



THE WRITERS'
UNION OF CANADA

200-90 Richmond Street East, Toronto, Ontario M5C 1P1

March 31, 2011

Michael Ignatieff, Leader
Liberal Party of Canada
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Ottawa, Ontario
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Dear Mr. Ignatieff:

The Writers' Union of Canada, founded by writers for writers in 1973, has evolved into the national voice for writers of books in all genres with a mandate to promote and support the interests of its creator membership as well as the freedom for all Canadians to write and publish.

During this election campaign three issues are priorities for writers:

1. **Fair copyright**
2. **Fair taxation for artists**
3. **Investment in the arts**

This letter provides some context to those issues and concludes with key questions of interest to writers during this campaign.

We invite you to respond to the questions by replying c/o Kelly Duffin, Executive Director of The Writers' Union of Canada at kduffin@writersunion.ca or 90 Richmond Street East, Suite 200, Toronto, Ontario, M5C 1P1. Responses will be shared with our members.

The Cultural Sector

Writers are part of the cultural fabric of this country; part of a community that tells Canada's stories, reflects our identity as a nation, and informs and entertains. We are also primary producers: an entire industry begins with the product of our imagination and skill. Writers earn on average a mere 10% of the cover price of a book – the other 90% supports a network of publishing, advertising, printing, digitizing, design, distribution, and bookselling businesses.

Writers are key members of Canada's arts and culture industries, which in 2007 contributed an estimated \$85 billion or over 7% of Canada's real GDP. These industries directly employ over 600,000 Canadians. Culture delivers a solid return on investment as well: every \$1 invested directly or indirectly in cultural activities generates more than three times that in economic activity. Over 25% of Canada's cultural sector workers is self-employed (compared with 16% across all industries). Writers are among those "entrepreneurs."

Election Issues

1. Fair Copyright

A foundational principle of copyright is that it exists to ensure that creators are compensated when their works are used.

Questions about Fair Copyright

- Would your party propose a Bill to modernize copyright that is founded on creators being compensated for the use of their works? Specifically, would you remove the over-broad exceptions that appeared in Bill C-32 (such as "fair dealing for education") which would result in the sanctioned expropriation of writers' property and income?
- How would you ensure that the Copyright Act protects creators' existing and future revenue streams in a digital economy?

2. Fair Taxation for Artists

Copyright-Income Deduction: In recent years, Parliament has considered Private Members Bills calling for Copyright-Income Deduction for writers and other artists. Although the first such Bill was general in tone and lacked specifics, it nonetheless captured the spirit of the inequity writers face and the general principles of what might help correct it.

This deduction has been used in Quebec for several years, where it not only corrects the tax penalty implicit in the Income Tax Act but also works to encourage, rather than penalize those who try to make a living from their creations. In Quebec, the provision applies to writers, artists, filmmakers, and composers: any artist who produces copyright material that generates income. The Copyright-Income Deduction effectively removes fluctuations from creators' incomes since, although most creators cobble together a living from a variety of sources, it is the royalties earned on copyright material that create the wild income fluctuations.

The deduction has proven easy to administer. It requires almost no calculation and fits easily within the existing framework of the Income Tax form. There are many precedents already on the form, such as the "Deduction for employment income earned outside Canada," or the "Deduction for employees of certain international organizations like the United Nations." Canada has a long history of giving special consideration to enterprise that furthers the

national interest: for instance, scientific research and experimental development. Likewise, the contribution made by Members of Parliament is appropriately recognized through a tax-exempt allowance. The Copyright-Income Deduction would function in the same way, providing an incentive to those who create the nation's cultural products.

The cost to the Government would be miniscule and the return to the economy would be dramatic. Setting a reasonable upper limit of income – and only that income derived from the artistic endeavour – would ensure that only those writers and artists with low incomes would be able to derive benefit from the deduction. Writers' creativity provides the raw materials for the entire cultural sector that receives a variety of subsidies and incentives at the production and dissemination levels. We are merely seeking equitable treatment.

Tax Exemption for Subsistence Grants: These are grants administered by the Canada Council for the Arts that provide minimal stipends for artists to live for several months while they create their cultural product, hence their name, "subsistence." We believe these grants should be tax-exempt.

People otherwise employed on a full-time basis are ineligible to apply for these grants. Only self-employed creators may apply. Given that the maximum value of these grants is only \$25,000 for up to a year's work, the overall tax revenue they produce is minimal, but taxation's impact on the recipient can be severe.

Taxing grants such as these undermines the principle of survival that inspired their creation.

Questions about Fair Taxation for Artists

- Would your party introduce a Copyright-Income Deduction for creators, modeled on that used in the province of Quebec? If so, when?
- Would your party exempt from taxation subsistence grants for creators administered by the Canada Council for the Arts? If so, when?

3. Investment in the Arts

Funding for the arts is not only essential to the health of the cultural sector but also represents an excellent return on investment but opportunities are currently being lost. While Canada Council has had funding increased it has not kept pace with the increasing number of applications from arts organizations from individual artists. As a result, thousands of eligible arts organizations and artists are declined support resulting in the loss of enormous creative potential for Canada.

Canada's not-for-profit arts organizations and artists are the backbone of the \$46 billion cultural sector in Canada. However, current federal contributions represent less than 15% to the revenues of a typical Canadian arts organization. Earned revenue and private donations

(corporate and individual) generally account for at least 75% of an arts organization's budget, greatly outstripping public investment. In fact, Canada's contribution to the arts lags far behind most of its European counterparts both in terms of per capita spending and spending as a percentage of GDP.

Globally, artists play a crucial role in our country's foreign policy, a key objective of which is "the promotion of Canadian cultural abroad." It was therefore troubling that, in March 2009 \$4.7m in funding was cut for the Prom-Art programs. This program was administered by the Department of Foreign Affairs and International Trade and assisted artists with travel costs when promoting Canadian culture abroad. Without those funds our cultural growth is stunted on the global stage.

Because the evolving digital and knowledge economy has at its core the work of creators investment in arts and culture will be critical in fostering economic development.

In addition, while 2011 is the 25th anniversary of the establishment of the Public Lending Right (PLR) (which distributes annual payments to Canadian authors in recognition of the presence of their books in Canadian public libraries) funding for PLR is woefully lagging for traditional printed books and has not even been initiated for e-books. At the time of PLR's creation, the Government agreed to periodically inject increased funding into the program to ensure its success long into the future. Unfortunately this has not happened and the "hit rate" has declined dramatically. The current hit rate of \$33.92 is 15% behind the 1988 rate of \$40 and less than half of the \$67.49 it would be today if \$40 in 1988 had kept pace with inflation.

Questions about Investment in the Arts

- Would you invest in the not-for-profit arts sector by increasing the allocation to the Canada Council for the Arts and the department of Canadian Heritage, among others? If so, by how much and in what timeframe?
- Would your party return funding to the Prom-Art program? If so, when? If not, what would your party propose to do for the development of foreign markets for Canadian cultural products?
- Would your party return the Public Lending Right Commission's hit rate to the original \$40 and commit to indexing it to inflation going forward? Would you push for PLR compensation to cover ebooks as well as print books?
- What investments does your party propose to make in art and culture as a component of a National Strategy for the Knowledge/Digital Economy?

¹ Payments for any given book are based on the number of times that book is found in a changing selection of public libraries. Each time a book is found, that counts as a "hit." The "hit rate" is the value of each "hit" to the author.

Platform commitments made during this campaign offer the opportunity to build on the strengths of the arts sector to boost job creation, add to the vitality of communities across the country, and expand Canada's international reputation. To ensure the knowledge economy survives and thrives, we can expect no less.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Cumyn', with a horizontal line underneath.

Alan Cumyn
Chair



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Summary of Questions from The Writers' Union of Canada

Please send responses:

To: Kelly Duffin, Executive Director, The Writers' Union of Canada
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Address: 90 Richmond Street East, Ste 200, Toronto, Ont. M5C 1P1

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