A strategic and economic business case for private and public sector investment in the arts in Canada

October 2009
Contents

- Executive summary
  - Background on funding of the arts in Canada
  - Economic business case
  - Case studies of Canadian arts organizations
  - Other benefits of arts funding
  - Implications for the public sector
Executive summary

• Public-private partnerships are well developed in the arts and culture sector
  – Public sector support of the arts leverages private sector support
  – In 2007, 62% of the $958 million in external investment in the arts was from the public sector

• Public-private investments have strong positive returns
  – Direct benefits (e.g., ticket sales, concessions) earn back the initial investment amount
  – Indirect benefits (e.g., tourism, multiplier effects) have the potential to generate even higher returns

• This business case is supported by profiles of three successful Canadian organizations – the Toronto International Film Festival, EPCOR CENTRE, Stratford Festival. They demonstrate that
  – As the organizations matured, there was a shift from public funding to private support
  – Growth in earned revenue has usually outpaced external funding, increasing the rate of return on investment

• An investment in the arts provides many additional benefits to businesses, as well as aligning with the interests of the community
  – Corporate benefits: regional development, corporate social responsibility, attraction of creative employees, marketing benefits
  – Social benefits: education, community engagement, national brand identity, multiculturalism

• The business community can take a leadership role in investing in the arts in Canada by initiating strategic public-private partnerships
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Canadian arts organizations can be classified into two major segments – visual arts and performing arts.

**Visual arts**
- Artist run centres
- Public art galleries
- Public museums
- University or municipally-affiliated art galleries and museums

**Performing arts**
- Dance
- Multidisciplinary
- Music
- Opera
- Theatre

There is a diverse range of arts and cultural organizations in Canada – from local events to national attractions

**Visual arts organizations**
- Art Gallery of Ontario
- EPCOR CENTRE
- RCMP Centennial Museum
- Musée national des beaux-arts du Québec
- Canadian Museum of Civilization
- Kamloops Art Gallery
- Manitoba Museum
- Prince Edward Island Museum and Heritage Foundation
- Canadian Museum of Nature

**Performing arts organizations**
- Stratford Festival
- Calgary Opera
- Grand Théâtre deQuébec
- Kaleidoscope Theatre
- Atlantic Theatre Festival
- Danny Grossman Dance Company
- Winnipeg Philharmonic Choir
- Vancouver Symphony Orchestra
- Tafelmusik
- Manitoba Theatre for Young People
- Grands Ballets Canadiens

**Examples**

Corporate contributions constitute a significant share of private funding for the arts

Sources of private funding, 2008
Percent

- Individual: 22%
- Foundations: 12%
- Fundraising: 27%
- Capital campaign: 13%
- Corporate donations: 5%
- Corporate sponsorship: 16%
- Other*: 4%

Private funding by recipient and source, 2008
Percent

- Corporate sponsorship: 25
- Corporate donation: 6
- Fundraising: 19
- Capital campaign: 2
- Foundations: 11
- Individual: 32
- Other*: 3

Performing arts: 56
Visual arts: 5

* Other includes volunteer committees, endowment funds, and university grants

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• Executive summary
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  • Implications for the public sector
Funding cultural organizations releases the value of creating and presenting art to the entire community and causes a cascade of economic benefits.

**Direct benefits**
Artists and organizers recover revenue from selling tickets, concessions, etc. as part of exhibiting or performing works of art.

**Indirect benefits**
The arts draw tourists from around the world, increasing tourism dollars and boosting incidental businesses.

**Induced benefits**
Money spent on the arts is spent in all areas of the economy by arts organizations and their employees.

Spending on culture encourages the creation and presentation of artwork, with strong positive consequences for the economy.
An investment in the arts is assured a positive return while also having significant potential for even greater results.

Public/private arts investment and impact, 2008
$ Millions

- Guaranteed returns
  - Private: 591
  - Public: 591
  - Total: 1,182

- Direct benefits: 1,888

- Maximum indirect benefits*: 738

- Maximum induced benefits*: 7,168

- Maximum total benefits: 9,794

* Assumption that 1.25% of tourism is attributable to the arts

** Multiplier effect of all spending attributed to the arts, estimated to be 2X original expenditure (i.e., arts funding + direct benefits + indirect benefits)


Even before considering indirect or induced benefits, investing in the arts generates a positive return.
• Executive summary
• Background on funding of the arts in Canada
• Economic business case
• **Case studies of Canadian arts organizations**
• Other benefits of arts funding
• Implications for the public sector
Case study – Toronto International Film Festival Group

Background and summary

• "The Toronto International Film Festival has emerged as one of the most influential festivals in the world" (BBC News, September 2004)
• Since its inception in 1976, the Film Festival Group has played a vital role in Toronto's arts community
• In addition to the Festival, the Group includes Cinematheque Ontario, Film Circuit, Sprockets Toronto International Film Festival for Children, Talk Cinema, etc.
• The Film Festival, the main showcase of the Group, is a 10-day event that runs each September and in 2008 it showcased 312 films from 64 countries, drawing thousands of tourists
• The Group has raised 75% of the $196 million need to build the Bell Lightbox, a year-round tourist destination and educational centre for cinema

External operating funding

$ Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>9.4</td>
<td>5.7</td>
</tr>
<tr>
<td>2006</td>
<td>10.9</td>
<td>7.5</td>
</tr>
<tr>
<td>2007</td>
<td>11.2</td>
<td>7.6</td>
</tr>
<tr>
<td>2008</td>
<td>11.2</td>
<td>7.3</td>
</tr>
</tbody>
</table>

Corporate sponsorship represents more than half of total annual fundraising

Earned revenue (i.e., direct benefits)

$ Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.9</td>
<td>7.0</td>
<td>8.7</td>
<td>8.7</td>
</tr>
</tbody>
</table>

The Film Festival has increased earned revenue at a greater pace than funding

+14% CAGR

Indirect/induced benefits, 2008

$ Millions

11 9 33 37

Total return on investment of 7X

Over 60 countries represented at the festival, drawing many tourists to Toronto

* Multiplier of 4.2 is based on direct spend distribution as follows: 50% on supplies, 40% on wages, 10% on other Sources: Toronto International Film Festival Annual Reports; Toronto International Film Festival Group; team analysis
Case study – EPCOR CENTRE, Calgary

**Background and summary**

- EPCOR CENTRE is a six-level building featuring multiple theatres and a concert hall in the heart of the Olympic Plaza Cultural District in downtown Calgary.
- It produces and presents its own events in arts learning, music programming, and community engagement as well as working with external production companies.
- Each year, almost 400,000 attend events at the EPCOR CENTRE, with 1800-plus performances and events, including live theatre, dance, art exhibits, music, arts education activities, etc.
- When the Centre first opened, public funding represented 48% of operating revenue; by 2008 it declined to 29% due to growth in earned revenues and other funding sources.

**Understanding direct benefits**

Percent of total earned revenue, 2008

- **Retail leases**
  - 14%
- **Concessions and catering**
  - 17%
- **Theatres and concert hall**
  - 70%

EPCOR CENTRE has diversified its operations - over 50% of its earned revenue is from secondary operations (i.e., not programming related).

**Operating funding and direct Benefits**

$ Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>External Funding</th>
<th>Earned Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1.8</td>
<td>2.5</td>
</tr>
<tr>
<td>2005</td>
<td>2.5</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**Indirect/induced benefits**

$ Millions

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Funding</td>
<td>2.5</td>
</tr>
<tr>
<td>Direct Benefits</td>
<td>3.6</td>
</tr>
<tr>
<td>Induced Benefits</td>
<td>2.2</td>
</tr>
<tr>
<td>Total Benefits</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Assumes 0.25% of Calgary’s tourism is attributed to the EPCOR CENTRE.

Total return on investment of 5X

* Multiplier of 2.0 is based on direct spend distribution as follows: 15% on supplies, 50% on wages, 35% on other

Sources: EPCOR CENTRE financial information; annual reports; City of Calgary tourism; team analysis.
Case study – Stratford Festival of Canada

Background and summary
- Founded in 1953, the Stratford Festival of Canada is a world-renowned repertory theatre festival, permanently located in Stratford, Ontario.
- It produces works of theatre in the classical and contemporary repertoire, with special emphasis on the works of William Shakespeare.
- The festival runs from April of November and draws over 550,000 attendees.
- The Festival consistently earns positive returns above 2X the total funding, based on box office revenue only.
- Stratford, Ontario has developed a thriving economy based on a strong local manufacturing base and a booming tourism sector.

External operating funding

<table>
<thead>
<tr>
<th>Year</th>
<th>External funding $ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>11.1</td>
</tr>
<tr>
<td>2006</td>
<td>11.9</td>
</tr>
<tr>
<td>2007</td>
<td>13.3</td>
</tr>
<tr>
<td>2008</td>
<td>19.3</td>
</tr>
</tbody>
</table>

Donor support rose dramatically in 2008

Indirect/induced benefits, 2008

- Approx. 1/3 of Stratford’s tourism is related to the Festival.
- Total return on investment is 8X
- Total benefits: 151

Direct benefits

- Over the past 5 years, funding of the Stratford Festival has earned a return of over 2X based on direct benefits only.

Box office revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue $ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>41.0</td>
</tr>
<tr>
<td>2006</td>
<td>41.1</td>
</tr>
<tr>
<td>2007</td>
<td>40.6</td>
</tr>
<tr>
<td>2008</td>
<td>40.7</td>
</tr>
</tbody>
</table>

ROI

- 2005: 370%
- 2006: 345%
- 2007: 305%
- 2008: 211%

Sources: Stratford Festival website; City of Stratford; team analysis.

* Projection from 2006 tourism revenue for the city of Stratford
** Multiplier of 1.6 is based on direct spend distribution as follows: 28% on supplies, 50% on wages, 22% on other
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• Other benefits from the arts
• Implications for business community
In addition to the economic argument, investment in the arts provides significant social and corporate benefits.

**Additional benefits of arts funding**

**For business**
1. Promotes regional development
2. Supports corporate social responsibility
3. Allows companies to attract the “creative class”
4. Acts as an alternative marketing vehicle

**For society**
1. Enhances the education system
2. Builds social capital and community engagement
3. Helps to create a distinct ‘brand identity’ for Canada
4. Promotes multiculturalism

An investment in the arts provides indirect benefits to businesses…

… and aligns with interests of key stakeholders: employees and customers
### Corporate benefit #1
The arts can have a significant economic impact on local communities, as demonstrated in the Stratford example

**Stratford Festival of Canada**
- The Festival has played an important role in building a strong community and healthy economy in Stratford, by attracting hundreds of thousands of tourists each year.
- Tourism and manufacturing are the two largest sectors in Stratford, a unique combination that makes Stratford one of the “economic hot spots” in Canada.
- The unemployment rate in Stratford has been less than or equal to both the national and provincial levels for many years, and averaged 4.8% in 2006 (compared to the national and provincial averages of 6.3%).

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**Job creation, 2007**
Number of full-year jobs attributed to Festival

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect/Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,773</td>
<td>1,523</td>
<td>3,296</td>
</tr>
</tbody>
</table>

The Stratford Festival drives almost 20% of the town’s employment, based on a total labour force of 18,077 people.

**Number of new businesses 2002-2006**

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>37</td>
<td>58</td>
<td>36</td>
<td>35</td>
<td>196</td>
</tr>
</tbody>
</table>

Almost 200 businesses have been established in Stratford over the five years (2002 – 2006), many indirectly related to the Festival.

Sources: City of Stratford; Statistics Canada; Government of Ontario; team analysis.
## Business benefits sought through corporate philanthropy

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percent</th>
<th>Primary stakeholder(s) that benefit (apart from the non-profit beneficiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance corporate reputation/brand</td>
<td>70</td>
<td>• Company, employees, community</td>
</tr>
<tr>
<td>Build employee leadership and capabilities</td>
<td>44</td>
<td>• Company, employees</td>
</tr>
<tr>
<td>Recruit and retain employees</td>
<td>42</td>
<td>• Company, employees</td>
</tr>
<tr>
<td>Differentiate itself from competitors</td>
<td>38</td>
<td>• Company</td>
</tr>
<tr>
<td>Manage current or future risk</td>
<td>19</td>
<td>• Company</td>
</tr>
<tr>
<td>Build knowledge about products and market opportunities</td>
<td>16</td>
<td>• Company</td>
</tr>
<tr>
<td>Inform areas of innovation for existing products and services</td>
<td>15</td>
<td>• Company, community</td>
</tr>
<tr>
<td>Meet industry norms</td>
<td>12</td>
<td>• Community</td>
</tr>
<tr>
<td>No business goals</td>
<td>12</td>
<td>• Community</td>
</tr>
</tbody>
</table>

Sources: McKinsey Quarterly survey of 721 executives around the world, January 2008; team analysis
What is the creative class? Why is it important?

- The creative class includes people who generate economic value through their creativity (e.g., artists, scientists, creative professionals, etc.)
- Creative people tend to concentrate within particular cities/regions that nurture creativity, and have healthy arts/cultural programs
- To be successful, regions must attract and retain creative people (i.e., the Bohemian Index is a measure of artistically creative people in a given region)
- By supporting the arts and culture, companies encourage the development of a creative class in their respective regions, and benefit from increased innovation and technology development

Linking creativity to economic growth

The rise of the “creative class”
Percent of total workforce*

The Bohemian Index in Canadian cities/regions
Bohemians per 1000 population**
Corporate benefit #4
Companies can provide funding to the arts as part of a broader partnership strategy

Major benefits of arts partnership

- Creates merchandising opportunities
- Increases media coverage
- Targets a specific consumer segment
- Allows entertainment of business partners
- Differentiates from competitors
- Creates association with a lifestyle and builds emotional bonds

Key questions regarding arts partnership

- Does the partnership match corporate/brand objectives?
  - Does the partnership fit with the corporate brand positioning and imagery?
  - Is the partnership a part of a consistent comprehensive brand strategy?
- Does the partnership convey the right message to the target audiences?
  - Does it reach the right target audience?
  - Does it elicit strong emotional involvement?

Sources: Morgan Stanley Dean Witter, April 2000; IEG sponsorship reports, 1996-2000; industry interviews; team analysis
Social benefit #1
With the decline of arts education in schools, there is a greater demand for cultural activities in the community

Example – Arts in Ontario

Percent of schools with music teachers

Children’s art programs

- Young People’s Concerts, Toronto Symphony Orchestra
- “Explore & Learn” programs at the Royal Ontario Museum
- Student Matinees at the National Ballet of Canada
- Shaw Festival Student Theatre Club
- Saturday Morning Art Club at the National Gallery of Canada
- Birthday Workshops at the McMichael Canadian Art Collection
- Kiwanis Music Festival

Sources: “Annual Report on Ontario Schools 2008”, People for Education, 2008; team analysis
**Social benefit #2**
The arts can have a positive impact on the development of local communities and social networks

<table>
<thead>
<tr>
<th>Arts and culture help engage new immigrants with social institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>“[E]merging cultural organizations have helped connect immigrants to other services they need.” (Stern, Seifert, and Vitiello, 2008)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Culture builds stronger communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Partnerships among for profit and nonprofit organizations; arts, social service or religious institutions; artists, parents and neighbors have the potential to create a vital “ecosystem” where the arts and communities flourish.” (Stern and Seifert, 2002)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The arts contribute to innovation within a community</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Artistic activity that embraces the ideas and visions of different cultures can lead to new and innovative ideas and inventions” (Voluntary Arts Network, 2005)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Arts and culture can foster economic inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>“A neighborhood-based creative economy—anchored by a network of “natural” cultural districts—provides an inclusive vision of an expanding urban economy.” (Stern and Seifert, 2008)</td>
</tr>
</tbody>
</table>

Sources: Creative City Network of Canada; Social Impact of the Arts Project, University of Pennsylvania; team analysis
### Social benefit #3
The arts could be the basis for building a distinct brand identity for Canada

<table>
<thead>
<tr>
<th>Criteria for choosing a national brand</th>
<th>Example: Australia’s reputation as a sports country</th>
<th>Opportunity: associate Canada with the arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>International appeal</td>
<td>• Sports are played throughout the world</td>
<td>• Canada has is a diverse country with many cultural voices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Almost 40% of international tourists visit museums or galleries</td>
</tr>
<tr>
<td>Strong interest and participation within country</td>
<td>• Australia ranked 5th in the Beijing 2008 Olympic medal count; 80% of Australians participate in sport</td>
<td>• Over 1.4 million seats were filled for the performing arts in 2007</td>
</tr>
<tr>
<td>Infrastructure in place to support the reputation</td>
<td>• The Australian Sports Commission funds and supports sporting efforts throughout the country; the Australian Institute of Sport provides elite athletes facilities to develop their skills to the highest levels</td>
<td>• Prominent art schools exist in most major areas and centres like EPCOR in Calgary and the Bell Lightbox in Toronto teach and support the arts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Canadian artists are recognized around the world</td>
</tr>
<tr>
<td>Economic benefits for the country</td>
<td>• At the end of 2005 more than 100,000 people were employed in sport</td>
<td>• The culture sector provided 7.4% of the 2007 real GDP and contributed 1.1 million jobs</td>
</tr>
<tr>
<td>Commitment from the private and public sectors</td>
<td>• The Australian Sports Commission received $216 million (AUS) from the government and $30 million (AUS) from corporate and other sources in 2007-8</td>
<td>• Private giving has assumed a greater proportion of arts funding over the last three years</td>
</tr>
</tbody>
</table>

Sources: Australia Sports Commission; Australia Bureau of Statistics; *Valuing Culture: Measuring and Understanding Canada’s Creative Economy*, 2008, Conference Board of Canada; BfA Annual Survey of Performing Arts Organizations
Arts and revitalization of cities

- Several major international cities, including Toronto, have successfully included the arts and culture as part of their revitalization strategies.
- Such programs lead to many benefits for the cities including:
  - Increased tourism and other indirect economic activity
  - Improved quality of life and community engagement
  - Regeneration of undervalued/underutilized urban real estate
  - Relocation of business and residents from suburbs to downtown core
- Requires long-term support and partnership from the public and private sectors.

Examples of cities that have become artistic centres

- New York City, NY
- Osaka, Japan
- London, UK
- Philadelphia, PA
- Barcelona, Spain
- Glasgow, Scotland
- Sydney, Australia
- Amsterdam, Netherlands
- Paris, France
- Austin, TX
- Newham, UK
- Kamasawa, Japan
- Bilbao, Spain
- Phuket, Thailand
- Shanghai, China
- Chicago, IL
- Berlin, Germany
- Havana, Cuba
- Singapore
- São Paulo, Brazil
- Montreal, Canada

Can other Canadian cities develop sustainable funding plans to incorporate the arts into their revitalization programs and develop an international reputation?

Source: team analysis
Social benefit #4
As Canada becomes more multicultural, the arts can be used to promote diversity and create inclusiveness

Proportion of visible minorities

<table>
<thead>
<tr>
<th>City</th>
<th>Percent</th>
<th>% Growth 2001-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>43%</td>
<td>27%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>42%</td>
<td>21%</td>
</tr>
<tr>
<td>Abbotsford</td>
<td>23%</td>
<td>39%</td>
</tr>
<tr>
<td>Calgary</td>
<td>22%</td>
<td>44%</td>
</tr>
<tr>
<td>Edmonton</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>Montreal</td>
<td>17%</td>
<td>29%</td>
</tr>
<tr>
<td>Ottawa-Gatineau</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Windsor</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>Total Canada</td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Multicultural art programs

- Multicultural Art Gallery & Resource Centre
- Thunder Bay National Exhibition Centre and Centre for Indian Art
- African Theatre Ensemble
- Can-Asian Dance Festival
- Multicultural Arts for Schools and Communities
- Asian Heritage Foundation
- The Ukrainian Museum of Canada
- The Marion and Ed Vickar Jewish Museum of Western Canada
- Arts Councils’ granting programs

Source: 2006 census, Stats Canada
• Executive summary
• Background on funding of the arts in Canada
• Economic business case
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• Other benefits of arts funding
• Implications for business community
There is real value and great opportunity for the private sector to take a leadership role in building a strong arts community in Canada

- As outlined in the Business Case, corporate funding of the arts is a worthwhile investment
  - The arts pay for themselves through attendance and tourism (i.e., positive return on investment based on direct and indirect benefits)
  - As well, there are many intangible social and business benefits

- In contrast to other social causes that use financial support to “solve problems”, funding of the arts adds to the richness of the civil society

- The arts “create opportunities” and require much less investment than other “charitable” sectors (in absolute dollar terms) to create benefit and positive impact

- Companies can take a leadership role through funding decisions and drive the future growth of the arts sector in Canada
  - Drive effective private-public partnerships
  - Treat arts funding as a strategic investment (i.e., a business decision made by senior management as opposed to a philanthropic or donation decision)
Public-private partnerships are a potent tool in developing support for the arts, particularly in smaller communities

<table>
<thead>
<tr>
<th>Public-private partnership programs</th>
<th>Results of the artsVest program</th>
</tr>
</thead>
</table>
| • artsVest is a matching incentive program run by Business for the Arts designed to stimulate business investment in the arts and activate municipal cultural plans;  
  • Business for the Arts brings matching challenge funds to communities who have demonstrated a commitment to fostering arts and culture by way of a municipal cultural plan.  
  • The program helps arts and business communities develop new and mutually beneficial partnerships by providing sponsorship training to arts organizations  
  • Businesses are attracted by the matching incentives which double the impact of their investment in the arts  
  • Other programs include: Toronto Arts Council Foundation, P3 (organized by Ottawa city council) | • In 2003, BftA ran its first pilot artsVest program in Oakville, Ontario  
• In 2005, the artsVest program was expanded to reach eleven communities over a three year period  
• Currently, the artsVest program is being rolled out in fifteen communities over the next four years  
• As a result of the program to date:  
  – Businesses contributed $925K, which combined with $535K in matching funds gave the arts $1.46M  
  – 132 arts and cultural organizations joined with 369 business, 222 which were partnering with the arts for the first time |

Source: BftA
## Suggested guidelines for corporate investment in the arts

<table>
<thead>
<tr>
<th>Level of funding</th>
<th>Type of commitment</th>
<th>Focus of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on a few organizations which have a resonance with your business, instead of casting a wide net, and invest substantially over a number of years.</td>
<td>Contribute business expertise, in addition to financial support</td>
<td>Ensure values and focus of arts organization complement those of the business</td>
</tr>
<tr>
<td>The average Canadian company commits 1% of pre-tax profits to philanthropy</td>
<td>Make a long-term commitment (minimum three years) rather than a one-time donation</td>
<td>Support programs that align with interests of constituents (e.g., customers, employees)</td>
</tr>
<tr>
<td><strong>Rationale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have greater impact with a targeted group of organizations which have common elements with business strategy</td>
<td>Help arts organizations think more strategically</td>
<td>Maintain reputation and avoid brand dilution</td>
</tr>
<tr>
<td>Align with corporate social responsibility objectives</td>
<td>Build a relationship with the organization to maximize benefits</td>
<td>Provide opportunities for personal involvement (e.g., volunteering, attending events)</td>
</tr>
</tbody>
</table>

Source: team analysis
BftA business members

- BftA has over 50 active corporate members (e.g., BMO, TELUS, Ernst & Young, Deloitte, Raymond James, Onex Corporation, etc.)
- Members benefit greatly from their involvement in BftA including:
  - Advice on arts partnerships and investment and community involvement Arts-related market research including industry benchmarks
  - Member events, including seminars and conferences
- In return, members pay an annual fee to cover costs of BftA

Arts organizations

- BftA has direct relationships with performing arts and visual arts organizations that range in size and scope, located across Canada
- BftA collects and analyzes financial information of arts organizations through its annual survey, and reports the findings to its business and arts members
- In addition, it promotes education and recognition of organizations through the Canadian Arts Summit and other events

BftA can help facilitate partnerships through its active membership base of businesses and arts organizations
### A framework for calculating the economic impact of the arts and culture sector in Canada

<table>
<thead>
<tr>
<th>Type of benefit</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Intangible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>• Financial benefits generated by the attraction/event itself</td>
<td>• Incremental economic activity in the region due to tourism</td>
<td>• Regional revitalization</td>
<td>• Qualitative benefits</td>
</tr>
<tr>
<td>Examples</td>
<td>• Admission/tickets</td>
<td>• Increase in tourist spend (e.g., restaurants, hotels, services) as a result of the attraction</td>
<td>• Incremental spend in region due to direct arts spending (i.e., ripple effect of direct benefits)</td>
<td>• For government: social capital, education, reputation, multicultural</td>
</tr>
</tbody>
</table>

Source: team analysis
Direct benefits generated by arts organizations in Canada amount to $1.9 billion

<table>
<thead>
<tr>
<th>Average spend per capita*</th>
<th>Canadian population, 2008</th>
<th>Total spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>$39.25</td>
<td>$1,325 million</td>
<td></td>
</tr>
<tr>
<td>$16.68</td>
<td>$563 million</td>
<td></td>
</tr>
</tbody>
</table>

Total: $1,888 million

* Based on StatsCan household spending survey administered in 2005 of 15,000 respondents; assumed constant
Sources: “Consumer Spending on Culture in Canada, the Provinces and 15 Metropolitan Areas in 2005”, Hill Strategies Research Inc.; Statistics Canada, 2008; team analysis
As a conservative estimate, $0.7 billion of tourism spend in Canada can be considered an indirect benefit of arts programs.

**Participation in arts/cultural events, 2004**

- Visit museum/art gallery: 4.7%
- Attend a fair, festival, etc.: 4.4%
- Attend a play, concert, or other cultural event: 4.2%
- Attend an aboriginal or native cultural event: 0.8%

**Total domestic tourism spend in Canada, 2008**

100% = $59.1 billion

- Transportation: 41%
- Food and beverage: 13%
- Accommodation: 16%
- Recreation & entertainment, travel services, pre-trip: 16%
- Other commodities: 14%

<table>
<thead>
<tr>
<th>% of tourism spend attributed to the arts</th>
<th>Estimated arts-related tourism spend ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5%</td>
<td>295.5</td>
</tr>
<tr>
<td>1.25%**</td>
<td>738.8</td>
</tr>
<tr>
<td>2.5%</td>
<td>1,477.5</td>
</tr>
</tbody>
</table>

* Visitors may attend multiple events during their trip, based on domestic travel within Canada

** Underlying assumption that approx. 25% of those tourists who attended an arts attraction traveled solely for the event

Sources: Canadian Travel Survey, 2004; Statistics Canada, 2008; team analysis
**Induced benefits** are estimated to be $7.2 billion based on the ‘multiplier effect’ of arts-related spending.

**Multiplier effect of arts spending in Canada**

1. **Direct arts spend**
   - 38% of firms' spend is on supplies
   - 42% of firms' spend is on wages
   - 80% of wages are disposable income
   - 86% of disposable income is spent

2. **Induced benefits**
   - Personal spending = 2.0 X ($1.0 + $1.9 + $0.7) = $7.2 billion

   **Assumptions**
   - 38% of firms' spend is on supplies
   - 42% of firms' spend is on wages
   - 80% of wages are disposable income
   - 86% of disposable income is spent

   **Rationale**
   - Arts-related revenue causes incremental economic activity amounting to 2/3 of the original benefit
   - This sparks a ‘ripple effect’ in the economy – total induced benefit multiplies to 2/3 of the 2/3 of the 2/3, etc.

   **Induced spend calculation**
   
   \[ \left( \frac{1}{1 - 0.38 - 0.29} \right) - 1 \times \text{direct spend} \]
   
   \[ = 2.0 \times (1.0 + 1.9 + 0.7) \]
   
   \[ = 7.2 \text{ billion} \]