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CANADA

Orchestras serving Canadian Communities – Opportunities for the Government of
Canada and Canadian Orchestras

Pre-budget brief submitted to the Standing Committee on Finance
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Executive Summary: Recommendations

Orchestras Canada/Orchestres Canada appreciates the opportunity to submit a brief to the Standing Committee on Finance during its pre-budget consultation process.

We have three recommendations for the Standing Committee:

1. That the Government of Canada invest in Canadian creativity and Canadian communities by increasing the base budget of the Canada Council for the Arts by an additional \$30 million per year in each of the next four years, bringing the Council's funding base to \$300 million per annum by 2015.
2. That the Government of Canada establish a "stretch" tax credit that would increase the federal charitable tax credit by an additional 10% on all new giving up to \$10,000, in order to increase the flow of charitable gifts from Canadians, and ensure that charities can play their role in strengthening Canadian society.
3. . That the Government of Canada acknowledge the role that arts and culture plays in enhancing Canada's reputation internationally, and invest \$25 million in market access and development initiatives that will help export-ready Canadian cultural products reach the global marketplace.

Orchestras serving Canadian Communities – Opportunities for the Government of Canada and Canadian Orchestras

Orchestras Canada/Orchestres Canada is a national membership organization. We speak on behalf of 120 orchestras from every Canadian province, including 45 professional orchestras, along with youth and school orchestras, community orchestras, pre-professional and professional music training organizations. Large and small, Canadian orchestras are a vital and important part of Canadian communities: economic drivers, valued arts partners, part of the educational infrastructure, and builders of social cohesion and community pride.

Our message is a positive one: enhanced federal investment in the arts over the past nine years has played an important role in helping Canadian orchestras serve more Canadians, diversify revenue streams, and increase Canada's profile internationally. Strategic increases to key funding sources and programs, combined with an enhancement of tax incentives for certain charitable gifts, will ensure that Canadian orchestras can do even more, despite lingering challenges presented by the economy.

Serving and Engaging Canadians

In 2008-09, Canadian orchestras gave over 3100 performances and attracted audiences of almost 2.9 million people—including 371,000 school children. Audiences for concerts by Canadian orchestras have increased by 20 % over the last five years.

In addition to formal concert programming, Canada's orchestras serve their communities with comprehensive community engagement programs. Each year, hundreds of thousands of citizens across the country are touched and enriched by a variety of programs intended to supplement and enhance both basic music education

and life-long learning. These programs take place in concert halls, schools, libraries, and elsewhere in communities of all sizes across Canada – and they range from orchestra-run music schools in Ontario’s near-north through free church concerts in Vancouver’s Downtown East Side to an innovative adaptation of Venezuela’s famed El Sistema for at-risk elementary school students in Moncton, NB.

In 2008-09, our member orchestras engaged some 1200 professional musicians and just over 400 full-time staff members. Their activities were supported by thousands of board members and direct service volunteers. Federal government initiatives that have facilitated this range of activity include these recent investments made by the Government of Canada: the one time, \$50 million increase over two years to the Canada Council for the Arts announced in May 2006; the permanent \$30 million increase to the Canada Council announced in July 2007; and the five-year renewal of several critical Canadian Heritage funding programs, including the Canada Cultural Spaces Fund, the Canada Arts Training Fund, the Canada Cultural Investment Fund, and the Canada Arts Presentation Fund, announced in June 2009. We thank the Government of Canada for this significant commitment to the vitality of the sector and the resultant benefits to Canadians.

Yet there is even more that Canadian orchestras, artists and arts organizations can contribute – and we believe that the Canada Council for the Arts is particularly well positioned to ensure that this can happen.

Accordingly, we recommend that the Government of Canada invest in Canadian creativity and Canadian communities by increasing the base budget of the Canada Council for the Arts by an additional \$30 million per year in each of the next four years, bringing the Council’s funding base to \$300 million per annum by 2015.

In its current strategic plan, the Council has committed itself to the pursuit of “an ultimate goal – that Canada have a rich and vigorous creative life that stimulates the imagination and gives Canadians the means to share their spirit and vision with one another and the world.”

Specific initiatives have been undertaken by Council to achieve this goal; at the same time, Council has also laid out a series of initiatives that are not yet funded – initiatives that would respond to demographic and cultural shifts in Canadian society, and the challenges presented by Canadian geography, while nurturing innovation and excellence on the part of Canadian artists and arts organizations.

The Canada Council for the Arts is an accountable and transparent organization, with a track record of efficient and sensitive administration of public funds. Council’s operations were subject to a rigorous Special Examination by the Auditor General in the summer of 2008, and “the Office of the Auditor General concluded that the

Council's systems and practices had no significant deficiencies, and that its systems and practices have contributed to its success."4

Diversified Revenue Sources, Demonstrating Strong Community Support

Canadian orchestras are entrepreneurial organizations, generating revenue from a range of sources to support their programs. Despite the challenges presented by the current economic climate, in 2008-09, Canadian orchestras reported revenues totalling almost \$169 million – with 37% earned through ticket sales and other services, 36.2% coming from individual, corporate and foundation sources, and 26.8% from municipal, provincial and federal government sources.

Leading into the recession, Canadian orchestras (in common with other performing arts organizations) were reporting significant increases in contributed income. As confirmed in Business for the Arts' performing arts survey in 2007, "private sector revenues grew the fastest over the past ten years, increasing by 53%...and fundraising from individuals doubled in value." As well, since the lifting of capital gains tax on gifts of publicly-listed securities to Canadian charities in May 2006, we have also observed a significant increase in large philanthropic gifts. In short: when we have tools to work with, we achieve positive ends.

However, the recession has had an outsized impact on our sector and on contributed income, in particular. As projected in a recent Conference Board of Canada report, "The Effect of the Global Economic Recession on Canada's Creative Economy in 2009", "the cultural sector of Canada's economy will be hit harder by the global recession than the overall Canadian economy...Endowment, donations and other revenues are expected to be most strongly affected (a 16% reduction), due to the weak economy and the decline in stock markets...[with] the largest effect on the performing arts and heritage sectors."

A shift in tax policy to provide greater incentives for charitable giving would greatly aid Canadian charities in these challenging times. Accordingly, we recommend that the Government of Canada establish a "stretch" charitable tax credit to increase the flow of charitable funds in the wake of the recession and encourage Canadians to enhance their charitable giving.

The charitable sector benefits from the support of individual Canadians, who collectively contributed some \$8.2 billion to charitable organizations in 2008. It's an impressive number, but well below the amount contributed in 2007. This decline in donation comes at a time when demand for services is unusually high and when charities of all kinds are struggling to solidify their revenues.

Charities are also relying on the generosity of a shrinking pool of donors. In 1990, some 30 percent of tax filers claimed a charitable donation tax credit; by 2008 this had declined to 24 percent. This trend is worrisome as it predates the recession. Charities

thus have two challenges: increasing support from existing donors, and expanding the base of donors.

In the 2007 Canada Survey of Giving, Volunteering and Participating, more than half of all 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 place charities on a firmer financial footing, ensuring that they are able to continue providing vital services to Canadians.

To encourage even more generosity, Orchestras Canada supports Imagine Canada's proposal of a stretch tax credit that would apply to donated amounts that exceed a donor's previous highest giving level, using 2009 as a baseline. This would add ten percentage points to the tax credit for the eligible portion of donations – the 15 percent credit would be boosted to 25 percent, and the 29 percent credit to 39 percent. From year to year, only an increase over an individual's highest previous donation amount would be eligible for the enhanced credit, and once an individual reached the maximum \$10,000 annual donation there would be no more enhanced credit.

The stretch tax credit would benefit Canadians regardless of income level; by making the first dollar of donation eligible, it would recognize the important contribution made by small donors across the country. This would complement recent incentives encouraging gifts of assets, which have benefited primarily higher income earners. The broadened donor base and increased levels of giving would benefit charities of all sizes and in all regions, allowing them to carry out vital community services.

Costing the stretch tax credit is a difficult exercise. It is an innovative approach that has not been tried in any other country so there is no past experience on which to base projections.

For the stretch tax credit to have the greatest possible impact and benefit the largest number of Canadians, the government of Canada and the charitable sector would need to partner on a public education campaign to ensure that Canadians are aware of the new opportunity. We also recommend that the effectiveness of the stretch tax credit be publicly evaluated after five years to ensure that it is meeting the public policy objectives of increased giving.

Developing and Accessing Markets for the Best of the Best

Over a period of many years, a significant group of Canadian orchestras has represented Canada in international venues, including the Les Violons du Roy, Orchestre symphonique de Montréal, I Musici de Montréal, le Nouvel Ensemble Modern, the National Arts Centre Orchestra, Tafelmusik Baroque Orchestra, the Toronto

Symphony Orchestra, the Manitoba Chamber Orchestra and the Vancouver Symphony Orchestra.

These are intensive and fast-paced working trips, incorporating not only concert performances, but also the showcasing of new Canadian work, the development of international electronic media partnerships, and innovative education and outreach activities. Expansion into international markets is an important part of the business strategy of these leading ensembles, enabling them to attract and retain high-calibre artists by expanding their audience base and revenue streams – even as they ably “project Canadian values and culture.” (Department of Foreign Affairs and International Trade, downloaded at http://www.dfait-maeci.gc.ca/foreign_policy/cnd-world/chap5-en.asp on 11 August 2010.)

Accordingly, Orchestras Canada recommends that the Government of Canada acknowledge the role that arts and culture plays in enhancing Canada’s reputation internationally, and invest \$25 million in market access and development initiatives that will help export-ready Canadian cultural products reach the global marketplace.

In conclusion, we encourage the Government of Canada to continue and to enrich its much-valued partnership with the Canadian cultural sector. We speak from experience: consistent, thoughtful programs of arts support at the federal level in recent years have contributed to the community value, capacity and stability of Canadian orchestras.

We know that the Standing Committee on Finance must balance many competing recommendations from many different sectors of our society. We are grateful for this forum to express our perspectives on behalf of a lively, vital and successful group of Canadian orchestras.