

LE SPORT EST IMPORTANT / SPORT MATTERS GROUP

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LEVERAGING SPORT TO GIVE CANADA THE COMPETITIVE EDGE

A BRIEF FOR THE 2006 PRE-BUDGET CONSULTATIONS ON THE 2007 FEDERAL BUDGET

**Submitted to the House of Commons
Standing Committee on Finance**

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Sport Matters Group

The Sport Matters Group (SMG) is a voluntary group of national and provincial sport organizations and leaders who have come together to consider the future of sport in Canada and to collaborate on various sport policy issues. The SMG includes over 90 organizations and sport leaders actively involved in public policy issues that affect sport and physical activity. The SMG has been involved in bringing forward the sport sector's views on such things as the *Canadian Sport Policy*, the Voluntary Sector Initiative, the *Physical Activity and Sport Act*, federal budgets, and the linkages between sport and healthy living.

Contributors include: 2010 Legacies Now, Aboriginal Sport Circle, Alpine Canada Alpin, Athletes CAN, Athletics Canada, Canada Games Council, Canadian Academy of Sport Medicine, Wrestling Canada, Canadian Association for Health, Physical Education, Recreation and Dance, Canadian Association for the Advancement of Women and Sport and Physical Activity, Canadian Canoe Association, Canadian Centre for Ethics in Sport, Canadian Cerebral Palsy, Canadian Council of Provincial and Territorial Sport Federations, Canadian Fencing Federation, Canadian Interuniversity Sport, Canadian Olympic Committee, Canadian Paralympic Committee, Canadian Parks and Recreation Association, Canadian Ski and Snowboard Association, Canadian Sport Tourism Alliance, Canadian Sporting Goods Association, Canadian Table Tennis Association, Canadian Wheelchair Sports Association, Centre for Substance Use in Sport and Health, Coaching Association of Canada, Coaches of Canada, Commonwealth Games Canada, Diving/Plongeon Canada, Equine Canada, Esteem Team, Federation of Canadian Archers, Judo Canada, Sport Information Resource Centre, Softball Canada, Sask Sport, Sport Alberta, Sport Alliance of Ontario, Sport Manitoba, Sport New Brunswick, Sport Newfoundland and Labrador, Sport North, Sport Nova Scotia, Sport Officials of Canada, Sport Prince Edward Island, Sport Yukon, Swimming Natation Canada, The Coalition for Active Living, Rowing Canada, Tennis Canada, Triathlon Canada, True Sport Foundation, Volleyball Canada, Water Ski and Wakeboard Canada.

Leveraging Sport to Give Canada the Competitive Edge: A Brief to the Standing Committee on Finance

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Executive Summary

The economic health of a nation cannot be divorced from the physical health of its citizens. This brief makes clear that the sport and physical activity sector makes a fundamental contribution to the health and welfare of Canadians and thus to the achievement of broader societal goals, including a healthy economy. The involvement of over 2 million individuals who fill some 5.3 million volunteer positions enables Canadians in every community to reap the benefits of participating in sport and physical activity.

- Sport helps people develop skills and personal attributes that are beneficial to many aspects of life, including teamwork, leadership, problem-solving, self-discipline, and perseverance.
- About 80% of active adult participants—more than 6.2 million people—rate sport as very important in improving their physical fitness and health.
- Regular participation in sport and physical activity reduces the risk of developing and dying from major chronic diseases such as cancer, heart disease, and diabetes.
- Regular physical activity is essential to the healthy growth and development of children. Active adolescents are less likely to use illicit drugs or become pregnant.
- Community sport helps break down linguistic and cultural barriers and improves the integration of immigrants into their new life in Canada.

The World Health Organization has concluded that increasing physical activity is *the* most cost-effective and sustainable way for a nation to reduce its burden of lifestyle-related diseases and improve its economic performance:

The Sport Matters Group has identified ways to strengthen the investments by all segments of society in the sport and physical activity sector that will lead to a healthier, more productive population and by extension to a healthier, more competitive nation. Specifically, the SMG is calling for the government to implement the following measures in the 2007 Federal Budget:

1. Provide stable, long-term federal funding for sport and physical activity equal to 1% of total federal health care funding, or approximately \$435 million per year.
2. Establish a designated envelope to provide substantial long-term federal funding for sport and recreation facilities and infrastructure.
3. Introduce new fiscal policy measures, including tax measures, to remove economic barriers to participation and to promote sport and physical activity at the community level.
4. Renew the Canada Volunteerism Initiative to address critical issues in volunteerism in Canada and in the sport sector in particular, including volunteer recruitment, retention, training, and governance.
5. Create a federal investment strategy for the community non-profit sector.

Leveraging Sport to Give Canada the Competitive Edge: A Brief to the Standing Committee on Finance

Introduction

Canadians make sport happen in Canada. They make it happen by committing millions of volunteer hours every week—leading local community clubs to provide safe and affordable places for children to play, sharing their expertise as coaches to help others excel, and joining the fray themselves at the local recreation centre a few times a week. Community sport and recreation represents the largest citizen and community participation activity in Canada and the single largest component of the voluntary sector. Over 2 million individuals fill some 5.3 million volunteer positions within 34,000 sport and recreation organizations, enabling Canadians in every community to reap the benefits of participating in sport and physical activity.¹

Sport is a valuable element of Canada's learning culture, enabling participants to develop a broad set of skills that are transferable to many aspects of work and life. The vast majority of active participants, volunteers, and attendees rate sport as an important source of skills that they can apply away from sport. These skills include teamwork, leadership, problem-solving, decision-making, communications, personal management, and administrative skills. Sport participation also builds personal qualities, such as courage and the capacity to commit to a goal or purpose, as well as values, such as honesty, respect for others, self-discipline, and a sense of fair play. These characteristics and skills help people play a more positive role in their communities and family life:²

“Skills gains are among the most important benefits of sport participation because they contribute to personal development and well-being, more productive work performance and improved business performance, which underpins economic growth.” (Conference Board, 2005)

Research demonstrates that Canadians are healthier as a result of participating in organized sport and physical activity and that these pursuits are integral to their enjoyment of life. According to the Conference Board of Canada National Household Survey on Participation in Sport, about 80% of active adult participants—more than 6.2 million people—rate sport as very important in improving their physical fitness and health. More than 70% of active participants describe their overall state of health as either excellent or very good, compared to less than 50% of non-participants. The average number of calls and visits to health care professionals for general health issues (not including visits related to sport injuries and sport performance) is more than 40% lower for active participants than for non-participants. In the latter stages of life, physical activity reduces the period of ill health and dependency and the need for institutional care.

Regular physical activity has multi-faceted benefits for children, including healthier growth and development; better academic performance; higher self-esteem, less stress and anxiety, and development of skills that foster participation in sport/physical activity later in life. Adolescents who are active in sports are less likely to use illicit drugs and to become pregnant.

In addition to enhancing physical health, involvement in sport and physical activity plays a substantial role in promoting psychological and mental health. Participation in sport unites people around a common goal, generating a sense of belongingness and community. The involvement of immigrants in community sport has also been found to help break down ethnic, linguistic, religious, and cultural barriers, fostering improved integration into Canadian society.³

The economic health of a nation cannot be divorced from the physical health of its citizens, since the direct and indirect costs of disease and disability place a substantial burden on productivity and the economy. Recent research estimates that direct health care costs due to physical inactivity range between \$2.1 and \$5.3 billion per year, consuming as much as 5% of annual health care spending. As a recent report by the Conference Board of Canada concludes, “Increasing sport participation as a strategy for improving the health of Canadians could significantly reduce national health-care costs.”⁴ According to the Romanow Commission, a 10% reduction in the number of inactive Canadians would save \$150 million per year in direct health care costs and \$5 billion in indirect costs.⁵ The World Health Organization goes even farther, concluding that increasing physical activity is *the* most cost-effective and sustainable way for a nation to reduce its burden of lifestyle-related diseases and improve its economic performance:⁶

“Even though there has been great progress in the treatment of noncommunicable diseases and in the pharmacological control of many risk factors, from a public health point of view, the greatest potential is in influencing the risk-factor distribution in the population through general lifestyle changes, notably in diet and physical activity. This is a cost-effective and sustainable way for controlling such diseases. Successful primary prevention not only reduces human suffering and increases economic productivity, but also limits the growing cost of treatment.”
(World Health Organization, 2001)

Sport contributes to a healthy economy in other ways as well. The sport sector employs over 260,000 Canadians or about 2% of the jobs in Canada, and annual household spending on sport exceeds \$15.8 billion/year or about 1.2% of Canada’s GDP.⁷ In addition, investments in major games reap substantial benefits. These benefits go far beyond the addition of new facilities in the host community and include advances in productivity, innovation, and research & development. On this front, much can be learned from Australia’s experience, whereby Australian businesses have capitalized on the expertise gained during 2000 Sydney Olympics to become leaders in a significant international market in sport-related goods and services. More than 35 Australian companies won goods and services contracts for the 2004 Athens Olympic Games worth over \$200 million,

quadrupling Australia's exports to Greece. Australian companies have also developed and exported expertise in sports consultancies, junior sports programs, elite athlete training programs, and event management services.⁸

Arguably even more significant is the contribution that sport makes to defining our national character and to generating national pride. There is no better example of what Canada can achieve on the world stage than the leading edge performances of our Olympic, Paralympic, and Commonwealth athletes during the Games this year in Turin and Melbourne. With the 2010 Olympic and Paralympic Games less than four years away, and the opportunity to host the 2014 Commonwealth Games in Halifax in our sights, Canadians clearly have the potential to showcase our competitive edge, both in terms of our podium finishes in major international competitions and also in terms of the priority accorded sport and physical activity by the general public and by Canadian governments.

To attain this competitive advantage, Canada would:

- Get young people off the obesity track.
- Reduce the incidence of and health care costs associated with major chronic diseases such as diabetes, heart disease, and cancer.
- Improve the overall health status of the population and enhance the productivity of our workforce, with less time lost due to physical and mental illness.
- Become the healthiest nation ever to host an Olympic and Paralympic Games.
- Reduce youth crime by addressing one of its systemic causes.
- Exploit the potential of sport and recreation to reduce the linguistic, religious, and cultural barriers experienced by new Canadians.
- Foster private-public partnerships that benefit both sport organizations and business.
- Develop the potential of our cities to attract sport tourism.
- Recognize athletes as true Canadian role models who embody excellence both in sport and in life.

Fulfilling this vision of Canada and Canadians at the forefront of a competitive world requires a comprehensive package of investments in sport and physical activity—in the form of financial resources, programming, and infrastructure—to leverage the contributions of some two million sport and recreation volunteers and to ensure that all Canadians have access to physical activity and sport at all levels.

Annual Investment Equal to 1% of Health Funding

The Sport Matters fully supports the Conservative Party's election commitment to provide annual funding for amateur sport and physical activity that is equivalent to "at least one percent of total federal health funding."⁹ We request the intervention of the Standing Committee to ensure that this investment is made in the next federal budget. Indeed, for the

past four years, sport organizations have been articulating the need for increased federal investment in sport and physical activity as an amount equal to at least one percent of the federal health care budget. This comparator underscores three important facts:

1. Sound health and fiscal policy requires that governments invest not only in treatment but also in prevention and health promotion.
2. Spending on prevention defrays the spending required for treatment.
3. This level of investment is very modest in relation to the billions governments spend on the health care system.

Using the definition provided by the Finance Department, federal health spending totals \$43.46 billion per year, putting the recommended funding level for sport and physical activity at \$435 million per year.¹⁰

One percent of health spending represents the level of funding necessary to fully implement the *Canadian Sport Policy*, a vision for Canada endorsed by all fourteen governments in 2002 that has yet to be realized. The framework set out in the *Canadian Sport Policy*—Enhanced Excellence, Enhanced Participation, Enhanced Capacity, and Enhanced Interaction—defines an approach to sport and physical activity that would provide Canada with a leading edge sport system, while creating the conditions necessary for Canadians of all ages and abilities to pursue “*Sport for Life*”:¹¹

- It would permit the federal and provincial/territorial governments to meet their goals of increasing physical activity by 10% by 2010. Despite the well-known fact that regular participation in sport/physical activity is vital to physical health, 64% of Canadians are not sufficiently active to achieve personal health benefits.
- It would provide a dedicated (A-base) federal budget to support physical activity initiatives.
- It would redress the imbalance between the contributions of individual Canadians to the functioning of sport and physical activity organizations on the one hand—73% of Canada’s 34,000 sport/recreation organizations are operated *entirely* by volunteers—and the contribution of the federal government to the viability of the sector on the other hand.
- It would enable Canada to align its fiscal policy with both its national policy goals and its international obligations related to sport and physical activity, including the International Charter of Physical Education and Sport (1978) and the International Convention on the Rights of the Child (1989).

Investments in Community Infrastructure

Increased annual funding for sport and physical activity is clearly needed to support the efforts of the sport and physical activity sector to get Canadians moving and to support our high performance athletes and coaches. However, more funding for sport and physical activity organizations alone is not the answer. A comprehensive approach to developing a leading-edge sport system also requires significant, long-term strategic investments in

sport and recreation infrastructure and facilities. Without such an investment in community infrastructure, Canadian governments will not be able to meet their commitment to increase the number of active Canadians by 10% by 2010, nor will they be able to capitalize on the increased interest in sport leading up to Canada's turn as host of the next Olympic and Paralympic Winter Games.

The problem of insufficient infrastructure is clearly a concern to Canadians. In a 2005 survey by The Strategic Counsel, 43% of Canadians agreed that "it's difficult for many people to participate in sport because the facilities are too inconvenient to get to," and 41% agreed that they do not have adequate sports facilities in their community.¹² The problem of insufficient infrastructure is compounded by the aging of existing facilities. Many facilities across the country were constructed in the 1960's and 1970's and are now approaching the end of their lifecycle. A study done by Parks and Recreation Ontario in 2005 estimated that the deficit in sport and recreation facilities and infrastructure in Ontario alone totals over \$5 billion.¹³

The lack of facilities that meet international standards causes many Canadian communities to miss out on the opportunity to reap the economic benefits from hosting competitive games. Similarly many communities are unable to fully exploit their potential to attract sport tourism because of inadequate or insufficient facilities.

There is a direct connection between levels of participation in physical activity and sport and the availability and accessibility of sport and recreation facilities. During their annual conferences in 2005 and 2006, Federal and Provincial/Territorial Ministers Responsible for Sport, Physical Activity and Recreation named sport and recreation infrastructure as their top priority:

*"Improved infrastructure will advance sport and physical activity in communities across the country while addressing critical health challenges and strengthening Canadian communities."*¹⁴

This priority was subsequently endorsed by the Federation of Canadian Municipalities, where they have identified "sport and recreation infrastructure as an important priority for targeted investment program eligibility."¹⁵

The Sport Matters Group recommends that the federal government establish a designated envelope for facilities and infrastructure for sport and physical activity and provide adequate, long-term funding for this envelope. We also recommend that the federal government pursue innovative approaches to facilitate greater investment in facilities and infrastructure, such as public-private partnerships and financing instruments.

New Sources of Funding

Sport and physical activity organizations are seeking innovative ways to use fiscal policy to promote greater participation in sport and physical activity and to leverage additional funding from the private sector and the general public. At present less than 12% of total

revenues in the sport and recreation sector come from governments and only 15% come from corporate sponsorships, donations, and non-government grants.¹⁶ Given the challenges and costs of promoting widespread sport participation and of developing excellence, a broad set of fiscal policy measures is required.

As one element of this approach, the Sport Matters Group believes that the new \$500 children's fitness tax credit is a productive start.¹⁷ Recent polling by The Strategic Counsel for the True Sport Foundation found that almost three-quarters (71%) of Canadians believe that "many people can't participate in sports simply because it costs too much."¹⁸ To ensure that the tax credit fulfills the purpose for which it was intended and that it is an effective use of the estimated \$160 million in deferred tax revenue, we recommend that benchmarks related to participation be established in conjunction with the introduction of the tax credit and that the credit be evaluated to determine what impact it has on participation and how its benefits are distributed. We also recommend that the tax credit be extended to fees paid by volunteers who are required to take courses in order to serve as coaches and officials.

Several other fiscal measures deserve serious consideration by the government, given their potential to reduce financial barriers and build capacity and thus enhance participation in sport and physical activity:

- An increase in the allowable tax deduction for the sponsorship of community sport by private corporations from 100% to 150%.
- A non-refundable tax credit for parents supporting high performance athletes.
- Establishment of a new non-profit, non-governmental foundation or use of an existing foundation to unite the efforts of government and the sport and physical activity sectors to encourage innovative public-private partnerships in sport and physical activity.
- The renewal of Canada's national sport lottery.

Renewal of the Canada Volunteerism Initiative

The viability of tens of thousands of sport/recreation organizations and miles-upon-miles of physical infrastructure, from pools to bike paths to soccer pitches, is maintained by over 2 million volunteers. Indeed, with 34,000 organizations, the sport/recreation sector constitutes the largest component of the voluntary sector at 21%.¹⁹ Through the efforts of these volunteer-driven organizations, Canadians in every community are able to benefit from participating in sport and physical activity—they meet up with their neighbours, strengthen their community ties, support the highest aspirations of the most committed, and create the communities they want to live in. Almost three-quarters (72%) of Canadians believe that "sport makes a significant contribution to the quality of life in my community."²⁰

The vast majority (71%) of sport/recreation organizations operate at the community level and almost three-quarters (73.5%) have no paid staff. The entire sport/recreation sector has

only 131,000 paid employees, or 6.4% of all paid staff, to support such a large component of the social economy. This amounts to one paid staff for every 40 volunteer positions.²¹

In 2002, the federal government implemented the five-year Canada Volunteerism Initiative (CVI), a program intended to encourage Canadians to volunteer and to assist organizations to involve volunteers more effectively. Renewal of the Canada Volunteerism Initiative would permit sport/recreation organizations to address critical issues related to the volunteer base on which the majority of these organizations depend. With 26% of sport/recreation organizations reporting a decline in the number of their volunteers from 2000-2003, issues related to governance and the recruitment, retention, and training of volunteers are of prime concern.

Federal Investment Strategy for the Community Non-Profit Sector

Community-based non-profit organizations play vital roles in areas of national and international importance, such as citizenship engagement, quality of life, national identity, and international development. Within the voluntary and non-profit sector, sport/recreation organizations make a fundamental contribution in all of these areas, helping to define who we are as Canadians and how we are seen by the international community. Given the valuable contributions to Canadian society made by the community non-profit sector, it is incumbent on the federal government to establish a sound policy and funding framework to support the work of the sector.

The SMG urges the Government of Canada to establish a collaborative process leading to the development of a federal investment strategy for the community non-profit sector, supported by an investment instrument such as a national fund or foundation. The process should include an examination of the strategies and funding instruments that the government has adopted for other industry sectors, in particular, the Small and Medium-Sized Enterprises (SME) sector. It is also recommended that federal tax measures continue to be used to stimulate charitable donations and form part of the group of financial instruments used by the federal government to achieve investment objectives for the sector.

Conclusions

Canadians clearly have the potential to showcase our competitive edge, both in terms of the number of medals earned by our elite athletes in major international competitions and also in terms of the priority accorded sport and physical activity by the general public and by Canadian governments.

To make this vision a reality, the federal government needs to support the contributions made by over two million volunteers in the myriad of sport and recreation organizations across the country by introducing a comprehensive package of investments in sport and physical activity:

1. Stable, long-term federal funding for sport and physical activity equal to 1% of total federal health care spending, or approximately \$435 million per year.
2. A designated envelope to provide substantial long-term federal funding for sport and recreation facilities and infrastructure.
3. New fiscal policy measures, including tax measures, to remove economic barriers to participation and to promote sport and physical activity at the community level.
4. Renewal of the Canada Volunteerism Initiative to address critical issues facing the sport sector and others, including recruitment, retention, and training of volunteers.
5. A federal investment strategy for the community non-profit sector that includes the creation of a national fund or foundation.

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