

**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

Stratford Festival
July 29, 2020

Recommendations

Recommendations are provided in order of priority:

- **Recommendation 1:** That the government implement a matching grant program for every dollar in private or corporate donations raised by performing arts organizations during the period of April 1, 2020 to March 31, 2022.
- **Recommendation 2:** That the government provide interest free loans, of up to 25% of the 2019-20 budgets of performing arts organizations, repayable over a 10-year term, commencing April 1, 2024.
- **Recommendation 3:** That the government invest in infrastructure projects that will create jobs for shovel-ready renovation projects and/or allow organizations to adjust to the post-COVID environment, including building adaptations and digital infrastructure investments.
- **Recommendation 4:** That the government invest in digital creation projects and provide financial incentives for not-for-profit arts organizations to adapt and create more digital works.

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Background

Since its inception, the Stratford Festival has brought almost 29 million tourists to Southwestern Ontario, almost a third of those from outside Canada. It has contributed almost \$10B into the nation's economy, created thousands of jobs, healed a local economy and helped it prosper through tourism. It has provided the country with a steady stream of highly skilled arts workers, spawning the regional theatre movement and spreading economic benefits across the country.

The Stratford Festival is the marquee tourism event in the multimillion-dollar tourism industry of Southwestern Ontario. With an annual operating budget of roughly \$65M and annual attendance of 500,000, it is the bedrock of the economy of Stratford. It generates \$135M in economic activity, employs 1,000 people, creates a further 2,400 jobs and serves as the catalyst for hundreds of small businesses in the region stretching from Kitchener-Waterloo to London.

The prohibition on indoor public gatherings earlier this year – while essential – forced the suspension of the Stratford Festival's 2020 season. At the time of writing, Ontario has entered Phase III of its recovery program, allowing indoor performing arts events with a limit of 50 people, a level at which the Festival cannot afford to operate, as its business model is based on daily attendance of up to 6,000 people in four theatres. Additionally considerable planning and investment will be required to provide a safe experience for our artists, staff and patrons once public health guidelines allow greater capacity at indoor performing arts venues such as ours. Public health authorities and government officials have repeatedly stated that this will be one of the last sectors of the economy to recover post-pandemic. The Stratford Festival and other large performing arts organizations – the pride of Canada's arts scene – are at the brink of collapse and require some immediate and longer-term support from the government to survive.

Recommendation 1: That the government implement a matching grant program for every dollar in private or corporate donations raised by performing arts organizations during the period of April 1, 2020 to March 31, 2022.

The Stratford Festival and many other not-for-profit arts organizations will attempt to leverage the support of their donors to assist with economic recovery. However, these donors are much more likely to make donations if they know that the Government of Canada will match these gifts. The Department of Canadian Heritage uses this formula in its Endowment Incentives Program (Canada Culture Investment Fund) and it has proven to be an effective stimulus. In addition, this model allows the financial burden to be shared equally by the government and the private sector.

The Stratford Festival has launched a recovery fundraising campaign, but we are speaking to our donors during a period of heavy economic uncertainty, so we remain concerned about our ability

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to fundraise the amount needed. While our target is \$16M in private donations over the next two years, it will be essential that the government provide a matching program in order to maintain the long-term financial viability of the Stratford Festival.

Recommendation 2: That the government provide interest-free loans, of up to 25% of the 2019-20 budgets of performing arts organizations, repayable over a 10-year term, commencing April 1, 2024.

Matching grant programs alone (Recommendation #1) will not be sufficient to rescue performing arts organizations. Over the next two years while consumer confidence about public gathering remains low, and with reduced audience-capacity guidelines mandated for public safety, arts organizations will face constant cash flow challenges. Interest-free loans will be essential to making upfront investments that will allow these organizations to re-start over the next two years. These organizations – most of which operate as charities – will require a longer period of time to repay these loans, as annual budgets are generally tight even in more prosperous times.

The Stratford Festival would be seeking a loan of \$16M under this proposed program.

The following sample terms are proposed:

Type:	Unsecured, interest free
Loan amount:	Up to 25% of the pre-COVID revenue budget (ie \$16M loan on a pre-COVID budget of \$64M)
Time period:	10 years, commencing April 1, 2021
Maturity:	March 31, 2031
Principal repayment:	No payments for the first three years. Principal payments of \$1M per year for six years commencing on April 1, 2024 (\$6M total). Balance of \$10M due upon maturity.
Prepayment option:	Early repayments, up to \$1M per year, exceeding the principal repayment will reduce the loan by a matching amount to a maximum of \$5M.

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Recommendation 3: That the government invest in infrastructure projects that will create jobs for shovel-ready renovation projects and/or allow organizations to adjust to the post-COVID environment, including building adaptations and digital infrastructure investments.

We understand that job creation will be critical to the restarting of the economy.

COVID- 19 Upgrades: Prior to COVID-19, many arts organizations were in need of major renovations in order to keep pace with the accessibility and environmental standards expected by a modern public. COVID-19 adaptations will provide further financial strain on performing arts organizations to be compliant with increased requirements, such as permanent plexiglass barriers for both staff and audience areas, additional sanitization stations and washroom reconfigurations, health and temperature screening stations, and increased HVAC filtering requirements, to name just a few.

Digital Infrastructure: In addition to physical building adaptations, performing arts organizations have had to pivot quickly to providing digital options for its audiences. There is a need for an investment in high-quality digital equipment in order to capture and disseminate live performances in order to showcase and monetize what Canadian artists can offer to the world.

To address the renovations triggered by COVID-19 and need for digital infrastructure the Stratford Festival recommends that the matching infrastructure program, currently administered through the Canada Cultural Spaces Fund, be quadrupled for the 2021-2022 fiscal years, to allow arts organizations to adapt to the post-COVID environment, and provide the necessary injection of funds to help transition to these new working environments.

Shovel-ready Infrastructure Projects: The COVID-19 pandemic has been nothing short of catastrophic for the performing arts. Yet it has also brought with it important lessons for the future of live theatre. It has provided a pause to assess the physical infrastructure.

A theatre that can provide additional facilities that patrons can safely use year-round – an art gallery or exhibition space, for instance – will enjoy a faster and stronger recovery than one that offers seasonal performances alone. Such a theatre will be better positioned to help restore community morale and stimulate the economic activity associated with the arts.

Inspired by a vision of the Festival Theatre as a centre for public interaction, engagement and entertainment in realms beyond the auditorium, we have conceived a revitalization project that will both celebrate and reaffirm the building's distinctive architecture and properly equip it for its role in the new world that lies ahead.

Opening up a new vista on the river and parklands, the project will greatly improve the external appearance of the theatre, bring a spectacular new dimension to its interior and greatly enhance

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the beauty of its grounds. In tandem with the creation of new facilities at our Brunswick Street premises, it will give the Festival a new competitive advantage in post-pandemic times.

This \$75M project would stimulate the local economy, creating an estimated 700 FTE construction jobs, with \$33M in construction wages and \$12M in taxes.

Recommendation 4: That the government invest in digital creation projects and provide financial incentives for not-for-profit arts organizations to create more digital works.

In addition to the investment in digital equipment as detailed in Recommendation # 3, arts organizations require financial assistance to transition a portion of their business models from live performance to digital creation. At present, the Canada Council's Digital Strategy fund exists to help organizations complete strategic studies and examine of new ideas; however, the cost of digital creation – which is the biggest financial investment – is not eligible for funding.

The Stratford Festival recommends that the funding of digital creation become a priority for the Canada Council as organizations adapt to the post-COVID world. To further assist with digital creation, the Stratford Festival further recommends that a financial incentive model be developed for not-for-profit organizations that mirrors the tax incentives currently available for for-profit film and TV companies (such as CAVCO). This would allow not-for-profit organizations to adapt and create digital content.

Conclusion

The Stratford Festival and many other Canadian performing arts organizations have been among the hardest hit financially during this pandemic. Not only have their revenue sources been cut off, these organizations will be required to adapt both their facilities and business models in order to survive.

All of the recommendations contained in this submission are not permanent funding requests, but are short- to medium-term support, with a focus on recovery and adaptation to a new environment. The investments by the Government of Canada recommended in this submission will ensure the survival of these arts organizations and allow us to return to a more self-sustaining financial model in the future.

Respectfully submitted,



Anita Gaffney
Executive Director