

Bill C-377:
*An Act to amend the Income Tax Act
(requirements for labour organizations)*

*Impacts on the Canadian Film,
Television and Video Production Sector*

Submission to House of Commons Standing Committee on Finance
By Gerry Barr, National Executive Director & CEO, Directors Guild of Canada
October 2012

Introduction

The Directors Guild of Canada (DGC) is a national labour organization that represents over 3,800 key creative and logistical personnel in the film and television industry covering all areas of direction, design, production and editing.

The film, television, and video production sector is a vibrant and growing component of Canada's cultural industries. The value of production in Canada was nearly \$5.5 billion in 2010-11. The sector generates \$2.26 billion in export value, a 20% increase over the past decade, enhancing Canada's international standing and reputation. Employment in the sector reached 128,000 FTE's in 2010-2011, more than doubling since 2002. This growth and expansion reflects strategic investments and targeted federal and provincial tax credits.

The labour pool of the film and television sector is both highly skilled and subject to high demand. Availability of skilled trades is a key draw for U.S. production companies filming in Canada, and is an essential ingredient in Canadian-based domestic production. DGC plays a key role in fostering that labour pool through a wide range of programs. Through our industry negotiations of sector-wide protocols and agreements, for example, skilled workers seek qualifications through either apprenticeships or work experience or a combination of the two. These protocols establish bench strength in the sector, and increase labour pool flexibility, as individual workers often each become qualified for different occupations across the sector.

Other services performed by the Director's Rights Collective of Canada, which is operated at arms length from DGC and would also be covered by the scope of the Bill C-377, include the distribution of residuals -- royalties and levies to which film and television directors are entitled under the national copyright legislation of certain countries in Europe and elsewhere.

If passed, Bill C-377 would hamper our ability to provide these and other services to our members. We do not believe our concerns can be addressed through amendments, and as a result do not believe the bill should be passed in any form.

Specific Concerns Regarding Bill C-377

Bill C-377 would require unions to file public reports on all disbursements over \$5,000. There are significant privacy concerns, cited by the Privacy Commissioner among others, associated with this requirement. Consider that pension benefits would be included under this reporting requirement. The sponsor of the bill has yet to provide an explanation as to what business the general public has in knowing what a retired factory worker's pension benefits are, or how they are invested.

But the privacy breaches in this bill go far beyond pension benefits. The disclosure provisions would also cover records relating to disability and health benefits for millions of Canadians. If one considers that this would include records relating to deadly diseases, counseling and psychological treatments, infertility and many other conditions, it is remarkable that a bill such as this could even make it to the Committee stage in this Parliament.

It is equally remarkable that a government espousing the elimination of red tape can support a bill will impose a massive and pointless paperwork burden for both unions and also for government,

which will have to establish a new bureaucracy to oversee hundreds of thousands of transactions from more than 25,000 labour organizations in the country. The Canadian Bar Association, in its comments on the bill, notes that the costs to both unions and government are expected to be significant.

It is hard to imagine the government requiring such an obligation on other similar organizations -- such as professional associations, charities or non-profits -- whose members or contributors can deduct their donations or dues from their taxes in a similar manner to unions.

Already, under federal and provincial Labour Codes, unions are required to disclose, upon request from a member, financial statements "in sufficient detail to disclose accurately the financial condition and operations of the trade union." It is unclear what the bill's additional disclosure will accomplish, and equally unclear why those who are not dues-paying members of labour associations should have a right to this information. As noted by the Canadian Bar Association:

Federal and provincial labour legislation already imposes obligations on labour unions to publish or make available regular financial statements to their members, and some of those obligations are quite extensive. ... The governance and transparency of the organization should be a matter of general concern to its membership, not the public at large.

As a smaller labour organization, DGC would have to devote a significant proportion of its resources to compliance with this proposed law. Compliance would entail lowering our auditing and reporting threshold from its current level to the proposed level of \$5,000, and converting our record maintenance systems to support that level of reporting. In the case of a small institution such as ours and our three arms length institutions (Health and Welfare Trust, Directors Rights Collective of Canada and Pension Savings program), we conservatively estimate that our auditing costs would double, and we would require a 10-15% increase in staff. For an organization of our size, it is unlikely this increase could be absorbed without either reducing services to members, or increasing membership dues. Any such increase would place commensurate upward pressure on the cost of labour in the screen-based sector, affecting the competitive labour advantage that Canada currently enjoys.

Interestingly, the sponsor of Bill C-377 concedes that he has not received a single complaint from a union member about inadequate disclosure of information about a union. This leads to the critical question in the debate around this bill: What is the problem the bill is trying to address? In our view, the bill does not address any demonstrable problem associated with the operations of the labour sector in Canada. Yet it will impose a major breach of privacy rights, at tremendous cost to both union members and taxpayers.

There is no amendment or set of amendments that can adequately resolve this fatal flaw. As a result, Bill C-377 should be defeated and not returned to the House for Report Stage.

For more information, contact:

Gerry Barr, National Executive Director & CEO, Directors Guild of Canada
(416) 482-6640, ext. 233
gbarr@dgc.ca