

Towards A New Economics for Sport:  
A Focus for the Government of Canada

A Submission to the Standing Committee on Finance  
Pre-Budget Consultation for the 2008 Federal Budget

Sport Matters Group

August 15, 2007

---

## **Summary of Recommendations**

### **Recommendation #1**

A focus for the government of Canada should be an initial investment of \$30 million in the 2008 budget period to implement Canada's Summer Sport Plan (*Road to Excellence*) and to complete the development phase of the private-public partnership called Podium Canada.

This initial step should be immediately followed by a series of tax and fiscal measures which further the development of a *new economics* for sport in Canada.

### **Recommendation #2**

Strike a Blue Ribbon panel of public, private, philanthropic, and sport leaders to further the development of a *new economics* for sport in Canada.

The *new economics* should strive to achieve "a global-best level of excellence within a sustainability perspective" and to consider the following corporate and individual tax measures:

- up to date tax credit evaluation results and the 2007 data from the Children's Fitness Tax Credit
- corporate taxation benefits for sport supporting companies placing Canada on a level playing field with other G8 nations
- designated sport and recreation infrastructure funds to leverage provincial, municipal and corporate partnerships, when sustainability (*green* and operational) provisions are built into municipal tax policies
- incentives for private debt financing for non profit sport associations at all levels who seek to secure capital for infrastructure projects
- private philanthropy incentives in support of sport opportunities for those living in poverty through modernizing legislation
- extension of tax measures to support the training and development of the human supply-side of the non-profit sport system: community volunteers who coach, lead, officiate, and govern sport in Canada

---

Recommended by the Sport Matters Group: [www.sportmatters.ca](http://www.sportmatters.ca)

The SMG is a voluntary group of individuals and organizations who have come together to talk about the important contribution that sport makes to communities, to society, and to the economy, and to collaborate on various sport policy issues on an ad hoc basis.

The Group has actively worked together on the Canadian Sport Policy, the Sport and Physical Activity Act, and on increasing the resources available for sport in Canada.

Contact: Ian Bird, Senior Leader  
613.526.2912  
[ian.bird@sportmatters.ca](mailto:ian.bird@sportmatters.ca)

---

*Canada must strive for a global-best level of excellence in embracing the competitiveness challenge, and that it must adopt a sustainability perspective in so doing.”*

Dr. Anne Golden, President, Conference Board of Canada in *Mission Possible*

## **Introduction**

Over the past seven years, Canadian sport has been undergoing a significant restructuring and realignment in order to achieve a “global-best level of excellence.”

Victor Lachance, chairperson of the True Sport Foundation, describes it this way in the Afterward to the *Road to Excellence* plan, now managed by a repatriated Alex Baumann:

Being the best is a choice. We, as Canadians, can choose to attain sporting excellence for summer Olympic and Paralympic sports. What we mean by excellence, however, is not a choice.

It was not long ago in Canada that we defined winning as the only meaning of excellence. In doing so, we not only lost gold medals, we lost the values that define athletic excellence. To our credit, we have taken past adversity and turned it into leadership. Canada is now at the forefront of fair and ethical sport. (April 2006)

Canada is also at the forefront of sport in other ways, demonstrating excellence, for example, throughout a wide range of social and health policy initiatives, as well as fostering inclusion and participation through sport amongst families, marginalized groups, and through the staggering growth of over 30,000 volunteer driven community sport associations, now Canada’s largest and most widely distributed set of community institutions.

Recently, young Canadian athletes have also excelled in winter sport on the world stage, demonstrating that new private-public partnerships foster new conditions for excellence. Buoyed by the Vancouver 2010 Olympic and Paralympic Games opportunity and the multi-sport collaboration at Podium Canada, Canada’s winter sport ambassadors are becoming world-best athletes.

Within the current Parliamentary mandate, we’ve also witnessed the first-ever use of the tax system as a tool to promote family driven demand for sport, physical activity, and fitness opportunities for children, the Children’s Fitness Tax Credit.

Similarly, creating demand is the driving force for the renewal of ParticipACTION, a world-best communication initiative that provides one of many necessary complements to the new consumer oriented tax measure.

Of course, the rationale for the public investment in Vancouver 2010 is also about generating demand, about a wave that is coming, a wave of participation in sport at the community level that follows every Games event of this size and scale. If the wave is the demand, then our challenge is to generate the supply. But not just any supply, a supply of opportunities that are true to sport values, delivered by volunteer parents, in publicly accessible facilities, and on a scale that Canada has never seen.

The good news, as Dr. Golden of the Conference Board of Canada reminds us, is that this wave, this demand by Canadians, a vital demand for excellence, is a requirement for Canada to meet the competitiveness challenge.

---

## The Task

The first task in this brief, then, is to identify where Canada is falling short of excellence in sport and to outline the specific measure – a focus – which the government of Canada is singularly positioned to address.

The second task in this brief is to respond to the qualifying phrase referenced above, “*that [Canada] must adopt a sustainability perspective in so doing.*” Sustainability is often defined as a characteristic of a process or state that can be maintained at a certain level indefinitely. The United Nations describes a sustainable perspective as one that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Bruntland Commission, 1983)

Clearly, there is a prominent role for tax and fiscal policy in achieving these goals. The recommendations of this brief recognize this fact and suggest that Canada is shifting towards a *new economics for sport*.

### 1. A Focus for the Government of Canada

As referenced above, the most recent activity by the Government of Canada has been to increase demand for sport and physical activity amongst individual Canadians. Vancouver 2010, ParticipACTION and the Children’s Fitness Tax Credit are all in place, prompting parents to sign up for sport, to get moving, and to make this “Canada’s Games”.

The winter sport continuum in the country is best poised to meet that demand. The Own the Podium program is the primary vehicle for the Government of Canada to assist in this supply chain, providing leadership and investment into a unique partnership with corporate Canada at the national and international level, allowing Canada to step out onto the world winter sport stage and to excel.

Not surprisingly, this focus has leveraged provincial government tax measures and investments as well as the significant financial, human, leadership and technical capital which reside in Canada’s national winter sport organizations. As important, this focused role enables other levels of government, the private sector, and the sport system to assume their appropriate role at the community level, ensuring that the federal government role is a complement to other policy measures and contributions, and resulting in a framework for excellence in winter sport.

The end game for winter sport families, athletes, and participants: Canada excels and is far better prepared to meet the demands of individual Canadians in their own communities.

At this time, the same focus by the Government of Canada is **not** present for the summer sport systems. Quite rightly, the good work to advance the winter sport system has been the first priority in advance of the 2010 games. With winter programs in place, it is now time to create a balanced and fair system that meets the demands of all families, athletes, and participants along the summer sport continuum, effectively completing the work in progress and moving Canada towards a global best level of excellence in summer and winter sport.

This, then, is the rationale for the first recommendation and the basis for a *new economics* for sport in Canada.

---

**Recommendation #1**

A focus for the government of Canada should be an initial investment of \$30 million in the 2008 budget period to implement Canada's Summer Sport Plan (*Road to Excellence*) and to complete the development phase of the private-public partnership called Podium Canada.

This initial step should be immediately followed by a series of tax and fiscal measures that furthers the development of a *new economics* for sport in Canada.

The Government of Canada will achieve a number of objectives through an investment in this partnership:

- “get the job done” and attend to its commitment to Canadians to invest the equivalent of 1% of total federal health spending in physical activity and sport
- restore Canada's influence in the sporting world and strengthen the Federation at home
- complement demand side tax policy measures with supply side investments in private-public partnerships, moving towards a *new economics* for sport in Canada
- bring its own Sport Canada budget on par with the Canada Council for the Arts
- strive for a global-best level of excellence in embracing the competitiveness challenge through sport

**2. Towards a New Economics for Sport**

*The capital that underwrites the non profit sport enterprise in Canada is last among the G8 nations and in the bottom 20% of the G20. We simply lack the financial system and tax incentives to accelerate innovation and productivity through sport. This is what we are working hard to address right now – fostering sustainable innovation and productivity before the 2010 focus has come and gone. In my view, there is only one way we can do it, and that's by working together.*

Dr. Roger Jackson, Podium Canada

*Sustainability matters. It must become one of the yardsticks against which we measure productivity.*

Dr. Janice Gross Stein, Director, Munk Centre for International Studies in *Mission Possible*

The focus that is required by the Government of Canada to succeed in completing the work with summer sport organizations in the next year ought to be a platform from which a *new economics* for sport in Canada is pursued. It is not an end point; it's a point of departure.

Moving towards a *new economics* for sport in Canada starts with pointing towards some current conditions within the tax and economic system of the federal government, conditions that directly relate to the interest of the Standing Committee on Finance during this budget consultation process.

Here are five factors to consider:

- Corporate investors in sport in Canada are not competing on a level playing field and do not enjoy corporate tax benefits afforded in other G8 nations.
- Individuals who do not have the means to pay for sport registration fees will not be treated equitably by the tax system until such time as complementary initiatives are introduced.
- Despite constituting 1.2% of GDP (not including volunteer capital), Canada has never produced an Economic Policy on Sport.
- While volunteerism rates are the highest of all sub-sectors, community sport associations, in the absence of modernizing legislation for charities and non-profits, rarely benefit from philanthropic donations and important new extensions to capital gains exemptions on gifts of public securities.
- A multi-billion dollar sport and recreation infrastructure deficit continues to exist without a designated fund, complementary debt financing measures, or tax incentives linked to *green* or operational sustainability provisions.

In highlighting these considerations, our goal is to stimulate new thinking, a new process, and a *new economics* for sport. The current financial system will not allow Canadian families to satisfy their demand for non profit sport, reflecting a market failure, nor will it enable the sport system to achieve a global-best level of excellence.

The absence of a new financial system, and tax policies that support it, will continue to inhibit the innovation and productivity gains that have been identified. In our view, that's not sustainability, and given that the sustainability perspective does matter in Canadian sport, as in society, we respectfully recommend that the following steps are taken in the near term.

### **Recommendation #2**

Strike a Blue Ribbon panel of public, private, philanthropic, and sport leaders to further the development of a *new economics* for sport in Canada. The *new economics* should strive to achieve "a global-best level of excellence within a sustainability perspective" and to consider the following corporate and individual tax measures:

- à up to date tax credit evaluation results and the 2007 data from the Children's Fitness Tax Credit
- à corporate taxation benefits for sport supporting companies placing Canada on a level playing field with other G8 nations
- à designated sport and recreation infrastructure funds to leverage provincial, municipal and corporate partnerships, when sustainability (green and operational) provisions are built into municipal tax policies
- à incentives for private debt financing for non profit sport associations at all levels who seek to secure capital for infrastructure projects
- à private philanthropy incentives in support of sport opportunities for those living in poverty through modernizing legislation
- à extension of tax measures to support the training and development of the human supply-side of the non-profit sport system: community volunteers who coach, lead, officiate, and govern sport in Canada.