



ACTRA

**Alliance of Canadian Cinema,
Television and Radio Artists**

**Submission to
The House of Commons Standing Committee on Finance
Pre-budget Consultations 2008**

August 15, 2008

Executive Summary

"... the largest subsidy to the cultural life of Canada comes not from governments, corporations or other patrons, but from the artists themselves, through their unpaid or underpaid labour."

- Applebaum-Hébert Report, 1982

ACTRA (Alliance of Canadian Cinema, Television and Radio Artists) welcomes the opportunity to make a submission to the Standing Committee on Finance in its 2008 pre-budget consultations.

ACTRA is the union of more than 21,000 professional performers in the English language in Canada in recorded media: film, television, radio and digital media. ACTRA also represents the interests of thousands of musical artists through its work collecting and distributing royalties from the distribution and radio play of music by singers and musicians. For more than 60 years ACTRA has bargained collectively on behalf of our members, and been a leading advocate for Canadian culture and a strong national identity.

The soul of a nation is its culture. Television, film, and increasingly, digital media audiovisual productions, are the most pervasive media for cultural expression in our society. Growth and stability of this sector is due in large measure to government policies and funding programs that combine public and private sector contributions. Without these funding programs, there would be no base for growth and fewer jobs for Canadian creators, risking the loss of our national culture and identity.

ACTRA's recommendation to the Standing Committee on Finance for inclusion in the next federal budget:

Support the Canadian film, television and digital media production industry by providing income tax averaging for the professional artists working in the sector and increased program funding to encourage more high-quality productions.

ACTRA requests the opportunity to appear before the committee during its public hearings.

Supporting the film, television and digital media production industry

The arts are an integral part of our social environment that enrich and reward our society. The arts are also a significant sector of the Canadian economy. The film and television industry in Canada was valued at \$5 billion in 2006-2007, employing 127,000 people.¹ Together the cultural industries employ 598,000 people and contribute almost \$40 billion to Canada's GDP.²

The Standing Committee has requested that parties make only one recommendation, and indicated that if more than one recommendation is submitted, only the first will be considered. While this may be intended to focus debate, limiting comment to only one recommendation fails to take into account the dynamic nature of economic activity. In the television and film industry for example, there is a symbiotic relationship between the artists and producers – each relies on the other and developing only one of the components of the sector makes no sense since all are essential for success.

As such, ACTRA hopes that the committee will see that our recommendation is singular and focused on how to build our film and television industry:

Support the Canadian film, television and digital media production industry by providing income tax averaging for the professional artists working in the sector and increased program funding to encourage more high-quality productions.

Performers and other self-employed creators are highly motivated entrepreneurs who contribute to Canada's national identity by writing, telling and performing stories about Canadians for Canadians and global audiences. Our cultural industries are dependent on the creativity and risk-taking of self-employed artists and performers.

Minister of Canadian Heritage Josée Verner recognizes the significance of the film and television production industry. "Your industry is important to Canada and to Canadians. It contributes to our rich cultural life, helps craft our national identity, and is a valuable driver for our economy."³

Minister Verner also acknowledges the value of creativity, Canadian content and providing homegrown productions for domestic audiences. "At the centre of it all, there is content. In an open, global, and multi-platform world, success at reaching Canadians with Canadian content is the single most important objective. Content is the main reason for our government's support."⁴

Less than a week after Minister Verner's strong statement, the 2008 Federal Budget ignored the cultural industries. ACTRA's news release in response reiterated the arguments for government support for culture. "Cultural investment generates economic activity, provides opportunities for performers and other creators and generates high-quality Canadian programming and films audiences want to watch. In tough times, that's exactly the kind of investment government should be making."⁵

Government support for content entails support both for the individual artist and for the production industry since each is essential to building a successful industry. Income averaging for artists would address the inherent unfairness of the current tax system that penalizes those with fluctuating income. Renewed funding for the programs that are the

¹ *Profile 2008, An Economic Report on the Canadian Film and Television Production Industry*, the Canadian Film and Television Production Association (CFTPA), 2008.

² Statistics Canada, 2002 (*Focus on Culture*, Vol. 15, No. 1, Catalogue no. 87-004-XIE).

³ Speech by Heritage Minister Josée Verner at the Canadian Film and Television Production Association (CFTPA) Prime Time 2008 Conference, Ottawa, February 20, 2008.

⁴ *Ibid.*

⁵ ACTRA news release, *Budget a failure for culture*, February 26, 2008.

backbone of the Canadian film, television and digital media production industry is essential for supporting content and providing stability to an important sector of the Canadian economy that is also central to our national identity and cultural sovereignty.

It is very difficult to make a living as a professional artist in Canada due to the vagaries of the industry and unfair tax rules. The average income of artists in this country is \$23,500 a year.⁶ Despite being highly educated, performers earn even less. From 2005-2007, ACTRA's members earned an average of \$12,718 a year from work in ACTRA's jurisdiction.

Performers and others who are self-employed in the arts and media do not benefit from social programs as employees. Since they earn their living through a series of (generally) short-term engagements, they do not qualify for Employment Insurance, they must pay the full CPP premium as if they were both an employer and employee, and they generally must register for, collect and remit the Goods and Services Tax.

Performers and other artists also have income that can fluctuate wildly from year to year. Their sudden emergence as a lead in a television series may have followed many years of training, intermittent work, tireless self-promotion and attendance at hundreds of auditions. But if the series doesn't catch on, they may soon return to more challenging times. Yet, they will be taxed in their successful year(s) as if that was their normal annual income. Many studies have shown that the tax on income which fluctuates over the years exceeds the tax on the identical amount of total income received on a stable basis over the same number of years. Permitting artists to back-average their income over a number of years would rectify this inherent unfairness.

In Australia, the *Income Tax Assessment Act, 1997*, allows artists with fluctuating incomes to average their income for tax purposes for a period of up to five years.⁷ In 2004, Quebec implemented tax averaging for performers and other artists that will allow them to defer the tax on a portion of their income. This decision was based in part on a 2004 study of the income of 14,000 Québec artists which found that income of over one-quarter of artists fluctuates at least 50 percent from year to year due to the nature of their work.⁸ Artists in Quebec who acquire an eligible income averaging annuity are able to spread their income over a maximum of seven years.⁹ Quebec's 2006-2007 Budget, states, "In order to acknowledge that the income of many artists fluctuates considerably from year to year, the tax system provides for a measure allowing them to defer the tax on a portion of their income."¹⁰

Both before and after the 1988 tax reform measures which reduced the number of tax brackets and the marginal tax rates, many experts, as well as House of Commons Standing Committees including the Finance Committee in 1999, have recommended income averaging for artists. In its 2000 *Canadian Tax News*, Price Waterhouse Coopers said this:

"In any progressive system of income tax, fairness would seem to dictate some kind of income averaging. [...] There are many other sources of income that may be received sporadically (authors or artists come to mind) and it seems unfair that a large income in one year (that may have been many years in the making) should fall prey to high marginal rates without some relief."¹¹

⁶ *A Statistical Profile of Artists in Canada Based on the 2001 Census*, Hill Strategies Research, Sept. 2004.

⁷ Australian *Income Tax Assessment Act, 1997*, Chapter 3, Part 3-45, Division 405, pp. 461-473.

⁸ Québec. *Pour mieux vivre de l'art: Amélioration des conditions socioéconomiques des artistes*. Québec City, April 2004.

⁹ 2004-2005 Quebec Budget, <http://www.budget.finances.gouv.qc.ca/budget/2004-2005/en/pdf/AdditionalInfoMeasures.pdf>.

¹⁰ 2006-2007 Quebec Budget.

¹¹ Price Waterhouse Coopers, *Canadian Tax News*, Toronto, December 2000.

Many cultural organizations along with ACTRA have argued for back-averaging for artistic income as well as tax exemptions for copyright or residual-derived income. The Canadian Conference of the Arts and the Writers' Guild of Canada and others have long championed this kind of artistic exemption.

Artists need fair and equitable tax laws that encourage creativity and value cultural productivity. Providing income tax averaging for artists would be a useful step toward correcting an historic imbalance and would give substance to the government's support of UNESCO's 1980 Recommendations on the Status of the Artist. It would ensure that our cultural professions become an attractive career option. All Canadians would benefit culturally and economically.

As part of its support for the film, television and digital media production industry, ACTRA urges the committee to recommend renewed and increased program funding. Government funding of the Canadian Television Fund (CTF), Telefilm Canada, the CBC and the National Film Board (NFB) are essential mechanisms.

The importance of the CTF came into sharp focus in 2007 and 2008, when Shaw and Vidéotron withheld their regulated monthly contributions to the fund. The crisis led to emergency examinations of the fund by the Standing Committee on Canadian Heritage, the Senate Transport and Communications Committee and the CRTC CTF Task Force and public hearing.

Although the crisis is not yet resolved and the Heritage Minister is currently studying the CRTC's report on the CTF, the emergency processes reviewing the fund have in fact solidified broad industry and public support for the CTF as well as affirmed its success and its pivotal role in supporting high-quality television programming.

ACTRA participated in these processes and is in strong support of the CTF, despite our opposition to the CRTC's recommendation to split the fund into private and public-sector streams. The CTF is the single-largest contributor to television production, after tax credits. Contributors including the government, the industry, the cable and satellite company contributors and the Canadian public can be proud of the CTF's success. It supports great television programs that audiences are watching.

The CTF crisis Shaw and Vidéotron created was unnecessary, yet illustrates the precariousness of many of our publicly funded institutions.

Canadian drama is produced on location throughout Canada and contributes significantly to local economies through job creation and spending. The CTF has demonstrated that it is a well-managed institution. The CTF's 2006-2007 Annual Report shows that administration costs are 5% of revenues, below the 6% threshold mandated by the CTF's contribution agreement.¹²

CTF-supported television shows such as *Little Mosque on the Prairie* and *Flashpoint* have found substantial loyal audiences in Canada, often topping 1 million viewers. *Little Mosque* has had several international sales and *Flashpoint* is the first Canadian show since *Due South* to be simulcast on a U.S. network in first run. *Flashpoint*, created by ACTRA members Stephanie Morgenstern and Mark Ellis, earned top audience numbers in its timeslot on CTV in Canada and CBS in the U.S. when it aired in July, 2008.

“Over the past eleven years, the CTF has contributed 2.5 billion dollars to support over 4,900 productions. This has resulted in more than 25,000 hours of high-quality television for Canadians and has triggered more than 8.2 billion dollars in production volume across the

¹² Canadian Television Fund 2006-2007 Annual Report.

country.”¹³ The CTF leverages more than three times its contribution in total production activity.

ACTRA appreciates the government’s annual commitment to the \$285-million CTF.¹⁴ In each of the past two years, the government contribution was \$120 million. ACTRA asks that this commitment be renewed, increased and made permanent.

Government funding through Telefilm Canada is crucial to ensure films with Canadian writers, directors, performers and crew continue to be made and seen by Canadian audiences. Telefilm-supported films accounted for 85% of the total Canadian box office revenue for Canadian films.¹⁵ Telefilm notes in its annual report that “taking into account the impact of inflation, the agency’s purchasing power, in terms of parliamentary appropriations, decreased by 23.7% between 1994-1995 and 2006-2007.”¹⁶ While Telefilm is looking for new industry partners and exploring innovative funding models, it still requires solid, stable and foreseeable public funding.

ACTRA member Sarah Polley’s feature film directorial debut, *Away From Her*, supported by Telefilm, earned two Oscar nominations. It was just one of several Canadian English-language films that were successful both with critics and the box office in 2007.

The CBC’s role within the broadcasting system has been weakened by chronic under-funding. The public broadcaster must be given the resources and stable, multi-year commitments it needs to meet its obligation to reflect and promote Canada’s national identity with new Canadian dramas, comedies and other programming.

Long-term and stable government commitments to the CTF, Telefilm, the CBC and the NFB are essential for providing strength and certainty to these institutions so that they can carry out their mandates effectively. The Canadian Conference of the Arts (CCA) and other organizations also support stability for our cultural institutions. ACTRA is a member of the CCA and supports its submission to the Standing Committee.

The Finance Committee itself has recognized the need for reliable public funding. In its December 2006 report, it recommended that, “The federal government increase funds allocated to the arts and cultural sector. In particular, funding increases should be considered for the Canada Council for the Arts, the Canadian Broadcasting Corporation, the Canadian Television Fund and Telefilm Canada.”¹⁷

Conclusion

ACTRA’s recommendation to the Standing Committee on Finance for inclusion in the next federal budget:

Support the Canadian film, television and digital media production industry by providing income tax averaging for the professional artists working in the sector and increased program funding to encourage more high-quality productions.

The programs that ACTRA has asked the committee to support are essential to maintaining necessary cultural infrastructure in Canada. ACTRA’s recommendation to the committee is achievable within federal expenditures.

ACTRA requests the opportunity to appear before the committee during its public hearings. ACTRA thanks this committee for its past support for culture and asks that it do so again.

¹³ Ibid.

¹⁴ Canadian Television Fund 2007-2008 Stakeholders Report.

¹⁵ Telefilm Canada 2006-2007 Annual Report.

¹⁶ Ibid.

¹⁷ *Canada, Competing to Win*, Report of the Standing Committee on Finance, Recommendation 22, December 2006.