

**A Resilient Sport System for Canada:
Bridging the Gap**

**A Submission to the Standing Committee on Finance
Pre-Budget Consultation for the 2010 Federal Budget**

Sport Matters Group

August 14, 2009

Executive Summary of Recommendations

Sport plays a significant role in our communities, our society and in our economy. For example, the sports sector is a significant component of the Canadian economy contributing 1.2% of our GDP. It is also deeply rooted in our communities across the country, providing employment and building healthy Canadians and healthy communities.

In the coming year, important federal government programs will sunset and amateur sport's corporate partners will be rebuilding, creating an unforeseen funding gap that will significantly impact on the sport sector's ability to sustain its social and economic impact.

Recommendation #1

We recommend that the 2010 federal budget should renew these programs and bridge this gap with a \$22 million annual investment.

By making a comparatively small investment in our sport system, the federal government can ensure that our sport economy is an anchor for our national economic recovery. Although important, this bridge funding will not be enough by itself to ensure the sport sector's future. It is critical that we take the actions necessary to ensure that the sector has the resilience to thrive over the longer term. Increasing the resiliency of Canada's sport system over the long term requires three coordinated actions by the federal government:

Recommendation #2

- 1. Act decisively on the recommendations of the "2010 and Beyond Panel."***
- 2. Modernize the Income Tax Act and include amateur sport as a charitable purpose.***
- 3. Amend the Children's Fitness Tax Credit to make it fully refundable.***

The Canadian sport system is a resilient system. As with all parts of our economy, however, it is feeling the pinch and cracks are beginning to show. Don't let these small cracks become a fissure that can compromise our future success. A measured investment to *bridge the gap* combined with strategic action can ensure the future health and success of sport in Canada.

Recommended by the Sport Matters Group: 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.

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Introduction

Sport plays a significant role in our communities, our society and in our economy. For example, the sports sector is a significant component of the Canadian economy contributing 1.2% of our GDP. This is comparable in size to the contribution of the forestry sector and over twice the current contribution of the mining sector. The contribution of the sport sector to our economy is particularly significant given the current economic downturn. Our sport sector is deeply rooted in our communities across the country, providing employment and building health Canadians and healthy communities.

Over the past eight years, the Federal government has made significant progress in recognizing the important role that sport plays in our lives and in our communities. Currently, the Government of Canada is spending close to the equivalent of 1% of federal health investments annually on sport to build healthy Canadians (spending is now at \$360m per year – “1%” is pegged at \$435m). The recent Stimulus program is also making a positive difference for communities across the country by bridging the sport and recreation infrastructure deficit. It is estimated that the current stimulus investment will provide \$3B in new capital to begin to address our existing \$15B national deficit in sport infrastructure (based on 2005 statistics).

As well, the partnership between the federal government and the sport sector is much further developed than it was even ten years ago and we are beginning to reap its rewards:

- Canada is now seeing an unprecedented level of success in international competition with impressive performances at the Olympic and Paralympic games and an ambitious goal for Canada to lead the medal tally at the Vancouver Winter Olympics;
- Sport participation trends across the country are starting to turn the corner;
- Volunteering rates in sport continue to buck the national trend with more volunteers contributing more hours across the country; and
- Sport organizations are increasingly self-reliant earning 75% of their income, an impressive economic performance for a not-for-profit sector.

As with the rest of our economy, the sport sector has been impacted by the recent economic downturn. The sector faces declining renewals of corporate sponsorship as the private sector adjusts to the new economic reality. A number of traditional sport sponsors such as the large auto manufacturers have undergone significant restructuring and are unlikely to enter meaningful partnerships with the sport sector in the near future. At the same time, there is great pressure to effectively operate and program new and renewed facilities (for example, the 787 new projects slated for Ontario alone over the next 18 months as a result of the stimulus investment). Infrastructure investments are critical but they do not provide the funding to operate these facilities over time. Another case in point is the requirement to adapt Canadian Sport Centres into fully formed Sport Institutes, with an operating price tag earmarked at \$25 million.

A third challenge for the sport sector is that a number of low income Canadians are less able to enroll in sport opportunities due to declining incomes and increasing costs of participation. It is anticipated that enrollment in some sports could be down by as much as 30% this fall, a temporary drop that will require adjustments.

Finally, there is the possibility of uncertainty in the sport sector post Vancouver 2010. At the conclusion of the games \$11M in funding will sunset, leaving many athletes and programs without the support that they need. This despite the very real benefits that will be realized from Vancouver 2010 including the significant assistance that it will provide to the BC economy and the significant new opportunities for Canadian athletes and for the sport economy more broadly. Vancouver 2010 is another great example of a successful partnership between government and sport, arriving at the right time after years of planning and global best execution.

So what is required going forward? There is a need for resilience in the sport system. Resilience is defined as:

The capacity of an ecosystem to tolerate disturbance without collapsing ... A resilient ecosystem can withstand shocks and rebuild itself when necessary. Resilience in social systems has the added capacity ... to anticipate and plan for the future

By making a comparatively small investment in our sport system, the federal government can ensure that our sport economy is an anchor for our national recovery. We need to secure the future today with an investment to bridge the current funding gap and build resilience in the system in order to avoid the instability that will otherwise set the sport system back by 10 years.

Recommendations

Recommendation #1

Canada's sport system generates significant economic impact (1.2% of GDP) and over 130,000 high value jobs, supported by nearly 6 million volunteers. Our athletes, coaches, and sport organizations at all levels are a resilient network that generates national pride, positive health outcomes and cost savings, and stronger communities.

In the coming year, important federal government programs will sunset and amateur sport's corporate partners will be rebuilding, creating an unforeseen funding gap that will significantly impact on the sport sector's ability to sustain its social and economic impact.

We recommend that the 2010 federal budget should renew these programs and bridge this gap with a \$22 million annual investment.

This bridge investment will not only secure the significant gains that have been made in our high performance sport system in the lead-up to Vancouver 2010 but will also protect against significant job losses and the flight of talented sport personnel to competing nations

Recommendation #2

Increasing the resiliency of Canada's sport system over the long term requires three coordinated actions by the federal government:

1. Act decisively on the recommendations of the “2010 and Beyond Panel.”

Agencies with responsibility for sport leadership in Canada beyond 2010 have identified significant goals, new resources required to achieve those goals, and a better way for sport leadership so that Canada’s international sporting success continues to benefit our country. The “2010 and Beyond Panel” and the Minister of State (Sport) have an opportunity to act decisively and set Canada on its course for the coming decade. It is critical that government respond quickly to the recommendations that are brought forward.

Resiliency requires foresight and long term planning.

2. Modernize the Income Tax Act and include amateur sport as a charitable purpose.

Increasingly, community sport provides the connection point amongst people in our communities. It is a mechanism through which neighbours help one another. It’s also one of the most important opportunities to educate young people and provide them with the skills they need to prosper. It’s more than fun and games.

Comprehensive fiscal tools that now promote giving to community charities, like the exemption on capital gains, are not supporting community sport because they are currently excluded from the charitable measures in the Income Tax Act. This means that innovative new ideas which we encourage the federal government to adopt, like the Stretch Tax Credit proposed by Imagine Canada, will continue to fall outside the community sport system at a time when it is in significant need of such supports.

Resiliency requires adapting our fiscal policies to support community serving organizations.

3. Amend the Children’s Fitness Tax Credit to make it fully refundable.

As families make choices about where they spend their resources, current tax policy encourages families to choose physical activity and sport participation programs for their children. In its current design, the CFTC is non-refundable, meaning that the tax credit is not a benefit for low income families, exactly the population group which needs assistance the most during difficult economic times. Parents that are currently unemployed should not have to withdraw their children from sport programs because of a changing tax status that precludes them from enjoying this benefit.

Resiliency requires amending tax measures to help families that need it most.

Impact

The sport system in Canada is a resilient system, but cracks are beginning to show. Currently, a comparatively small investment by the federal government supports a nationwide sport economy. This investment, though small, is critical to the long term health of the sector. It is estimated that without the recommended bridge financing some 170 full time, highly skilled jobs will be lost in the winter sport system alone. Without this

investment, it will be impossible for Canada to maintain its current level of excellence in both Summer and Winter international competitions.

Already, our athletes and sport organizations have begun to re-assess their future post Vancouver 2010. By acting decisively, the government can provide certainty going forward and allow our athletes to focus on what they do best – winning medals for Canada at the 2010 Games.

At the same time, without charitable status and without a Refundable Child Fitness Tax Credit it is estimated that many community sports will face reductions in enrolment of up to 30% in the fall. These reductions will have significant consequences for our local economies across the country and for the longer term health of our population. Small changes to the Income Tax Act can lead to significant economic and health impacts for all Canadians.

The Canadian sport system is a resilient system. As with all parts of our economy, however, it is feeling the pinch and cracks are beginning to show. Don't let these small cracks become a fissure that will compromise our future success. A measured investment now can ensure that system continues to support significant employment across the country for years to come.

Conclusion

The federal government has come along way in the past few years in building meaningful partnerships with the sport community. These partnerships have led to impressive outcomes in international competitions and to significant economic and social benefits for Canada. These outcomes, however, are not without cost. We need to provide the bridge funding necessary to maintain the resilience of our sport sector to enable it to provide economic, social and health benefits for our families and communities.

We look forward to working with you to ensure that Canada has the resilient sport system that we need to build healthy Canadians and healthy communities.
