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## Canada's National Digital Strategy

### The Perspective of Canadian Book Publishers

July 2010

## **Executive Summary**

The Association of Canadian Publishers (ACP) represents the interests of Canadian-owned English-language book publishers from across the country. It provides advocacy, promotes professional development, and fosters collaboration, most notably, over the past two years, in the production of digital content.

The publishing industry has five objectives in the digital realm:

1. Maximize the revenue opportunity of the e-content revolution
2. Maximize the promotional opportunity of new technology for print and e-books
3. Participate in the development of new business models for the book industry
4. Increase the presence of Canadian books, in all formats, in Canadian schools
5. Make Canada more of a reading society, whether reading screen-based or page-based.

We see three directions for government in support of these objectives

1. Protect intellectual property rights through strong copyright law, with a workable definition of “fair dealing”
2. Support risk through forward-looking funding models such as BookNet Canada, with scope for smaller capital requirements.
3. Facilitate access to capital through more broadly based funding programs, links to private investment, a loan guarantee program, and a federal tax credit for digital and print books.

## **I. Who We Are**

The Association of Canadian Publishers is the voice of Canada's independent English-language book publishing industry, representing 125 Canadian-owned and -controlled companies, which, collectively, produce the majority of Canadian-authored books.

The long-term health of Canadian writing depends on a stable and effective Canadian-owned publishing sector. That sector in turn depends on three essential elements: a wealth of excellent material to publish; exercise of best business practices, including market sophistication and fiscal prudence; and adequate, stable, effective public investment. Canadian authors continue to provide the first of those three elements; the ACP works to ensure that the other two remain solidly in place.

As primary producers of Canadian-authored books, ACP members are keenly interested in the promise of the digital world, both for the efficiencies it brings to all aspects of the publishing enterprise, and for the new markets that e-books are creating. We are determined to see Canada maintain a position in the forefront of the digital book world, a place earned through private/public partnerships such as BookNet Canada, private initiatives such as Kobo, and the myriad Canadian publishing entrepreneurs engaged in e-content development and production.

Historically Canadian publishers have always had to work tirelessly and creatively to retain a foothold in their own domestic marketplace, because of the inundation of American and British titles that pour into Canadian bookstores, schools and public libraries on a daily basis. We have never sought to create obstacles to the entry of those books, through tariffs or other measures; on the contrary, Canadian publishers believe that our citizens are best served by ready access to whatever they want to read, regardless of the source. The challenge has always been to overcome the lack of economies of scale in our small domestic market, so that our own authors have a foothold in the marketplace at home and abroad. The solution has always been to find production and market efficiencies through innovation, and to secure sufficient public investment in Canadian books, so that prices remain competitive with imports.

These realities still apply, and perhaps more acutely today, when communication of all kinds is moving quickly to a digital foundation. The transformation of publishing processes from traditional to digital is well advanced in editing, design, typesetting, printing, and order processing. It is underway in metadata management and e-book production. We are at early stages in develop e-book pricing models, and in digital marketing of both print and e-books.

## **II. Our Goals in the Digital Environment**

New opportunities are emerging for Canadian companies to compete on whole new playing fields, and to make them at least a little more level than those on which the book industry in Canada has traditionally operated.

These opportunities underlie the five objectives of independent Canadian publishers in their digital initiatives:

1. Maximize the revenue potential of e-books.

Canadian publishers have eagerly embraced opportunities to convert their content into digital format, in order to realize the revenue potential of, first, university and other institution's shift to digital acquisition, and, second, the advent of e-readers for general-interest reading among the public. With visionary support from the Ontario Media Development Corporation, dozens of Canadian publishers were able to produce marketable works in early stages of the e-book phenomenon, and many more are now engaged with this market. It is vital that, as this new revenue stream opens up for publishers around the world, Canadian publishers are able to take full advantage of it.

2. Maximize the potential of digital technology in raising awareness of Canadian books in print, digital, and all other formats.

Canadian books have always had to fight for shelf space in bookstores, and for review attention in national media. In some ways, it's harder now than ever before: independent bookstores are closing across the country, newspapers are dropping their book review sections, and the national book chain is further reducing the space it devotes to books relative to other merchandise categories.

At the same time, technology is creating new ways of promoting and selling books: online retailers such as amazon carry much wider inventory than traditional stores; blogging offers up all the critical opinion and debate of newspaper reviews, and social networking functions as word-of-mouth publicity. Publishers' and authors' websites can generate attention for Canadian books, and facilitate sales. A new portal currently in development (Canadian Bookshelf) will make Canadian-authored titles from all publishers much more discoverable on the web, much easier for teachers to integrate into their libraries and course materials, and more accessible for any reader, anywhere in the world. This wholesale change in the way that the public learns about books, seeks them out, and acquires them is transforming the business practices of the book industry, and Canadian publishers must be able to fully exploit these opportunities.

3. Participate in the development of new business models for book publishing and distribution

The business models within which Canadian books are published and sold have been, historically, transferred to Canada from Britain and the US. They no longer serve the print book trade very well, and they serve the e-book world not at all. New models are proposed, developed, tested, rejected, adopted, refined. Retailers and publishers are throwing out old pricing and discount structures, scrapping old definitions of relationships between buyer and seller, rewriting contracts and inventing new ways of doing business. It is the first time that Canadian publishers have been able to participate in designing these structures, and we are eager to do so, before new models are ineradicably established by foreign-based corporations like Google, amazon, or Random House. We must seize this opportunity to shape our market environment; we must have the capacity to experiment with new structures that reflect Canadian realities, and work in the interests of Canadian authors, publishers, and readers.

4. Increase the presence of Canadian books in Canadian schools

While we recognize the provincial jurisdiction of education, there is a striking uniformity across the country in the decline of investment in school libraries over the past 15 years, and the further decline in the proportion of Canadian-published books in their diminished collections. Pressure on school budgets, reduction in numbers of teacher librarians employed, and the predatory marketing practices of a few US-based vendors have all contributed to this negative trend. While Canadian children's books enjoy critical accolades and international market success, they are disproportionately absent from Canadian school libraries and classrooms. Children need above all to encounter their own realities, see their own faces in the books they read. They need to hear Canadian stories, told in Canadian voices, to learn the history and culture of their own country, and to understand the issues that shape their own communities. New technology is allowing us to promote Canadian books to this market, and we must make the most of this opportunity.

5. Increase the degree to which Canada is a reading society

The digital revolution can make reading available to Canadians in many new formats to those who can access them. For the visually impaired and those with learning and other cognitive disabilities, digitally published books make reading possible for the first time. For others, the challenge to reading habits comes from the multiplicity of entertainment alternatives available, and the underdevelopment of reading skills in the education system. But for Canada to compete in a knowledge economy, it must support the highest levels of reading skills for all its citizens: it must ensure that Canada is a reading society: one which integrates into the daily lives of its citizens the habit and culture of reading -- not merely of e-mail,

medication labels, traffic signs, but of long-form text, whether as literature, journalism, biography, comic essays, political commentary, history, or social analysis, whether on screen or on the page. Reading fosters academic achievement, fosters participatory democracy, encourages understanding and tolerance of other points of view, supports the acclimation of new Canadians, and enriches the quality of life. New technology must serve the interests of Canada by serving the cause of Canadians reading.

### **III. The role of government**

Three strategies for government in support of those goals:

1. Protect the value of intellectual property assets with solid copyright legislation

In expanding the definition of “fair dealing” to include education, as is proposed in Bill C-32, the value of all publishers’ chief asset is undermined. The digital revolution is changing all the boundaries for content creation and delivery; no change to date has posed as large a threat to the fundamental viability of Canadian publishing as would the extension of fair dealing to education.

The public discussion about Bill C-32 and copyright reform in general must continue in the months ahead with as much reliable information as possible as its foundation. While most Canadians may be aware of the impact of copyright law on consumer practices, few understand the more indirect implications of reduced incentive for creators and producers, and the impact on consumers of reduced supply that would result. Creators and producers have a responsibility to increase awareness of those implications; government shares that responsibility. We look forward to working with government in the months ahead to ensure that Canadians have a better understanding of the role of copyright in all aspects of their lives and in Canada’s place in a digital world.

2. Support risk.

The fast pace of change in the digital era is unprecedented in any segment of the Canadian economy, but perhaps nowhere more so than in publishing, an industry that has seen very little change in its 500-year history. Publishers know that this pace of change requires bold initiatives, willingness to experiment, and ability to learn from all outcomes, good and bad. The stakes are high; the financial resources, in a small-business, small-margin industry, are very limited. Our other resources – vision, commitment, imagination, and resilience – are abundant. Our government

partners have long recognized the value of our products to the cultural health of our nation, and the success we've had in taking those products to the wider world.

Chief among the examples of this enlightened investment support has been the creation and unqualified success of BookNet Canada. Over the past ten years, the commitment of Canadian Heritage to a more efficient supply chain for the book industry led to the establishment of a pan-industry agency that has now set a new world standard for effective management of book data. BookNet represents a uniquely Canadian solution to a chronic Canadian challenge: a small market spread across vast geography. It adopted elements from a range of industry agencies in other countries, and created an entirely new model, based on shared investment and collaborative direction. The sustained investment of DCH enabled all components of the book trade – publishers, wholesalers, and retailers – to collaborate on developing a system that extended digital distribution infrastructure, created advanced tools for sales tracking and analysis, and established standards for metadata management that are now internationally recognized as the best in the world. Today, BookNet's revenue is increasingly self-generated through user fees; government investment represents a smaller portion of revenue each year. And two additional benefits have emerged: first, as the book trade begins to incorporate e-books into the digitized systems supported by BookNet, one crucial piece of infrastructure is already in place; and second, BookNet has played a leadership role in digital skills development for the publishing industry.

BookNet was the solution to specifically Canadian challenges to competitiveness in the distribution of printed books; new solutions are required for the challenges of new formats and new business models, and public investment programs must be flexible enough and strategic enough to support the risk that small businesses must take on in finding and building those new solutions. This kind of support – collaborative across the book sector, with investment and control shared by government and industry stakeholders – is essential to Canada's ability to develop its cultural assets in a digital environment and to ensure that Canada remains competitive in an international marketplace.

### 3. Facilitate access to capital.

Because the margins of Canadian book publishing are narrow and the financial returns modest, it is not an industry that often attracts capital investment. It is, however, an exceptionally stable industry: the rate at which companies fail is very low, and the risk to investors is correspondingly small. And yet, as counterintuitive as it may be, publishers in general find access to capital blocked often because the amounts they require are too small to attract the interest of investment programs, public or private, beyond the cultural sector. Federal programs that support research and development in Canadian industries are not designed for smaller companies, and yet the need is great if Canada is to retain its place in the forefront of

cultural value. The small scale of investment required should not be a barrier to accessing funding for new initiatives in a crucial sector.

Other modest-cost measures would further enable Canadian publishers to compete successfully in the digital age: links to private investors, a federal loan guarantee program, and a federal tax credit program would enable more publishers to do the essential work of experimenting with the new technology and new business models on which long-term stability will depend.

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