



2017 PRE-BUDGET SUBMISSION TO THE STANDING COMMITTEE ON FINANCE AUGUST 2016

EXECUTIVE SUMMARY

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. Canadian-owned publishers produce the vast majority of books written by Canadian authors each year, contribute to local economies, and are a vital part of Canada's cultural industries. Though Canadians overwhelmingly prefer print books, digital technology is fundamental to our industry. Canadian firms use digital tools to create, market, and sell books in all formats, including print, digital, and audio. We sell those books across Canada, and also beyond our borders, bringing Canadian writing and culture to a global audience.

Our accomplishments have been made possible in part by judicious government investment and far-sighted public policy. The support of the Canada Book Fund and Canada Council for the Arts remains essential to Canadian-owned publishers, who have worked diligently to optimize taxpayers' investment and establish a Canadian-controlled book publishing industry that is known around the world for the high quality books we publish. Our collective work provides both economic and cultural returns. For example, the \$30.7 million invested annually through the Canada Book Fund's Support for Publishers program encourages the publication of thousands of original Canadian-authored books and helps generate revenue to fuel further investment and innovation; in 2015-16, eligible publishers reported \$414.8 million in book sales.

Though the value of the Canada Book Fund has remained stable for more than 15 years, rapidly changing market conditions and government policy decisions have combined to challenge Canadian publishers' competitiveness. Reduced retail space for books has necessitated the development of new business strategies. Labour costs have increased as publishers compete with higher paying technology companies to retain the skilled staff required to compete in the digital marketplace. Returns on substantial investment in digital infrastructure and publishing have been incremental. Decisions made by foreign-owned publishers operating in Canada to move printing and warehousing to the USA have reduced domestic capacity for these essential services. Changes to copyright law and its interpretation have reduced publishers' revenues and threaten the continued development of Canadian learning resources. Against this backdrop, the Support for Organizations component of the Book Fund, which supports innovative collective initiatives across the industry, is heavily oversubscribed.



In light of these substantial changes to the market, legislation, and policy application, investment in the Canadian book sector must be aligned with current realities. We recommend an increase to the Canada Book Fund, that commitments to increase funding to the Canada Council be maintained, and support for reading and literacy programs. We also write in support of the recommendations of our colleagues at L'Association nationale des éditeurs de livres (ANEL), who recommend new investment in export initiatives and translation.

RECOMMENDATIONS

1. Increase the Canada Book Fund from its current level of \$39.1 million per year to \$54 million to maintain competitive capacity in Canadian publishing, enhance export activity, and encourage continued innovation in the sector. We recommend that these funds continue to support the activity of Canadian-owned and -controlled publishing firms.
2. Maintain the Budget 2016 commitment to increase the Canada Council's annual budget to \$360 million by 2020-21.
3. Ensure that reading and literacy programs for new Canadians, Indigenous communities, at-risk youth, and others are well supported and maintained where they already exist, and established where they do not.

THEMES

Assisting Canada's businesses in meeting their expansion, innovation and prosperity goals

Innovation, creativity, entrepreneurship. These qualities have been essential to the growth and development of a dynamic Canadian book publishing industry, and remain critical to the economic success of Canada's independent book publishers today. To remain competitive in today's marketplace, publishers must respond to new opportunities and challenges on a daily basis. Business models are in flux, the retail landscape continues to evolve, and digital technology has changed the way books are produced, discovered, and consumed.

Strategic government investment has contributed to the success of Canadian-owned publishers, who operate in one of the most competitive book markets in the world. In the face of competition from multinational companies, who earn most of their revenue by distributing international authors in the Canadian market, and also compete with domestic publishers for the rights to publish high profile Canadian authors, government investment in Canadian-owned firms helps to level the playing field. An increase to



the Canada Book Fund would support Canadian-owned book publishers and contribute to economic growth in three ways: (1) it would enable publishers to increase investment in developing new Canadian voices and content; (2) it would lead to increased investment in the production and marketing of these books in all formats, and in expansion to new domestic and international markets; and (3) it would provide publishers with the resources required to enhance the innovative tools and strategies that have made Canada's book supply chain one of the most technologically advanced in the world.

Supporting economic growth in communities across Canada

ACP members operate in all ten provinces and Nunavut, and employ Canadians and pay royalties to authors in all regions of the country. We further contribute to local economies by investing in the goods and services required to bring books to market: writing, editing, illustration, design, printing, IT support, digital asset management, warehousing, shipping, sales, and marketing. Canadian publishers have a strong commitment to regional publishing—to discovering those books that speak to and reflect local communities. We actively participate in the retail market, and our books showcase the tourism, recreation, and food sectors in communities across the country, strengthening local economies.

An increase to the Canada Book Fund will help support the contributions that Canadian publishers make to our domestic book distribution infrastructure, specifically by using Canadian distributors and the Canadian supply chain to bring books to readers nationwide. The logistics of book production, warehousing and fulfillment are of central importance to publishing, and Canadian publishers are substantial contributors in this regard. We prioritize domestic production and printing, whereas most of our multinational competitors handle production outside Canada and have moved most of their printing to US printers. We warehouse our books in cities across Canada and can easily fulfill orders from Canadian retailers, wholesalers, libraries, and schools. In contrast, almost all of our multinational competitors have moved distribution operations to the USA and fulfill Canadian orders from south of the border.

Our support of an increase for reading and literacy programs highlights ACP's belief in the importance of cultural participation across Canada. Canada is a nation of readers, and Canadians regularly turn to books for education, information, and entertainment. Recent public opinion research clearly demonstrates the value Canadians place on books and reading. Eighty percent of Canadians report reading books on a regular basis. This percentage has risen over the past 35 years, and despite competition from screen-based media, reading remains a popular way for Canadians to spend their leisure time—on average, nearly one-quarter of leisure time is spent reading books. This can be attributed to the positive contributions reading makes to



quality of life, and the good value for money books offer; both factors are recognized by Canadians, who also ascribe strong social and economic benefits to reading.

As Canada seeks to maintain its competitiveness with respect to international trade and economic growth, a skilled and educated workforce is one of our 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 Indigenous communities, help new Canadians adapt to their communities, and improve outcomes in correctional facilities. It is certainly in the interests of publishers to have as many people reading as possible, but 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.

Helping Canadians maximize their contribution to economic growth

As small- and medium-sized businesses, Canadian publishers contribute to job creation and development. We are responsible for direct employment in our offices in communities across Canada. We also regularly invest in the work of Canadian authors and illustrators to whom we pay advances for new books and royalties on ongoing sales of existing books. 80% of new books written by Canadian authors each year are published by Canadian publishers, and our role in contributing to the income of Canadian creators is an important one. In fact, for many of our members, the author royalties paid out each year is comparable to the company payroll. We are also an important revenue driver for self-employment in the book industry—the network of freelance editors and designers, as well as independent contractors such as sales reps, IT professionals and digital marketers who contribute their skills and expertise to the publishing process. Skills training is central to our efforts as publishers. We produce, sell and deliver content in many formats besides print. We have become experts in the digital marketing of our books and our authors. And we are active in experimenting with and developing new publishing business models. Canadian publishers devote considerable resources to training and skills development for recent graduates and participate fully in the paid internship programs supported by the Canada Book Fund. Many graduates from specialized publishing education programs at universities and colleges across Canada find positions within the Canadian-owned publishing sector. We note that the on-the-job skills training many of these students receive from publishers prepares them for careers not only in publishing, but also in related media, communications, and technology fields.



By definition, jobs with Canadian publishers are jobs that stay in Canada. The presence of multinational firms is well-established in the Canadian market; however, two recent events in book distribution illustrate how tenuous this presence can be in terms of employment. HarperCollins' New York office closed its Toronto-area warehouse and distribution service in June 2015. The closure of the warehouse meant the loss of 120 jobs, along with the significant distribution infrastructure and expertise that the company had developed over time. Several Canadian-owned publishers who were clients of HarperCollins were left to seek alternate distribution arrangements. These publishers have since moved to other Canadian-owned distributors, which have as a result added jobs and increased investment in their operations; however the net loss in jobs due to HarperCollins' decision is substantial. And in August 2014, US-based wholesaler Ingram announced the closing of its Coutts Canada warehouse located in Niagara Falls, opting to consolidate that operation with one of its facilities in Indiana. Ninety jobs were lost in the closure, and the expertise that Coutts' Canadian-based staff had developed in the marketplace disappeared. Even as multinational firms close or downsize their Canadian operations, Canadian-owned publishers remain steadfast in their commitments as employers. Our recommendation to increase the Canada Book Fund to \$54 million per year will bolster this commitment.

CONCLUSION

Enhanced support for Canadian publishers will bring greater stability to our sector. With stability comes opportunity, and the capacity to better manage scarce resources to acquire new titles, invest in innovative technology, upgrade the professional skills of our staff and retain them, and bring Canadian writing to the world. It enhances our ability to publish the Canadian authors whose work is so important to our cultural heritage, and ensures that our students have access to books that reflect their own history and Canadian values. A stable Canadian publishing sector will continue to provide Canadians of all ages with access to books from their own regions that reflect their communities and traditions, and 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.

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