Recommendation 1:

PACT recommends that the Government of Canada help expand the revenue base of theatres (and all charitable organizations) through broadening the base of charitable giving by establishing a Stretch Tax Credit for Charitable Giving.

Canadians' appetite for and interest in the performing arts is well established. Over 13.7 million Canadians attended a performing arts event in 2008ⁱⁱⁱ. Similarly, Canadians provide substantial support to the sector through charitable donations and ticket sales:

- ticket sales account for about half of total revenue;
- donations contribute one quarter of support.

Government investment, from all levels, and other sources make up the remaining one quarter of support.

PACT recognizes and acknowledges the current fiscal situation and the need for the federal government to act prudently with respect to its budget. (Theatres are no different.) In this spirit, we recommend to the Government of Canada that it consider measures to encourage the expansion and diversification of other revenues.

In the 2007 *Canada Survey of Giving, Volunteering and Participating*, more than half of donors indicated that they would increase their charitable giving if there were better tax credit incentives to do so. Incentives encouraging increased giving – both by Canadians who already give, and by those who have not yet done so – would help theatres expand their revenue base and strengthen their relationship with their communities.

The proposed **Stretch Tax Credit for Charitable Giving** would encourage Canadians to increase their charitable giving, particularly those in the middle income brackets. Arts organizations have a demonstrated record of leveraging such measures to full advantage, and we anticipate a similar uptake if such a new measure was introduced.

In August of 2010, the Parliamentary Budget Office estimated the cost of the proposed stretch tax credit to be in the order of between \$10 million and \$40 million a year in foregone tax revenue. Between 30 and 45 percent of this would arise from new charitable donations that would not otherwise have occurred. (These figures apply to the entire charitable sector, not just theatres.)

Details of this proposed credit have been worked out by Imagine Canada. They are supported by PACT.

(PACT, together with other arts organizations, is working on other proposed tax measures that would serve to expand and diversify the revenue base of theatres and the performing arts. As these are more fully fleshed out, we will continue to engage with the Government of Canada and parliamentarians).

Recommendation 2:

To contribute to the continued economic growth of the arts sector will require sustained investment. While acknowledging the fiscal challenges ahead for all of us as Canadians, PACT continues to recommend that the Parliamentary appropriation to the Canada Council for the Arts be increased to \$300 million, from \$181 million, over the next four years.

Federal investment in the development and production of the arts is vital to a healthy arts sector and a prosperous economy. Governments around the world are engaged in supporting a thriving arts sector.

Moreover, federal investment leverages additional support from other levels of government. This in turn generates even more private sector contributed and earned revenue.

In Canada, for every dollar invested by all levels of government in performing arts organizations like theatres, an additional \$2.70 is generated. Put another way, the ratio of government funding to private sector revenue is 1:2.7.^{iv}

When one recognizes that the federal government accounts for 41 cents of each cultural dollar spent by all levels of government, the bang for the federal buck is substantial.^v

To contribute to the continued economic growth of the arts sector – something the Government of Canada has undertaken for the past five years -- will require sustained investment. While acknowledging the fiscal challenges ahead for all of us as Canadians, PACT continues to recommend that the Parliamentary appropriation to the Canada Council for the Arts be increased to \$300 million, from \$181 million, over the next four years.

The Canada Council continues to have the full confidence of the arts community as the primary vehicle of support for the development and production of art. And in 2008, the Council received a glowing report from the Office of the Auditor General for its accountability and transparency.

Recommendation 3

PACT recommends that the Government of Canada invest \$25 million in strategic Market Access and Development Initiatives for Canadian artists, a measure that will support Canada's foreign policy objective to expand international trade and ensure access for all Canadians.

International market development

Canadian artists and arts organizations have the potential to substantially strengthen and support the development of international markets for Canada.

As the Government of Canada makes it a priority to implement the Global Commerce Strategy, with a particular focus on emerging markets, and conclude negotiations on the *Canada-European Union Comprehensive Economic and Trade Agreement*, Canadian artists are excellent ambassadors and emissaries for our country. Our arts organizations are in demand world-wide.

Companies as large as the Stratford Shakespeare Festival or as small as One Light Theatre are being invited to stages around the world. The opportunity to showcase Canadian talent opens up foreign markets not just for Canadian artists, but for Canadian commerce as well. Canadian culture speaks volumes about Canadian values to foreign audiences and boosts our profile around the world.

Canadian arts organizations and artists are keen to contribute to Canada's foreign policy objectives. An annual investment of \$25 million in a Market Access and Development Program would go a long way to making this possible.

Domestic market development

As noted earlier in the brief, 13.7 million Canadians attended a performing arts event in 2008. While this support and growth is extraordinary, there are still many rural and remote communities that don't have local theatre, dance or music companies. Canadian theatre companies are particularly committed to meeting that demand. PACT's own members regularly travel to such communities as the Gaspé, the Magdalen Islands and James Bay, or fly-in communities in the Yukon. The commitment to reach all Canadians is carried out, despite the cost of overcoming significant geographic barriers, to provide arts experiences and engagement for all Canadians, no matter their location.

In summary, the proposed \$25 million **Market Access and Development Initiative** would:

- support the export of Canadian culture to foreign markets, particularly in emerging countries;
- boost the expansion of Canada's commercial objectives; and
- enhance arts access to all Canadians, regardless of geographic location.

Conclusion

On behalf of its members across Canada, PACT thanks the Standing Committee on Finance for the opportunity to make recommendations for its pre-budget deliberations. We appreciate that the challenges ahead for our country are substantial. We remain confident though that our economic fundamentals and the vision of our future will guide us going forward.

About PACT

The Professional Association of Canadian Theatres (PACT) represents over 130 professional not-for-profit and for-profit theatre companies across Canada. As such, we are ideally placed to speak to the contributions made by our members and the arts as a whole to the high quality of life enjoyed by Canadian citizens and the critical role government policy and investment play in ensuring opportunity for all Canadians to experience arts and culture and the benefits that accrue first hand.

PACT is a founding member of the Performing Arts Alliance and works in tandem with the Canadian Arts Coalition, the Canadian Arts Summit, Imagine Canada and others.

ⁱ Statistics Canada. *Performing arts statistics, by province and territory*. (January 31, 2011).

ⁱⁱ Statistics Canada. *Service Bulletin, Performing Arts, 2009* (31 January 2011).

ⁱⁱⁱ Hill Strategies. *Finances of Performing Arts Organizations, 2006-07* (November 2008).

^{iv} Hill Strategies. *Finances of Performing Arts Organizations Canada, 2006-07* (November 2008).

^v Hill Strategies. *Arts Research Monitor*. Vol 10. Issue 1 (July 2011).