



PRE-BUDGET CONSULTATION SUBMISSION TO THE STANDING COMMITTEE ON FINANCE AUGUST 2014

EXECUTIVE SUMMARY

The independent Canadian book publishing industry produces the vast majority of books by Canadian authors every year, contributes to local economies, and competes with foreign-owned multinationals which operate subsidiaries here. Canadian-owned publishers take pride in what has been created over the past forty years: the seminal works of Canadian literature and history; the launching of careers of writers now internationally honoured at the highest levels; learning resources published to the specific needs of Canadian students; children's books that are beloved around the world; and a resourceful, competitive, and professional independent publishing sector. This output is a source of pride to the founding generation of Canadian publishers and an inspiration to the generation that is now taking over its leadership.

The accomplishment has been made possible in part by judicious government investment and far-sighted public policy. In light of substantial changes in the book landscape, legislation, and policy application, those investments must be brought into line with current realities. We recommend increases for the Canada Book Fund, the Canada Council for the Arts, and programs supporting reading and literacy. We also recommend one-time support for Canada's designation as honoured country at the Frankfurt Book Fair 2017.

WHO WE ARE

The Association of Canadian Publishers (ACP) represents 115 English-language book publishers, from all ten provinces and Nunavut. Our members are independent businesses, owned and operated by Canadians. We employ Canadians in all regions, and contribute to the economy through investment in the goods and services required to bring books to market: writing, illustration, design, printing, shipping, and more. Each year about 80% of the new books by Canadian authors are published by our members and those of our francophone counterparts; the English-language multinational corporations that operate Canadian offices in Toronto produce a small fraction of the total. Virtually all of the English-language Canadian authors who have become household names in Canada and achieved international recognition began their careers with ACP member companies: Alice Munro, Margaret Atwood, David Suzuki, Miriam Toews, Thomas King, Lisa Moore, Douglas Coupland, Alistair MacLeod, Robert Munsch, Farley Mowat, Michael Ondaatje – the list goes on and on. In the forty years of its history, the ACP has fostered the growth and development of Canadian writing in every genre, in every corner of the country.

THE CURRENT ENVIRONMENT

The General Market in English-Canada

The multinational publishers who maintain Toronto offices earn most of their revenue from importing the books of their parent companies from the US and the UK. For them, publishing Canadian authors is a secondary revenue stream, and depends on publishing only the most likely big sellers. Independent publishers compete against them every day, to secure contracts from Canadian authors, and to secure sales in the marketplace. In both of these endeavours, the multinationals are able to draw on the deep pockets of parent companies; independent publishers find innovative and creative ways to offset the economies of scale enjoyed by their competitors, but can rarely afford the high advances that multinationals can offer to secure top-tier authors. Still, Canadian firms consistently publish books that are highly regarded. In 2013, for example, twelve of the fourteen Governor General's Literary Award winners were published by Canadian-owned firms, along with the winner of the prestigious Giller Prize.

At present the balance is tipped more sharply in favour of the multinationals than at any time since the ACP was founded forty years ago. A series of consolidations, most recently that of Penguin and Random House, has created a few very large foreign-owned corporations, who now have enormous leverage in negotiating terms with retailers. Consolidation in retail has further contributed to this worsening imbalance, with the recent closure of many independent bookstores, which have always been particularly supportive of independent publishers and regional books. Indigo-Chapters has also undergone a period of restructuring, with reduced floor space for books across the chain, and the closing of several retail outlets. As communities have lost their bookstores – whether chain or independent – Canadian publishers have had to intensify their efforts to compete.

The mainstream market for books is now largely controlled by three foreign-owned publishing conglomerates (Penguin-Random, HarperCollins, and Simon & Schuster), one foreign-owned online retailer (Amazon.ca), one foreign-owned ebook retailer (Kobo), and one domestic bricks-and-mortar chain (Indigo-Chapters). Some of this consolidation has arisen from the numerous exceptions made in the past 15-20 years to the Investment Review policy of the Department of Canadian Heritage, a policy which has been consistently set aside in response to applications from foreign interests. The overall result is the trend toward a blockbuster environment, in which US bestsellers crowd out the variety and range of regional, specialized, experimental, and otherwise diverse titles that should be the hallmark of a nation's book trade.

The Educational Market

Like their trade counterparts, Canadian educational publishers compete with a handful of foreign-owned companies whose books dominate Canadian classrooms. Canadian-owned firms active in this market publish resources that reflect their strong commitment to Canadian education, and bring value to instructors and students. Perhaps the single greatest challenge to independent publishers, and indeed to all publishers operating in Canada, is the substantial damage arising from the Copyright Modernization Act of 2012, which has led educational institutions of all levels to claim exemption from payment for the use of copyrighted materials. This development has led to a significant decline in

revenue for those publishers who produce materials for educational markets; this includes virtually all Canadian-owned firms to greater or lesser degree, and for those engaged with educational institutions as their primary market, it has been devastating. This damage will take many years to repair and, without adequate copyright protection, the continued publication of the full spectrum of Canadian-specific learning materials is at risk. As disputes about the interpretation of the law make their way slowly through the courts, and as new business models are developed, tested, and refined, some businesses struggle to remain competitive.

Technology

Publishers have also worked hard to keep pace with changing technology. ACP members are actively engaged in the development and distribution of ebooks through wholesale and retail channels, and direct to consumers. At present, this commitment has required independent publishers to invest heavily in a market that is not yet covering its costs, but more cost-effective models will emerge over time. In other aspects of technology, Canada's book supply chain (for print and ebooks) is one of the most technologically advanced in the world.

Export

Independent Canadian publishers have long been active in the international marketplace, buying and selling territorial and language rights to print books. The Canada stands at the Frankfurt, London, Beijing, and Bologna Book Fairs each year provide valuable support in these activities, and have raised the profile of Canadian authors internationally.

In adding ebooks to their export activity, publishers are encountering new challenges: the Book Importation Regulations, which are attached to the copyright laws and provide essential support to the Canadian distribution infrastructure, apply to print books only. This disparity works against the ability of Canadian publishers to compete in the ebook arena.

THE FUTURE

As Canada seeks to maintain a competitive position with respect to international trade and economic growth, a skilled and educated workforce will be one of its greatest advantages. Programs that promote reading and literacy are a key component in ensuring that Canada's workforce is able to meet the challenge. These same programs support growing Aboriginal communities, help new Canadians adapt to their communities, and produce better outcomes in correctional facilities. It is certainly in the interests of Canadian publishers to have as many people reading as possible; it's also in the interests of Canada as a whole, as a participatory democracy, to encourage well-educated and well-informed citizens. Reading becomes ever more important to Canada's future.

Despite the myriad challenges that confront our industry, most companies are reporting year-over-year results as stable or improved. While ours has never been a high-margin or high-profit industry, most who participate in it succeed through careful management of scarce resources, and a commitment to the principle of Canadian books for readers across Canada and around the world. Most have a further

commitment to regional publishing – to finding those books that speak to and reflect their communities and to bringing authors from their communities to the attention of readers.

A second generation of publishers is now moving into leadership roles in individual companies and in the industry as a whole. These publishers are committed to making their own contributions to Canada's literary heritage, and to the businesses that support it. They count on government to continue the partnership that makes this possible.

THE ROLE OF GOVERNMENT

Through the diverse challenges outlined above, the Canada Book Fund and the Canada Council for the Arts have been of vital assistance, and publishers have worked hard to optimize those investments of taxpayer money into Canadian culture. For some fifteen years, the Department of Canadian Heritage has maintained direct support (now in the form of the Canada Book Fund) at a consistent dollar amount which comprised a core portion and a supplementary portion; the latter was reviewed every five years, and renewed each time. In its 2014-15 budget the government announced that the supplementary portion will henceforth be made permanent. Publishers greatly appreciate the maintenance of that overall amount, particularly during the past six years, when the government faced very difficult economic choices, and they are particularly grateful for this most recent step to stabilize the funding.

We believe the time has come to bring that dollar value into line with current market and fiscal realities. Inflation has taken its toll. The ebook marketplace continues to demand investment, and has not yet provided adequate return. What is at stake is our ability to publish the Canadian authors that are so important to our country's cultural heritage, so that our students learn about their own history and values, so that Canadians of all ages have access to books from their own regions, reflecting their own communities, and providing their own literature. We want to publish those books, and we want to compete for them, and for their sales, in a fair market environment.

RECOMMENDATIONS

1. Increase the Canada Book Fund from its current level of \$39million per year to \$48million, to maintain competitive capacity in Canadian publishing, support innovation in the sector, and strategically address the realities of today's industry. This measure, first proposed in August 2013, will enable publishers to compete more effectively in discovering new voices, in developing new sales channels, in producing and marketing ebooks, and in raising the profile of all Canadian-authored books.
2. Increase the budget of the Canada Council for the Arts by \$35million, as recommended by the Canadian Arts Coalition, in order to address the effects of inflation and to reflect the cultural sector's important contributions to Canada's economy. These funds will support a wide range of cultural organizations and artists, including writers and publishers of literary works, as they evolve to serve a diverse and growing Canadian population.

3. Ensure that reading and literacy programs for new Canadians, Aboriginal communities, at-risk youth, and others are well supported and maintained where they already exist and established where they do not.
4. Support the invitation for Canada to be Guest Country at the Frankfurt Book Fair, 2017, the most important gathering of the global book industry. As part of the celebration of the 150th anniversary of Confederation, this designation will provide Canada with an international showcase, not only for its authors and literature, but for all its arts and culture as well as foods, wines, tourism, and industry.

Together these measures will promote economic stability for Canadian publishers, enabling them to continue finding new voices and to present Canada to Canadians and the world. They will make it possible for Canadian publishers to explore new technologies and business models that will increase Canadian competitiveness at home and internationally. More generally, these policies will provide economic and social benefits to all Canadians through the promotion of reading, and the benefits that accrue to it: improved academic performance, increased civic engagement, enriched understanding of one's community and region, and enhanced quality of life.

We urge the government to expand and strengthen the programs that return such substantial yield for modest investment, and that offer such strong promise for Canada's future advancement and competitiveness.

Respectfully submitted by the Association of Canadian Publishers,
with the endorsement of the Literary Press Group of Canada.

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