

Increasing Canadian Productivity and Competitiveness through the Festivals and Major Events Industry

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

Prebudget Consultation

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FAME
FESTIVALS AND MAJOR EVENTS
FESTIVALS ET ÉVÉNEMENTS MAJEURS
CANADA



EXECUTIVE SUMMARY

Canada's festivals and major events industry provides an incredible opportunity for the country and Canadian businesses. World tourism is increasing because a growing middle class is able to afford to travel internationally, and often festivals and major events are the main draw for those who wish to be part of these popular social gatherings. Canada can take advantage of these trends by investing in Canadian events to make them even more attractive to tourists, here at home and from abroad.

To capitalize on this growing movement of tourists, FAME — a pan-Canadian association representing 26 events and festivals, with a presence in 7 provinces — is proposing the creation of a new federal program to invest in festivals and major events in Canada. This 5-year investment will not only enhance the experience of global festival goers, but it will also support and create new Canadian businesses, provide job security for workers and benefit the economy in general.

This plan will increase Canadian productivity through increased labour market participation by providing new opportunities for jobs and training, and stimulating the creation of new technologies to enhance the experience for event attendees. Federal investments will simultaneously increase the productivity and competitiveness of Canadian businesses by claiming a larger share of the international tourism market for Canada.

Tourism is crucial to Canada's economy, making up \$31.2 billion of GDP in 2011, fifteen of the largest festivals and events alone contribute \$650 million annually as estimated in 2009. Other countries have made substantial investments in their festival and events industry with great success. Canada should do the same to remain competitive internationally.

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.



FEDERAL FUNDING PROGRAM FOR THE GROWTH OF FESTIVALS AND MAJOR EVENTS

Having raised Canada's profile around the world this year through the **Canada 150 program**, FAME wants to keep the momentum going and therefore is proposing the creation of a new federal program to invest in growth and tourism through a dedicated funding program for Festivals and Major Events in Canada with a total national budget of **\$225 million over five years**. FAME suggests using part of the **150th anniversary** budget allocation to start a permanent fund, and that this be administered through Canada's **Regional Economic Development Agencies**, given their close regional ties and understanding of the sector.

Overall objectives include:

- Increased attendance and geographic reach;
- Increased tourist visitation and expenditures;
- Improvement in quality and sustainability of major events in Canada.

The program will help events that attract a large number of international visitors maintain and enhance their international appeal. It will also help events that are established nationally to gain an international presence.

The fund would be split into two components (tiers) with the following breakdown:

Tier 1	Tier 2
<ul style="list-style-type: none">• Major organizations with annual budgets over \$3 million• Minimum overall attendance of 250,000 people	<ul style="list-style-type: none">• Midsize and regional organizations with annual budgets ranging from \$1 million to \$3 million
\$25 million per year	\$20 million per year

Note 1: FAME proposes that a component of this fund be dedicated to supporting the growth of Canada's largest indigenous festivals and events (Pow wow, Festival Présence autochtone, etc.).

Note 2: Funding estimates are based on a global budget of \$225 million over five years, resulting in \$45 million being available each year.

Importantly, the events industry does not benefit from indirect revenue, like sales tax, lodging tax, air transportation costs, etc.). Therefore provincial and federal governments must act as redistributors to ensure the business model is viable. These investments are incredible opportunities as each government dollar helps generate over \$15 in GDP wealth creation.

A "CONVERSION PRODUCT"

62 903: Number of tourists that visited Montréal in July 2016 mostly or exclusively because of the Montréal International Jazz Festival.

WHY THIS PROPOSED FUNDING PROGRAM WILL HELP CANADA ACHIEVE PRODUCTIVITY AND COMPETITIVENESS

The funding program described here will help meet Government of Canada priorities through increasing the productivity of Canadians and increasing the productivity and competitiveness of Canadian businesses. It will also have strong economic benefits in general, which can be seen in the success stories of other countries, both within Canada and internationally.

MORE PRODUCTIVE CANADIANS

Increased Labour Market Participation

Festivals and major events are an integral component of Canada's tourism industry. Worldwide, the global tourism market is one of the fastest growing industries according to the United Nations World Tourism Organization. It is ranked third globally in the export category after fuels and chemicals and ahead of food and automotive products. In Canada specifically, there were 157,362 tourism businesses employing 603,400 Canadians in 2011, according to Statistics Canada. Beyond these direct employees, tourism activities provide jobs in other industries, including recreation and entertainment, transportation, accommodation, travel services, and food and beverage services. It is estimated that in 2013, more than 1.6 million of these types of jobs were created by the tourism industry in Canada.

Training, Education, and Experience

The creation of a federal funding program for festivals and major events will increase the productivity of Canadians by providing more opportunities for training, education, and experience than would otherwise be available.

Festivals and major events provide numerous volunteer opportunities and both temporary and permanent employment. One study estimates that

at large events, the ratio of staff to attendees can be as high as 1:108. These jobs represent opportunities for capacity building and training that would not otherwise be available.

Some festivals and major events provide training to volunteers, which can include emergency preparedness, first aid, crowd control, and customer service. Even when explicit training is not provided, **the act of volunteering itself gives individuals valuable experience that increase their capacity and productivity.**

Youth, in particular, can benefit from the opportunities provided by music festivals and major events. Volunteer and temporary positions are attractive skill-builders for students who are only available seasonally and have limited prior experience.

MORE PRODUCTIVE AND COMPETITIVE BUSINESSES

Increased International Market Share

Each year, there are more than one billion international tourists, and the World Tourism Organization predicts this will increase to 1.8 billion in 2030, an average annual growth rate of 3.3%. This increase is supported by the burgeoning global middle class. The rate of growth in this population is approaching an all-time peak, with about 140 million joining the middle class annually. In 2022, this rate could be as high as 170 million per year. Moreover, the absolute market size of middle-class spending is larger than previously estimated: in 2015, it was approximately \$35 trillion (in 2011 PPP terms). It now accounts for one third of the global economy.

In 2016, Canada welcomed nearly 20 million foreign visitors, the most in 14 years. This increase could improve Canada's ranking in the list of top

international destinations – Canada was 18th in 2015. To continue to attract more tourists Canada needs premier attractions with internationally recognizable brands and sophisticated world-class programming. Festivals and major events are these attractions.

While many festivals and events in Canada are non-profit organizations, they are also businesses that need to be competitive on the international stage to attract the maximum number of tourists to Canada. For Canada to gain an increasing part of the international tourism market and to compete with other large festivals around the world — which are subsidized to a far greater degree — FAME recommends that the Federal Government invest in Canada's leading tourism events. This will help to develop product offerings that will drive domestic and international tourism.

Security Training and Development of World Class Security

Festivals and major events attract thousands of people, making them potential targets for attacks. Here in Canada we must proactively increase our security measures at these events to prevent people from being harmed. Government investment in festivals and major events will be used to this end, creating more robust strategies and training employees. **Security and security training in particular, is an integral part of FAME's recommendation.**

Innovation and Advanced Technology

Festivals and major events create opportunities for Canadian businesses to innovate technologies that enhance the experience of attendees. For example, guests in some events "wearable tech" wristbands that serve as tickets, debit cards, part of light shows, and a way to share contact information with other festival goers.

Other possible innovations for festivals and major events could include live streaming, enhanced social media coverage, 3D virtual reality, and implementing management systems (software).

Canada's festivals and major events need to stay ahead of **new technology and innovation** so they can remain competitive in the international market. Investments from the Federal Government for festivals and major events can help stimulate Canadian tech companies to develop uses for their newest technology.

GREATER ECONOMIC IMPACTS IN ALL REGIONS

The tourism industry is critically important to Canada's economic growth. According to Statistics Canada, it contributed \$31.2 billion to Canada's Gross Domestic Product (GDP) in 2011 and generated \$21.7 billion in government revenues. Revenue for the tourism sector itself totaled approximately \$78.8 billion per year — \$63.7 billion from domestic spending and \$15.1 billion from overseas travellers. This represents a large contribution to Canada's economy.

FAST FACTS FOR 15 MAJOR EVENTS IN 2009

- > Tourism spending and operating costs totaling more than \$1 billion
 - Over \$650 million of the GDP
 - \$283 million in tax revenue
- > 15,600 jobs
- > 12.6 million visitors including 1.7 million international attendees
- > Québec and Ottawa received 2.5 times their investment in tax revenue

Regarding festivals and major events specifically, FAME's 2009 study found that just 15 of the largest festivals and events in Canada attract 12,600,000 attendees annually, contribute \$650 million in GDP to their local economies, and support the equivalent of 15,600 full-year jobs. This substantial economic impact is derived from both operational and tourism spending estimated at \$1.1 billion per year. The analysis also estimates that tourism and operational spending related to the 15 events generate approximately \$283 million in tax revenue for all three levels of government each year. It has also been established that each dollar invested by government in festivals pays off 2.5 times in terms of tax revenues and incidental taxes.

Festivals and events turn vague intentions to travel to Canada into concrete plans and are an important conversion product that move our destination from the might-see list to the must-see list, within a calendar spot.

SUCCESS STORIES

Elsewhere, various jurisdictions have understood the importance of investing in festivals and events, which are increasingly becoming worldwide social phenomena as well as significant tourism opportunities. Examples include the success of Coachella in California, Tomorrowland in Belgium, and SXSW in Texas.

JURISDICTIONAL OVERVIEW

Government of Canada grants account for 4% of the total income of FAME members. In 2013, this was surpassed by:

- > France (4.4%)
- > Finland (13.8%)
- > Switzerland (4.7%)
- > Ireland (22.7%)
- > Sweden (10.3%)
- > Norway (29.8%)

In the United Kingdom, the public revenue share in British Arts Festival Association members is as high as 28%. Texas alone invests nearly \$40 million annually in a fund for various events, while the city of Austin contributes more than \$12 million annually.

The Canadian Council of Tourism Ministers is already evaluating the possibility of collaborating with this significant, but fragile industry. To enable Canadian festivals and events to be more attractive and competitive on the international scene and offer a higher quality "product" and enhanced experience to their client base, FAME asks the federal government to do its part.

EXPECTED OUTCOMES

A \$45 M investment will bring in \$112.5 M in tax revenue for the Government of Canada from the first year (this ratio of 2.5:1 has been maintained historically). It will increase the number of international tourists at major Canadian events by 25% in the first five years (1.7 million, measured in 2009, 2.125 million in 2022), which will increase the number of international tourists in Canada by approximately 2.25%/year (18 million in 2015).

Considering that international tourists spend on average \$1035 during their stay, we estimate that this investment would generate an additional \$425 million in tourist revenue. Most importantly, this investment would strengthen the competitiveness of Canadian businesses in the field of Festivals and Major Events on a global scale.

In 2011, the Government of Canada concluded, in its evaluation of the Marquee Tourism Events Program (2009–2011), that "the Program responded to the need for an immediate economic stimulus to the tourism sector" and "created positive benefits for recipients". This positive evaluation speaks to the potential impacts that this type of program could have in today's context – where the international tourism market is growing like never before. Canada can, and must, seize the opportunity to compete in this lucrative market by increasing support for its Festivals and Major Events sector.

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