



A Better Business
Environment for the Festivals
and Major Events Industry:
Ensuring Canada's
Competitiveness in the
International Market

- **Keep them safe**
- **Help them grow**
- **Focus on creation**

*A brief to the House of Commons
Standing Committee on Finance*

Prebudget Consultation

July 2018

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FAME
FESTIVALS AND MAJOR EVENTS
FESTIVALS ET ÉVÉNEMENTS MAJEURS
CANADA

RECOMMENDATIONS FOR THE FESTIVALS AND MAJOR EVENTS INDUSTRY

Recommendation 1: Keep them Safe

That the government provide additional funding in the amount of **\$10 M** for the Communities at Risk: Security Infrastructure Program (SIP), and expand the program criteria to include festivals and major events.

- > Department: Public Safety and Emergency Preparedness

Recommendation 2: Help them Grow

That the government establish a funding program in the amount of **\$20 M** per year specifically dedicated to the growth of festivals and events with a capacity to generate touristic and economic activity.

- > Departments: Innovation, Sciences, Economic Development / Tourism

Recommendation 3: Focus on Creation

That the government increase the budget of the Canada Arts Presentation Fund (Professional Arts Festivals and Performing Arts Series Presenters component) in the amount of **\$20 M**; and increase the budget of the Building Communities Through Arts and Heritage Program (Local Festivals component) in the amount of **\$10 M**.

- > Department: Canadian Heritage

EXECUTIVE SUMMARY

This proposal for a better business environment for all festivals and major events rests on three pillars that will help Canada compete in a growing international market. We invite the Government of Canada to **keep them safe, help them grow, and focus on their creation.**

1) Security: The terrorist threat that is felt around the world forces festivals and events to take necessary mitigation measures, which represents a significant and increasing cost that cannot be covered through sponsorship or otherwise.

2) Growth and Competitiveness: The disappearance of tobacco sponsorship and previous Federal programs — as well as an absence of reliable sources of funding — has stunted the industry's growth and affected its ability to compete with other jurisdictions around the world in attracting international tourists. Festivals and Events Canada (FAME) wants to ensure that our industry will be able to compete to attract tourists in a rapidly-growing international market.

3) Culture: As the number of events in Canada has increased, the budgets of programs that benefit the industry at the Department of Canadian Heritage have not increased in almost 10 years. This means that these programs remain under high pressure and cannot keep up with the demand.

As the only pan-Canadian organization exclusively comprised of festivals and events in the country, FAME acts as the spokesperson for the industry. **Therefore, the scope of our thinking extends to the entirety of Canadian festivals and events, of all sizes and all places.** Small and large events are equally concerned by growth, security, and the recognition of their contribution to Canada's cultural vitality.

FAME would welcome the opportunity to expand on this presentation by appearing as a witness before the Committee. Given we are a national organization we could appear in a number of locations wherever the Committee travels. Thank you for your consideration of this request.



ISSUE 1: Rising Security Costs

The increase in security costs has a crushing impact on the budgets of festivals and events.

- Overall, between 2013 and 2017, security costs increased by approximately 60% among members of FAME.
- This rate of increase in security costs cannot be offset by a comparable increase in revenues. In addition, many events are free and open to the public (i.e. Events at la Place des festivals in Montreal, Gay Pride in Toronto, etc.).

RECOMMENDATION 1: Keep them Safe

- There is a need for a program—Like the Communities at Risk: Security Infrastructure Program (SIP) — that would help to cover a portion of infrastructure expenditures, such as metal detectors, cameras and various devices. In addition, financial assistance is required to enable organizers to cover some of the labour costs associated with security, particularly for security guards.
- This program would also support measures aimed at countering cyberattacks that are increasingly affecting servers and ticketing systems.
- FAME recommends that the Government expands access to the existing program (Communities at Risk: SIP) to include festivals and events, all while considering their specific reality.



ISSUE 2: International Competitiveness, Unequal Distribution within the Industry, Stunted Growth, Capturing Revenues

A) International Competitiveness

Canadian festivals and events do not compete on a level playing field to attract this international clientele, which is one of the most profitable for the economy and governments.

- It is practically impossible to balance the budget of an event without some form of government assistance. This is the case all around the world, with only a few exceptions.
- In Europe, National Governments intervene at varying levels. According to a study published in 2013 on 347 music festivals, the share of National Government support was 4.4% in France, 4.7% in Switzerland, 10.3% in Sweden, 13.8% in Finland, 22.7% in Ireland, and 29.8% in Norway. In these cases, the regions, cities and other players also provide support.
- At 4% support for members of FAME, the Government of Canada does less than other countries according to the data available.
- Millions of international tourists now travel in relation to festivals and events. In Quebec alone, it is estimated that 190,603 travelled in one year from outside the province to participate in one of the 17 events included in a study by KPMG. On average, these tourists spent \$778.34 during their stay. They also contributed \$148,4M of new money into the Quebec economy, of which nearly one quarter went to accommodation and one third to restaurants.

B) Unequal Distribution within the Industry

Canadian Festivals and Events do not benefit from the same level of public assistance, relative to the province or city in which they are located. These differences can be significant.

- With the Federal Governments' share of the financial arrangement for festivals and events being relatively low, it is provinces, cities and regions that compensate.
- While the Government of Canada invests \$7 million per year in the Canada Formula One Grand Prix, the whole of FAME's membership shares approximately \$4.5M per year from the Department of Canadian Heritage.

C) Stunted Growth

Canadian Festivals and Events are not recognized as economic and touristic drivers, and are often relegated to programs of cultural character.

- While the events industry is rapidly growing and achieving success around the world, the growth of Canadian festivals and events is stunted due to chronic under-investment by the Federal Government, which ended the Marquee Tourism Events Program in 2011 as well as the Government of Canada's Sponsorship Program before it. These two programs, established after the Tobacco sponsorship ban, had the goal of curbing the financial crisis while recognizing festivals' economic and touristic value.
- Given that festivals act as important attraction products that turn vague travel intentions into not-to-be missed dates on the calendar, they are not supported sufficiently.
- International tourism is projected to grow at a rate of 4-5% per year until 2030, according to the World Tourism Organization. More and more



tourists are choosing Canada, but we must do more to maintain our share of the international market and grow. This is an unexploited potential that Canada must tap into.

D) Capturing Revenues and Expenses

The current business model for Canadian festivals events is imperfect. They cannot currently count on any specific “redistribution” program from the Government of Canada that would ensure that a part of the revenues generated by their activities are fed back to them.

- There are many festivals and events that include free components/activities or are entirely without charge (ie. Gay Pride, shows at la Place des Festivals in Montréal, etc.). Everywhere, free outdoor activities define us as a friendly, welcoming, and active destination for international tourists.
- \$63.8 M: The profit generated in accomodation by those who travel exclusively to a destintation (Quebec, in this case) for one of the 17 events included in a 2018 KPMG study.
- \$17.3 M: This is the amount generated in taxes and fees for the Federal Government by the 17 events included in the 2018 KPMG study. In one fiscal year, this means that these events generated 1.78 times the Federal contribution (through the Department of Canadian Heritage and DEC), without considering the effect on employment, economy and culture.

RECOMMENDATION 2: Support their growth

By establishing a program in the amount of \$20 M per year specifically dedicated to festivals and events with a capacity to generate touristic and economic activity, the Government of Canada would contribute to accelerating their growth, provide structure for the industry at the national level, and enable them to compete internationally to attract tourists.

- The program would help major events that attract a large number of international visitors to maintain and improve their international appeal. It would also help well-established events at the national level to gain international recognition. For smaller events, it would constitute an incentive for them to attain the next level.
- General objectives would include: increased attendance, size and scope; increase of touristic visits and expenses; and improvement in the quality and durability of Canadian major events.
- FAME suggests that a part of these funds be dedicated to supporting the growth of the larger festivals and indigenous events (ie. Pow Wow, Présence Autochtone, Indigenous Day Live, etc.)
- Throughout 2008–2009 and 2009–2010, the Government of Canada, through the Marquee Tourism Events Program, invested nearly \$50 M per year in select events. A subsequent report concluded that the program had “responded to the need for an immediate economic stimulus to the tourism sector” and that it had “created positive benefits for recipients”.
- Equipped with economic impact studies, FAME is in position to measure the real progress of its members or eventual beneficiaries of a program, every three years for instance.
- This program could be managed by Canada’s Regional Economic Development Agencies.



ISSUE 3: Programs at the Department of Canadian heritage only satisfy a small portion of the demand

- At the Department of Canadian Heritage, the budgets of the Canada Arts Presentation Fund (Professional Arts Festivals and Performing Arts Series Presenters component) and the Building Communities Through Arts and Heritage Program (Local Festivals component) have fallen short of meeting the demand for a long time. These are the two primary programs that support festivals and events at the national scale.
- The budget for the CAPF has been frozen since 2008. In the past five years alone, demand for the program has increased by over 30%, rendering it over-subscribed and cash-strapped.
- Every year the CAPF is faced with the challenge of how to allow new clients into the program. In this situation, the only option is for the CAPF to identify funding priorities and give reductions to existing clients. Almost all clients who were receiving \$30,000 or more have received reductions in the last 4 years. Unless the budget is increased, the CAPF will not be in a position to reverse this trend.
- The substantial increase in budgets to Radio-Canada and the Canada Council for the Arts has had no positive impact on festivals and events.
- Within FAME membership, for eligible events, these two programs provide \$4,5M, which is unfortunately less than what it costs, within the association, for security alone.
- If one were to index the amounts of these two programs in 2009–2010 to today's level, in constant dollars, the increase due to inflation would be 17%.

RECOMMENDATION 3: Focus on a Creative Canada by adding \$20 million to the budget of the Canada Arts Presentation Fund (Professional Arts Festivals and Performing Arts Series Presenters component) and by increasing the budget of the Building Communities Through Arts and Heritage Program by \$10 million (Local Festivals component).

- A Creative Canada rests on three pillars, one of which is to invest in creators and cultural entrepreneurs and their ideas. In the world of festivals, this includes all the professionals that contribute to the creation of productions, whether they are artists, producers or directors.
- A second pillar of Creative Canada is to promote the discovery and distribution of Canadian content on the national and international scale. The Federal Government can use festivals as an effective means to put a spotlight on our culture for the international public. They can be a source of cultural export; disseminators of cultural diversity; and put a spotlight on the cultural expression of our French language.