



CARFAC

CANADIAN ARTISTS' REPRESENTATION
LE FRONT DES ARTISTES CANADIENS

CARFAC's 2014 pre-budget submission to the Standing Committee on Finance

Canadian Artists' Representation/ Le Front des artistes canadiens (CARFAC) is pleased to submit its brief to the Standing Committee on Finance for the 2014 pre-budget consultation, and welcomes an opportunity to present our recommendations to the committee in Ottawa.

CARFAC is the national association of Canada's professional visual and media artists. As a non-profit association and a National Art Service Organization, our mandate is to promote the visual arts in Canada, to promote a socio-economic climate that is conducive to the production of visual arts in Canada, and to conduct research and engage in public education for these purposes. CARFAC was established by artists in 1968 and through our certification under the Status of the Artist Act, we represent all Canadian visual and media artists, numbering over 17,000, with an active membership of 4000.

Executive Summary

Canada's economic resilience is a priority for all Canadians, and stable support for the cultural sector contributes to the success of our country's economy. The Finance committee is tasked with balancing the federal budget while also finding ways to improve the employment opportunities and income potential for Canadians. Investing in the arts provides significant return on investment, stimulates economic activity, revitalizes neighborhoods, and contributes to a sense of community for all Canadians.

CARFAC makes the following recommendations to the House of Commons Standing Committee on Finance:

Recommendation #1:

To support the creative economy by increasing the Canada Council for the Arts' Parliamentary appropriation by \$35 million in 2015, with a long term goal of reaching \$300 million.

Recommendation #2:

To include an Artist's Resale Right in Canadian law, so that visual artists may benefit from the ongoing profits being made on their work in the secondary market.

Recommendation #1: To support the creative economy by increasing the Canada Council for the Arts' Parliamentary appropriation by \$35 million in 2015, with a long term goal of reaching \$300 million.

For over 50 years, the Canada Council for the Arts has invested in artists and arts organizations, thus enriching the lives of Canadians by providing access to our culture and our stories. In Budget 2014, the federal government recognized the Council's valuable role by making permanent a \$25 million contribution to the Council's parliamentary appropriation that had previously been renewed on an annual basis. This was a welcome contribution which recognizes the Council's proven track record of ensuring its programs are effective and efficient, and are aligned with the needs of Canadians.

As a member of the Canadian Arts Coalition, CARFAC agrees that the Canada Council would be better able to support the cultural sector with a further increase in its annual appropriation. Since 1990, the number of arts organizations supported by the Council has increased by 65% while their budget has essentially flat-lined at \$5.34 per capita. Although the amount of funding has increased, it hasn't kept pace with inflation, and projects that have been recommended for funding are often turned down due to lack of funds. Our ultimate goal is to increase the Council's annual budget to \$300 million, but we understand that this type of growth takes time, and are therefore recommending an increase of \$35 million for 2015.

Expected cost: \$35 million added to the current base of \$181.2 million

Period of time: Recurring, starting in 2015

Federal funding:

Investing in the arts provides significant value for money, providing economic returns on investment through local spending and collection of tax revenues at all levels of government. According to the Conference Board of Canada, our cultural sector contributes \$46 billion to the GDP, and for every \$1 directly or indirectly invested in cultural activities, \$3.20 is generated in economic activity to the benefit of all Canadians. In 2007, the economic contribution of the cultural sector amounted to just over \$84 billion, or 7.4% of Canada's GDP.¹ More recently, the 2013 Scotiabank Nuit Blanche festival brought nearly 190,000 visitors to Toronto for a one night event, for an overall total of 1 million visitors, and generated \$39.5 million towards the city's GDP.² The Ontario Ministry of Tourism further reported in 2010 that the festival created 611 new jobs.³

A strong arts infrastructure encourages an environment that promotes growth in other sectors of the economy. Cultural activities generate substantial consumer spending, not only for its own industry, but also indirect spending in the tourism industry, for example, which in turn increases employment and tax revenues. It is, however, important to note that while funding for the arts generates revenues for the overall economy, the production costs

¹ Conference Board of Canada, *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, 2008.

² Scotiabank Nuit Blanche Event History, August 2014.

³ Ontario Ministry of Tourism, *The Economic Impact of Nuit Blanche 2010 in Toronto in 2010*, November 2010.

present art to the public are often higher than the profit returns, and therefore a mixture of private and public investment is needed. Therefore, we are asking that a higher proportion of tax revenues that come directly from cultural programs be redirected back into their further development.

Intended Beneficiaries

Public investment in the creation and presentation of art allow us to share our diverse culture with a wider audience, and to improve the quality of life in communities. It sparks conversations about what it means to be Canadian. The Canada Council is dedicated to strengthening connections with communities through public engagement with art. In 2012, 19.3 million Canadians attended arts events, including performances, exhibitions, festivals, readings, and screenings, representing an increase of 6.7% from the previous year.⁴ Additionally, volunteer involvement at Council-funded organizations increased by 1.2%, indicating that Canadians care about their cultural community; further, 99% of these volunteers see this involvement as a way to contribute to their community.⁵

Impact

When the federal government invests in the arts, we make Canadian culture more widely accessible to all Canadians. In 2012-13, the Council awarded \$153.4 million to 1,925 artists and 2,241 arts organizations, to the benefit of Canadians in at least 1,918 communities across the country.⁶ The cultural industries employ a large percentage of Canadians, through both public and private investment: the overall cultural sector employed 616,000 people directly in 2003 and comprised 3.9% of the overall labour force.

More specifically, there are nearly 35,000 visual, media, and craft artists who have the potential to receive a grant to make art, or have an exhibition at a museum or festival that is funded by the Canada Council, thus improving the entrepreneurial skills and income potential of professional artists. Most artists are self-employed, but also work as teachers, arts administrators, etc. to supplement their incomes. As stated in the Council's 2012-13 Annual Budget, in addition to direct funding support to individual artists of all disciplines for the purposes of research and creation, 38,952 professional artists were paid artist fees through presenting arts organizations, and 2,106 artists were employed by Council-funded organizations.⁷ As most visual artists are self-employed, every bit helps.

⁴ Canada Council for the Arts, [Annual Report 2012-13](#), 2013.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

Recommendation #2: To include an Artist's Resale Right in Canadian law, so that visual artists may benefit from the ongoing profits being made on their work in the secondary market.

We recommend that the federal government legislate the Artist's Resale Right (ARR). The ARR entitles visual artists to receive a 5% royalty payment each time their work is resold publicly through an auction house or commercial gallery. The ARR allows artists to share in the ongoing profits made from their work. The full value of an artwork is rarely realized on the first sale of an artwork. It is common for art to appreciate in value over time, as the reputation of the artist grows, yet artists do not currently share in those profits. For example, the award-winning Inuit artist, Kenojuak Ashevak, sold her famous piece, *Enchanted Owl* in 1960 for \$24. In 2001, it was resold at auction for \$58,650, and Ashevak received nothing from the resale of her work.

Expected cost: \$0

Period of time: Starting in 2015

Federal funding:

The ARR is a royalty based entirely on commercial sales of an artist's work, and will cost the government nothing. We are only asking the federal government to legislate the ARR, so that the royalties can be collected by the artist, both in Canada and abroad.

Once legislated, Canadian visual artists will benefit from royalty payments on sales of eligible artworks sold in Canada. Additionally, the legislation of the ARR would allow Canadian artists to benefit from reciprocal international arrangements with the 69 nations who have already implemented an Artist's Resale Right, including the entire European Union, and most recently, Australia. Thus, artists would be paid from eligible international sales, and the Canadian government will also collect taxes on domestic and foreign royalty collection. The EU has asked Canada to implement an ARR in our trade discussions.

Intended beneficiaries

The addition of the ARR will mean a new income source for Canadian visual artists. This is important because half of all Canadian visual artists earn less than \$8,000/year, with average earnings of \$14,000⁸. Senior artists, who are most likely to have work in the secondary market, have median yearly earnings of \$5,000⁹. Even award-winning senior artists find it difficult, if not impossible, to earn a living from their art. Additionally, many Aboriginal artists, particularly those living in northern isolated communities, are losing out on tremendous profits being made on their work in the secondary market, where price mark-ups are often dramatically higher than in the primary market.

⁸ Hill Strategies, *A Statistical Profile of Artists in Canada Based on the 2006 Census*, 2009.

⁹ Hill Strategies, *Senior Artists in Canada*, 2010.

The number of visual artists in Canada has increased by 56% since 1991, while their incomes fall significantly lower than the overall culture sector and the Canadian work force. Visual artists earn 61% less than the average Canadian worker, with average earnings of \$13,976 according to 2006 census data.¹⁰ This is in part because 65% of visual artists are self-employed. The income of a self-employed visual artist can fluctuate significantly from year-to-year. Exhibition and sale opportunities often occur in clusters as artists complete a project or series of works, and it generates interest. A good sales year can be followed by several years of little-to-no income, as the artist works on new projects. Artists are rarely in the position to achieve a sustainable and predictable income. The ARR would go a long way to relieving the financial pressure that artists face as self-employed creators.

Impact

With copyright, the artist's ownership of rights over their work are more complex than they are for most other objects, such as houses or cars. Artists retain copyright when their work is sold, unless they assign it. It is intellectual property, related to a physical object. Other artists, such as writers and composers, retain the right to earn an income from ongoing uses of their work whenever a book is reprinted, or a song is played on the radio or purchased online. The ARR acknowledges that visual artists are important contributors to their work's value, and should continue to be compensated for as long as their work has commercial value.

The Canadian art market is growing, and auction sales break new records every year, yet artists do not receive profits from secondary market sales. A sale in November 2010 of Alex Colville's piece, *Man on Verandah*, resulted in a record breaking hammer price of \$1.29 million – the highest sale achieved for a living Canadian artist at a Canadian auction. Unfortunately, Mr. Colville died in 2013, before Canada legislated an ARR, so he did not benefit from receiving a royalty on that sale. Similarly, many established Canadian artists regularly see their work offered for sale at auction, for which they are not currently compensated for. Between 1994 and 2012, at least 65 artworks by Joe Fafard sold at auction that should have been eligible for ARR royalties. If Canada had an ARR, Mr. Fafard would have been paid \$42,986. The lowest royalty he should have received would be \$80, and the highest royalty would be \$4,000, with average payments amounting to \$661. Regular royalty payments such as these would contribute significantly to many artist's incomes, and the ARR would allow them to share in the ongoing popularity of their work.

Full details on our Artist's Resale Right proposal are available on request: director@carfac.ca.

¹⁰ Hill Strategies, *A Statistical Profile of Artists in Canada Based on the 2006 Census*, 2009.