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# 2010 Ontario Pre-Budget Consultations

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*A Submission from Canadian Actors' Equity Association  
to The Honourable Dwight Duncan, Minister of Finance,  
c/o the Budget Secretariat*

January 21, 2010



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Canadian Actors' Equity Association welcomes the opportunity to make a pre-budget consultation submission to the Ontario Minister of Finance.

## **WHO WE ARE**

Canadian Actors' Equity Association (Equity) is the voice of professional artists working in live performance in English Canada. We are a national artists' association representing more than 5,500 artists working in theatre, opera and dance from coast to coast. Our membership includes performers, directors, choreographers, fight directors and stage managers. The Association supports the creative efforts of its members by seeking to improve their working conditions and opportunities. The business of Equity is to negotiate and administer collective agreements, provide benefit plans, information and support, and act as an advocate for its membership. Approximately 3100 (or 57% of our membership) lives in the Province of Ontario.

## **A DRIVER OF THE CREATIVE ECONOMY**

In their August 2008 report entitled "Valuing Culture: Measuring and Understanding Canada's Creative Economy,"- The Conference Board of Canada estimated that the economic contribution of Canada's culture sector was \$84.6 billion in 2007, or 7.4% of Canada's total real GDP. Arts and cultural sector employment exceeded 1.1 million jobs in 2007. These statistics are comparable to the employment figures for the energy, forestry, minerals and metals sectors, as reported by Natural Resources Canada, and demonstrate the increasing importance the creative sector plays in the overall economic health of the country.

The significance of this growth further reinforces the fact that, according to the latest Statistics Canada data available (2005), 41% of the Canadian population 15 years or older (10.76 million Canadians) attended a concert or performance by professional artists of music, dance, theatre or opera. Attendance figures of this scale serve to illustrate the important role that arts and culture play in the daily lives of Ontario citizens.

Statistics Canada's employment by industry figures identified that the "information, culture and recreation" sector outpaced the goods-producing sector (agriculture, forestry, fishing, mining, oil and gas, construction and manufacturing) by 7.7% in the period 2003-2007. In Ontario for example, the provincial Arts Council's research revealed that the entertainment and creative sector created over 80,000 net new jobs between 1999 and 2007, an increase of 38.3%, compared to overall job growth of only 17% across the Ontario economy.

One need look no further than the cultural renaissance occurring in Toronto to measure the impact of investing in the cultural industry. Unprecedented capital investment in major cultural institutions in Toronto has benefited not only the cultural industry but the economic well-being of numerous related industries. Money put into in the arts and cultural industry is money well spent. That proposition is true whether the investment is in a major theatrical engager in downtown Toronto or in regional theatres across the province. Each dollar spent not only helps regional communities express their unique cultural identity but also has a major positive impact on a local economy.

Despite this glowing picture, there remain many troubling aspects confronting the performing arts sector. The global economic crisis has forced many corporate sponsors to reconsider their financial commitment to the industry. This has placed incredible economic pressure on many producers of live performance. In addition, the concept of a touring Canadian theatrical

production is not financially sustainable resulting in many secondary markets throughout Canada unable to experience quality Canadian theatrical productions.

In November of last year the Conference Board of Canada prepared a report for the Cultural Human Resources Council entitled "The Effect of the Global Economic Recession on Canada's Creative Economy in 2009." The report identified reductions to endowment revenues as likely to have the largest impact on the performing arts and heritage categories of the culture sector. Furthermore, average employment earnings are predicted to decline at a rate that is expected to outpace the reduction in employment in Canada overall. The study also states that the number of self-employed workers in creative and artistic production occupations will continue to grow even while revenues fall. The bottom line impact is predicted to be a drop of 3.5% in real earnings for workers in arts and culture.

Given the challenges facing the manufacturing and product based sectors of the economy, investment in the arts and culture sector has the potential to provide substantial returns to the industry itself, the citizenry at large and the government in the form of increased tax revenue.

While many other industries have been given subsidies and additional incentives to help drive them out of the economic difficulties, we haven't received the same consideration and feel the time has come to address the specific needs of our community.

## **BUDGET 2010 RECOMMENDATIONS**

We recommend that the Ontario Government implement the following changes to personal income tax regulations. These changes would benefit all artists in all fields of artistic practice and have the support of our colleagues in other professional associations.

### **Tax fairness**

1. Provide an exemption from income tax on grant income earned by individual artists through awards from the Canada Council for the Arts, the provincial arts councils, and other Canadian grant agencies. Most artists must supplement their income through part-time work. This recommendation recognizes the contribution artists make to our society. In 1982 the Applebaum-Hébert report on the cultural sector found that the largest subsidy to cultural life in Canada comes not from governments, corporations or other patrons, but from artists themselves through their unpaid or underpaid labour. In the intervening years, not much has changed.
2. A tax exemption of up to \$30,000 per year on income derived from copyright, neighbouring rights and/or other income derived from the sale of any creative work. This exemption is already in effect in the Province of Quebec.
3. The introduction of income-averaging to allow self-employed artists to cope with the significant fluctuations in annual income that routinely occur from year to year. In addition, any hiatus in an artist's performance career, even for a short time, can result in a significant loss of an artist's viability. Income averaging would ensure a more equitable taxation of artists.

It should be noted that the cost to the Government of Quebec for income averaging is less than \$2 million dollars per year and that the copyright exemption totals less than \$5 million dollars per year. The relatively moderate cost of income-averaging would have an immensely positive impact on the standard of living for many vulnerable artists.

## **Live performance tax credits**

We further recommend that the Ontario Government implement a program to support live performance (theatre, dance and opera) similar to the one that already exists in the form of a tax credit for the film and television industry.

The Federal and Provincial Film or Video Production Tax Credit and Foreign Service Film or Video Tax Credit programmes have been incredibly successful in promoting and developing the Canadian motion picture and television industry. These tax credits are 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 Canadian Television Fund and so a live performance tax credit should be compatible with other funders such as the Canada Council for the Arts. The cost of administering these programs is minimal and so the creation of a similar tax credit for live performance should not incur substantial administration costs or needless infrastructure by the Government.

In the United States Louisiana has already created a live production tax credit and the state of Illinois is currently considering legislation. The successful passing of legislation in Illinois would represent direct competition with the province of Ontario for tourist dollars spent on the arts.

Due to the on-going success of the Film or Video Production Tax Credit and as an incentive to attract production despite a rising Canadian dollar, both the Quebec and Ontario provincial governments recently increased the percentage of their tax credit programs.

We believe 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 for thousands of arts and culture workers.

A labour credit would not only bring stable employment in our major centres but would benefit local communities from increased tourism through to providing jobs for residents. A live performance credit will create revenue in the same way that the film and television tax credit has so successfully created revenue and should be adopted for this reason alone.

The current economic climate presents a unique opportunity for the Ontario Government to make a significant investment in the performing arts sector which will not only enhance culture but will also fuel economic development in both major cultural centres and smaller regions throughout Ontario.

## **FINAL WORDS**

The issues we raise about our industry cannot only be filtered through a discussion about the numbers – the concern is also for our national identity. Arts and culture are one of the primary ways we communicate our values to our own citizens and to the rest of the world.

The live performance community is prepared to work with representatives from the Government of Ontario to craft legislation that will provide meaningful stimulus to a sector with substantial growth potential. Representatives from many of Ontario's largest theatre, dance and opera companies as well as our colleagues in the other professional associations have indicated their support for such a mechanism.

We look forward to a positive response from the Ontario Government as we work together to build new stimulus measures that will provide long-term benefits to the province and our country.