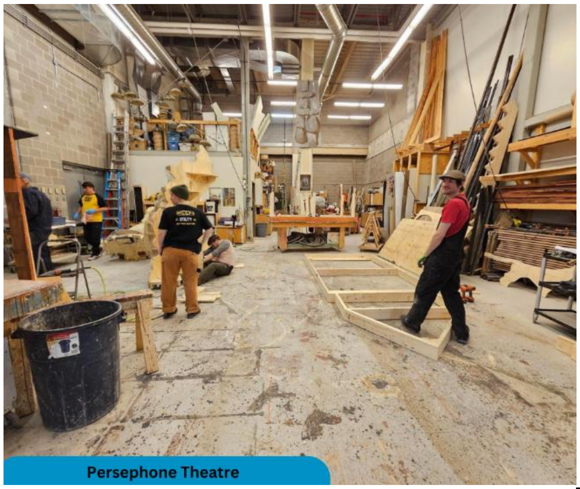
Written Submission for the Pre-Budget Consultations in Advance of the Upcoming 2025 Federal Budget

By: Professional Association of Canadian Theatres (PACT)

Tarragon Theatre

Young People's Theatre



Persephone Theatre

The Theatre Centre

pact.ca

Recommendations

1. That the Government of Canada allocate no less than 1% of its overall spending towards arts, culture, and heritage. As part of this allocation, we recommend an additional investment of $270 million into the arts, culture, and heritage sectors, via:

   $140 million to the Canada Council for the Arts
   $130 million to the Department of Canadian Heritage

2. The Government of Canada invests in job creation and cultural industry growth by implementing a live performing arts tax-credit, allowing those in the live performance sector to receive a refundable tax rebate towards a portion of their labour expenses.

Introduction

The Professional Association of Canadian Theatres (PACT) is the collective voice of professional Canadian theatres, a leader in the performing arts community, and a devoted advocate of the value of live performance. We represent over 170 professional theatre companies, ranging from the largest performing arts organizations in Canada to smaller theatre companies that serve their audiences in a wide variety of communities from coast to coast to coast; from rural to urban, commercial to independent, theatre for young audiences to culturally specific and everything else in between.

Throughout the spring and summer of 2024, our members helped us identify ongoing challenges for the live performing arts. While the impact of the pandemic is mostly behind us, its ramifications are still a daily reality for theatres across Canada. Savings from years of good management have been wiped out, traditional donors have stopped giving, audiences have moved away from stable subscription-based ticket buying habits, cultural spaces have become increasingly difficult to find, and operating expenses have become unmanageable.

Such challenges are not unique to theatre. **PACT's recommendations echo calls to action from across the cultural sector**. The runway to recovery for many in the performing arts has been an extended one, and a stable ground upon which to rebuild is necessary to ensure that all Canadians may benefit from the economic, social, and health benefits of the arts.

Sector Update

Canada's live performing arts sector is poised for growth. Across Canada, theatres act as focal points in their communities, towns, and regions. They are irreplaceable components of our cultural landscape, contributing to the GDP of Canada's $14.5 billion culture industry, one which rose by 0.6% in the first quarter of 2024, surpassing growth for the total economy (0.4%).

Theatres in particular punch above their weight, employing thousands of cultural workers, supporting downtown revitalization efforts, driving cultural tourism, and benefiting ancillary services in the hospitality and food services sector. The Ontario Arts Council recently reported that attending a live performance is among the top activities for tourists, at 31% of visitors. Additionally, the same study found that **30% of money spent overall by tourists in 2019 was on the cultural sector, totalling $11.4 billion and resulting in $5.7 billion in direct value-added to the province.**

In a typical year, 1-in-4 Canadians attend the theatre. Local theatres are touchpoints for connection and discovery, promoting cohesion and civic engagement across Canada. And at a time when there are reports of increased feelings of separation and loneliness among Canadians, we need more theatre. They provide the space Canadians need to actively participate in their communities, discovering new stories, perspectives, and ideas. **However, theatres across this country are approaching a cliff's edge.**

There is urgency in this ask. 61% of theatres have reduced the length of their seasons, cutting back on the number of performances, engaging 17% fewer artists, and 20% fewer staff positions. Operating costs, including managing aging facilities, has increased 35% since 2019. This current season, 68% of PACT member theatres will post a deficit.

Canadian theatre-makers are globally respected innovators and leaders in their field, transforming business models, forging new partnerships, and reaching new audiences. And it is working. Across the country theatregoers are increasingly younger and more diverse, and theatres are rapidly seeking to ways to meet these audiences where they are at. However, it requires increased investment, time, and work to grow and retain these new patrons who, overall are more price sensitive. This has resulted in significant revenue flow challenges. **Progress is being made, the sector just needs a longer runway.**

The change in audience demographics has also meant a steady decline in the traditional donor base. Tax filing data reveals that donations are continuing downwards, moving from 20% of Canadians claiming charitable donations in 2019 down to 17.1% this year. Many theatre donors have not returned and it will take time for younger donors to fill that void.

Theatres also struggle with a precarious workforce, 33% of whom considered very seriously leaving the sector in 2023. Given that 55% of cultural workers earned less than $60,000 in 2023, this is unsurprising. This has resulted in burnout, dissatisfaction, and financial stress across our workforce.

Planned cuts at the Canada Council for the Arts and Department of Canadian Heritage have exacerbated matters at a crucial point in the sector's recovery. Theatres rely heavily on these programs (specifically Canada Arts Presentation Fund, Canada Arts Training Fund, and Canada Cultural Spaces Fund) to improve the physical conditions and provide the necessary resources to encourage new projects that will help grow the sector.

For those who are funded through the Canada Council for the Arts, there is a growing concern of capacity. This upcoming year organisations will be applying for core funding renewal or first-time participation in the Engage and Sustain program. This program is already oversubscribed and struggling to maintain stability in the sector. Frighteningly, the last renewal of grants saw a success rate of only 16.6%. For the 78% of theatres who rely on core funding from the Canada Council for the Arts, this is a major concern. Future intakes for all programs are sure to continue to far exceed needs and opportunities.

RECOMMENDATION 1

That the Government of Canada allocate no less than 1% of its overall spending towards arts, culture, and heritage. As part of this allocation, we recommend an additional investment of $270 million into the arts, culture, and heritage sectors, via:

- **$140 million to the Canada Council for the Arts**
- **$130 million to the Department of Canadian Heritage**

We estimate that the Government of Canada will currently spend approximately 0.94% of its expenditures on arts, culture, and heritage in 2024-2025.

Table 1: Arts, culture, and heritage spending as a percentage of GDP and federal expenditures

Annual measurement	Total $ (Billion)	Arts spending as a percentage
Canada's anticipated GDP	2,998.0	0.14
Federal government spending	449.2	0.94
Federal arts, culture, and heritage spending	4.2	

An increase to 1% of the Government of Canada's expenditures would involve an investment of approximately $270 million to arts, culture and heritage programs and portfolios. PACT believes 1% of government spending target is a reasonable one, given the outsized role that our sectors play in the broad Canadian economy and society.

Noting the urgency outlined above, PACT recommends that the Government of Canada allocate $140 million to the Canada Council for the Arts in permanent funding so that this money will be best positioned to pre-empt the burgeoning crisis emanating from core grant decisions into 2025-2026.

To be clear, the sector does not need new programs, it needs sustainable operating support.

The portfolio of programs administered by the Department of Canadian Heritage do an excellent job addressing many of the sector's needs, however, they are over-subscribed and under-resourced.

Additional permanent funding will also provide the Canada Council for the Arts the resources to begin to address regional disbursement inequality. We know that the Prairies and Atlantic provinces receive less grant funding per capita. Additional resources would expedite addressing this issue.

RECOMMENDATION 2

The Government of Canada invests in job creation and cultural industry growth by implementing a live performing arts tax-credit, allowing those in the live performance sector to receive a refundable tax rebate towards a portion of their labour expenses.

Building on Success

In 1995, amidst a sluggish economy, the Canadian government worked with creative industries to launch the Canadian Film or Video Production Tax Credit (CPTC) with an aim to encourage sector growth by creating competitive marketplace conditions, limiting risk exposure, and supporting the development of home-grown talent. This resulted in the explosion of the Canadian media production sector, becoming a $12.2 billion dollar a year industry, contributing $14 billion to Canada's GDP.

The live performing arts landscape is looking to replicate that success.

What it is

With a live performance tax credit, eligible organizations incorporated in Canada and engaged in the professional live performing arts would file annually to receive up to 25% refundable tax rebates (the same level offered through the CPTC). The program would help offset labour expenditure related to productions, including stage crew, technicians, production staff, on-stage talent, and creative teams.

The effect tax credits lower their operating costs for organizations, regardless of their business model. For companies in the live performing arts, a lower cost of production allows them to mitigate risk, retain staff, support longer commercial runs, produce more work, and induce other impacts (e.g., economic, tourism). Risk mitigation can also create the environment for new players to enter the industry (e.g., new investors and new production entities).

The right marketplace solution at the right time

Across Canada, live arts producers are reducing productions and operations, as they struggle with the increased costs of providing regular employment to talented and skilled workers. Our proposal aligns with existing creative industries strategies, and offers a pan-sectoral response that encourages growth with a focus on well-paying skilled jobs in a highly desirable industry. Utilizing the refundable tax structure employed by the CPTC will ensure impact is realized across the diverse live performing arts sector, where both for-profit and not-for-profit models are employed.

Models of Success

The framework for this program already exists within the federal government, with a strong foundation built on decades of experience from the Canadian Film or Video Production Tax Credit. Additionally, long-standing success stories from the United Kingdom, France, New York State, and Illinois, have demonstrated the positive outcomes and economic benefits that have stemmed from such policies.

A national group of key sector players have commissioned a report from Nordicity, one of Canada's leading business consulting firms, to model the impact this program might have in Canada. We look forward to sharing this report with you.

Initial findings suggest that such a program could represent 32,700 new FTE jobs over the next five years.

Restoring Competitive Advantage

Many jurisdictions already employ a similar tax credit system to help support and bolster the economic activities of their respective live performing arts sectors. Some markets like the United Kingdom established a live performing arts tax credit program well before the pandemic, while others, like France & New York City, have used it as a tool to expedite recovery.

In our neighbouring competitive markets, Illinois, New York State, Ohio, Rhode Island, Maryland, Connecticut, and Louisiana have all instituted similar tax programs for the live performing arts. In Canada, this has raised concerns about losing talent, revenue, programming opportunities, investments, and other induced impacts. Canada's cultural industry needs comparable support tools in place in order to compete.

Unified and Ready
Canada's live performing arts sector - including theatre, live music, circus, orchestras, opera, and dance - have come together around the once-in-a-generation opportunity this program represents as a catalyst for growth and job creation.

Collectively we are a $2.4 billion per-year industry, representing 78,000 jobs, and contribute $3.6 billion to Canada's GDP. National partners representing cultural institutions, labour, associations, presenters, promoters, producers, and employers are working together and ready to collaborate with the Government of Canada towards a shared priority of investing in creating jobs for Canada's cultural labour force.

Thank you for your consideration and let's continue the conversation.

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