Association of Canadian Publishers
Submission to DCH Review of Foreign Investment Policy
September 2010

OPTIONS

1. **Part VII of the discussion paper presents the following options regarding the Revised Foreign Investment Policy in Book Publishing and Distribution. Which options, in your view, would be the most beneficial?**

_______ Maintain the book policy in its current form

______ Remove restrictions in one, two, or all three sectors, i.e. publishing, distribution, and retail.

______ Maintain restrictions re acquisition of businesses, bur remove restrictions re new entry.

______ Maintain restrictions re new entry, but remove restrictions re acquisition of businesses.

______ Revise the policy for one, two, or three sectors to allow foreign ownership and control of businesses subject to specific circumstances / net benefit undertakings.

______ Amend the policy to clarify its lack of application to specific types of businesses, i.e. ancillary book retail businesses and non-Canadian-based online retailers.

___X__ Modernize the proposed undertakings while maintaining current restrictions linked to foreign control.

Please explain your choice.

The ownership policy for book publishing, distribution, and retail, has proven itself over time to be effective, practical, flexible, and fair. It fosters the ability of the Canadian-owned book industry to compete globally, and to provide a foundation that promotes maximum exposure, at home and abroad, for Canadian writing.

With refinements to the net-benefits assessment process and greater accountability for foreign investors in their undertakings, the ownership policy will keep the Canadian book industry competitive internationally and in our home markets, will serve Canadian authors and readers in a digital age, and will help to maintain Canada's cultural sovereignty.

In extending to all three components of the book industry, the policy recognizes the interconnected nature of the book infrastructure in Canada, an infrastructure that must operate efficiently in a small market spread over vast distance, with a much larger competing producer on our doorstep and, indeed, within our borders. That combination of factors makes it essential to address the three components of the industry under a single policy, and in doing so, Canada has achieved a remarkable success: no other country has faced similar challenges and still managed to create an industry that produces so many internationally acclaimed authors.

Today the pace of change in the book industry offers a wealth of opportunity for authors, readers, and the array of channels that bring them together. Canada is reinforcing its leadership through initiatives such as BookNet Canada, a world leader in bibliographic data management, and Kobo, a groundbreaking e-book retailer that considers Canada its home and the world its market. These two examples – one an industry-government partnership, the other a private corporation – are both products of the integrated ownership policy. Neither would exist without it. They demonstrate the effectiveness of a policy that was created for a print industry but is now facilitating the digital revolution and Canada's leadership role in it.

FOREIGN OWNERSHIP

2. **Are Canadian-owned businesses more inclined to support the creation, distribution, and/or sales of books by Canadian authors? Why / not?**

Yes.

The fact that 80% of Canadian-authored books are published by Canadian-owned companies supports that assertion. Unlike their counterparts in foreign-owned subsidiaries, independent Canadian publishers answer to no executives or shareholders based in other countries. They publish Canadian-authored books because those are the writers they know, the subjects of greatest interest to them, and the perspectives most valuable to them. Those are the books that reflect the markets they serve, because those authors, subjects, and perspectives are more important to Canadian readers than to any other audience, or market.

Certainly many of Canada's most distinguished authors are published by the Toronto-based subsidiaries of foreign-owned companies. Some excellent editors work for those companies, and those editors sometimes sign on emerging writers and introduce them to Canadian readers. They do this for as long as their parent institutions, in New York, or London, or Berlin, find it profitable for them to do so; when the numbers dictate otherwise, those companies reduce their investment in Canadian writing, and increase the investment in distributing US and UK titles into Canada. It is their responsibility to their parent companies and their shareholders to do so.

Canadian subsidiaries of foreign-owned companies, no matter how committed their staff members might be to Canadian authors, do not make the ultimate decisions on whether or not to publish Canadian books. Their head offices, wherever they may be located, make those decisions. In the case of Little Brown Canada, a decision was made to close down the Canadian subsidiary altogether; staff were let go, books orphaned.

When a former employee opened a new firm, McArthur & Company, she picked up many of the key partnerships that had sustained Little Brown Canada, including its most lucrative distribution of a large UK publisher. But she also added a strong program of publishing Canadian authors, and last year one of those authors won the Governor General's award for fiction. This achievement is a reflection in part of an independent publisher's strong commitment to Canadian authors and her freedom to assume the risk of publishing them.

By the same token, Canadian booksellers and distributors are more likely to understand Canadian customers, whether individual or institutional, and to be attuned to their needs and tastes, than are foreign-owned companies. Foreign-owned retailers and distributors, just like their publishing counterparts, must answer to executives and shareholders in other countries, some on other continents, and their decisions are based entirely on assessments of return on investment and shareholder value. The smaller Canadian market makes them more inclined to seek a product mix that will offer the best margin through high volume and large-scale marketing support, factors that serve to limit the presence of Canadian books in the marketplace. Canadian-owned retailers and distributors, with their intense familiarity with the book marketplace in their home country, have established specialties and niches that make it possible for them to remain profitable by serving clients and customers who specifically seek Canadian books and depend on these channels to find them.

3. **Does the presence of foreign-owned companies in the book industry currently benefit Canadians and the Canadian book industry? Explain.**

Foreign-owned publishers

It's important to recognize that the multinationals who were grandfathered in when the ownership policy was established operate primarily to market and distribute foreign-owned books into Canada, because that is the most profitable and least risky activity in the book industry. Publishing Canadian-authored works is a secondary enterprise, both in output and in revenue generation. The continuing presence of foreign-owned publishers brings some benefits, but at a price.

A great deal of money has flowed through the Canadian book industry as a result of the presence of subsidiaries, and the vast majority of that money has been generated by the promotion and distribution of foreign-authored books. It has substantially supported the development of the infrastructure of the industry as a whole and the supply chain in particular. It has raised the overall profile of books in Canadian media, and in the general public. These are benefits.

On the other hand, that money has overwhelmingly been directed toward foreign-authored trade books. Most of the money spent on trade book promotion in Canada in any given year, whether through advertising, publicity, or in-store display, is spent promoting foreign authors. Most of the books sold in Canada are foreign-authored, because those are what Canadians are most likely to see reviewed in *The Globe and Mail*, advertised on amazon.ca, and displayed on the front tables at Indigo. This situation reflects the mandate of the subsidiaries, which is to sell the books of their parent companies into the Canadian market. It's a mission made easier by virtue of the benefits of spillover US promotion onto Canadian consumers; without spending a dime on publicity in Canada, American publishers are putting their authors in front of Canadian consumers every time they're booked on Oprah or Larry King, or reviewed in the *New York Times*.

Of course, Canadian subsidiaries also publish some Canadian-authored books. Over the past thirty years they have increased their activity in this area, in a pattern that is well established. The industry in Canada has been likened to the operation of a pharmaceutical company: Canadian-owned publishers act as the Research and Development arm, seeking and finding new ideas, developing them, testing them, and then seeing them move out of their control and generate profits for larger entities – the multinationals. Canadian-owned publishers find the new voices, take on the risk of investing in unknowns, bring them to the attention of review media, literary festivals, and booksellers, and then, when a reputation is established and a market assured, when an investment is about to yield substantial results, a multinational publisher draws the author away. Joseph Boyden, Douglas Coupland, Robert Munsch, Nino Ricci – these are only a very few of the many distinguished Canadian authors whose first publishers were independent Canadian-owned companies, because those were the publishers who recognized their talent and were willing to take the risk. All were subsequently offered lucrative contracts by multinationals once the value of their work had been market-tested by Canadian-owned companies.

For authors, this pattern is a mixed blessing. Many Canadian authors seek publication by a foreign-owned subsidiary for two reasons: expectation of higher advance payments, and expectation of greater marketing budgets. Sometimes these expectations are fulfilled, sometimes not. Certainly, multinationals have propelled a steady escalation of author advances over the past thirty years, a generally positive development for authors, but not one without drawbacks. The more a publisher's budget is consumed by a big advance for one author, the less there is available for others. The higher the advance, the greater the risk for the publisher, and so the publisher will need to direct a substantial portion of the season's marketing budget to that title, to increase the likelihood of the advance earning out in sales. Authors on the wrong end of this equation are doubly penalized: smaller advances, less marketing.

Whatever the implications of multinationals publishing Canadian authors, the fact remains that it is a secondary activity for them. Canadian-authored titles constitute a very small fraction of the total number of books sold in Canada by foreign-owned subsidiaries. It will never be their primary focus, because the greater opportunity for higher-margin, lower-risk sales will always lie in the distribution of foreign-authored titles. As long as Canadians enjoy the free flow of books across our borders (a principle that Canadian publishers hold dear), foreign-authored books will continue to enjoy the benefit of substantial marketing resources and free spillover publicity, and the books of Canadian publishers will be squeezed out of retail display space, which has been shown to be the single most effective tool in book promotion.

Online retailing of print books, the business on which Amazon was built, uses the same model: large suppliers get preferential treatment, and volume discounts for website promotion serve to reinforce the disadvantage for Canadian-owned publishers. As these channels expand to include e-books, the promotional pricing models, along with their inherent disadvantage for independent publishers, are extending to those formats as well. The presence of foreign-owned publishers makes it harder for Canadian-owned publishers, and the 80% of Canadian authors they represent, to compete in their own home retail markets.

New modes of marketing offer more promise, and Canadian publishers are aggressively pursuing social networking and other online marketing techniques that can offset the disadvantages we experience in retail; those technologies offer the same benefits for print books as for e-books, and they can go some distance in leveling the playing field. But they cannot overcome the disproportionate marketing budgets of books produced for a market 10 times the size of that for a comparable book with Canadian themes. The presence of foreign-owned subsidiaries within the Canadian publishing industry exacerbates this disparity.

Foreign-owned distributors:

In the context of the ownership policy, distribution is a catch-all term for all the businesses that exist along the supply chain between the core activities of print and digital publishing (editorial, design, and production) and retail sales. Under the distribution umbrella are wholesalers who buy from publishers and sell to institutions and retailers; sales and marketing agencies, who sell to retailers and institutions on behalf of multiple publishers, for commission; and warehousing and fulfillment services, who process all sales and shipments for one or more publishers. In some instances the services these companies offer are complementary with one another; in others they are directly competing. Three companies illustrate the range of foreign-owned distribution activity in Canada.

- HarperCollins Canada, in addition to operating as a publisher, provides warehousing and order fulfillment services to a few Canadian-owned publishers, each of which benefits from a service with which it is satisfied. Were HarperCollins not able to operate in Canada, its client publishers would have alternatives.

- Coutts is a wholesaler with a long history as a Canadian-owned company until it changed hands in 2000. Now owned by the biggest American wholesaler, Ingram, Coutts competes with Canadian-owned wholesalers who do not enjoy the access to resources that Coutts has through its parent company. The presence of Coutts in Canada was of benefit before it changed hands, as a respected and successful Canadian wholesaler of books to the institutional market; today it continues as before, but is no longer an example of a respected and successful Canadian company.

- Distican facilitates the distribution into Canada of the books of one US publisher, Simon & Schuster. As in the Coutts example, the change in ownership has little affected its impact on the Canadian industry. Were it not operating in Canada, its parent company would have no trouble in getting its books to Canadian customers, as other foreign publishers routinely do.

While some individual foreign-owned companies in this category perform effectively, no apparent benefit flows from the fact of their foreign ownership, and no benefit of their collective presence is apparent.

Foreign-owned retailers:

Two major companies fit this category, Amazon and Hachette. The role of Amazon is still evolving, as it proceeds to establish its first warehouse on Canadian soil. We hope that this development will lead to more access to Amazon for Canadian publishers, more access to Canadian books for readers, and a more open and competitive marketplace for all. We remain concerned that no buying decisions are made in Canada, and that no plans exist to change that; all decisions about what books amazon.ca offers will continue to be made by Americans, living and working in the US.

Hachette, on the other hand, is well established as a foreign retailer in Canada, and its impact on the industry has been far from beneficial. In the summer of 2010, Hachette, which dominates book retail in many airports across Canada, informed Canadian publishers that their travel books would no longer be carried in airport stores because Hachette had signed exclusive agreements with three foreign-owned travel publishers. (None of the three has a subsidiary in Canada.) A crucial market for Canadian products was wiped out with two strokes of a pen. Would a Canadian-owned retail chain have made such a decision? None ever has. From the smallest independent to the buying staff of Indigo, in Canadian-owned stores the buying decisions are made by Canadians who maintain ongoing working relationships with Canadian authors, publishers, and readers.

At the time that Hachette was allowed to take control of airport bookstores, publishers saw no benefit to Canada. Today we see no benefit, and substantial detriment.

4. **What would be the impact, either positive or negative, for Canadians, authors, and the book industry, of opening the market to foreign firms not already operating in Canada? Explain in the context of**

   a. **book publishing**

   Allowing more foreign firms to open Canadian English-language publishing operations would create handful of new jobs for each firm approved, associated with acquisition and editing of manuscripts and administration. Those jobs would almost certainly be limited to the Greater Toronto Area. Other positive impacts are hard to imagine.

   The discussion paper notes that Canadian publishers tend to focus on "regionally specific titles and first-time authors." This may be true, but the two specializations exist for different reasons. Canadian publishers are certainly more interested in regionally specific titles; these companies are located in dozens of communities and every province of the country. On the other hand, every one of the English-language multinational subsidiaries in Canada is located within 25 kilometers of Toronto. There are none in any province but Ontario, and none in any part of Ontario except the GTA. Canadian publishers, on the other hand, enthusiastically seek out voices in their own regions to tell local stories and explore local realities, and they are eager to make this unique and vital contribution to Canadian culture.

The focus on first-time authors, on the other hand, is less a matter of choice, and more a reality that Canadian publishers have had to accept as a result of the presence of foreign-owned publishers operating in Canada, as explained above (see 3). In April of this year Rodger Touchie, then president of the ACP, outlined the inevitable negative impact of allowing in another foreign-owned publisher, in a letter to the Minister for Canadian Heritage. Touchie wrote:

> In the 1980s, when books by Canadian authors had become a more marketable commodity, subsidiaries of multinationals began to compete for the rights to publish them. It hasn't been much of a competition: with the much greater resources of their parent companies at their disposal, foreign-owned companies with subsidiaries in Toronto are routinely able to outbid Canadian publishers for the most important author contracts …
>
> Expanding the list of foreign publishers allowed to compete in this arena would exacerbate the challenge for Canadian publishers, without providing any offsetting benefit for Canadian readers or consumers. No books would be published by [additional foreign-owned entrants] that would not be published otherwise. Book prices would not come down. It would only mean that the cost of securing some properties would be even higher, as another bidder enters the fray, and that the possibility of Canadian publishers securing them will be even lower.

b. book distribution

In light of the range of enterprises that fall under this heading, the kinds of impact that might result from a change in this element of the policy are many and various. For example, a company like Ingram or Baker & Taylor, with the very substantial resources of its US operations behind it, would present formidable competition to Canadian wholesalers and distributors that have grown to serve the Canadian trade and library markets very well. There would be a strong likelihood of domination of the distribution sector, in the same way that Indigo and Amazon now dominate the bricks-and-mortar and online retail sectors; such a circumstance would leave all Canadian publishers dependent on a single dominant customer in the category. A dominant customer carries disproportionate clout in negotiating terms with publishers of all sizes, but is particularly challenging for smaller companies whose volume of business results in the least advantageous terms.

Above all, allowing in foreign-owned companies into the distribution stream would skew the careful balance that now exists between the publishing and distribution streams. That balance has allowed the distribution sector to work in concert with the retail and publishing sectors in creating BookNet Canada and, through it, a leadership role for Canada in the crucial work of data and metadata management. Its BiblioShare project is providing the means for Canadian wholesalers to compete more effectively. BiblioShare builds on the BookNet's strong data foundation to address the needs of Canadian libraries for a high-quality, information rich acquisition system that reflects the collection-building priorities.

Baker & Taylor, a US wholesaler, currently provides such a system and many Canadian libraries use it. Their chief complaint with B&T is the paucity of Canadian titles in its database. BiblioShare is creating the tools that enable Canadian wholesalers to provide equally high-quality, information-rich services with the Canadian content that libraries in this country are eager to acquire. BiblioShare will make Canadian books more available in schools and libraries across Canada, by enhancing the supply chain infrastructure and thus allowing Canadian distributors to be more competitive. There is no reason to think that such companies would foreground Canadian books in the ways that Canadian-owned companies are poised to do with the advent of BiblioShare.

BiblioShare is the latest in a series of successes that have earmarked the growth of BookNet since its inception. Allowing foreign-owned distributors to open Canadian subsidiaries would weaken the competitive position of Canadian firms, diminish the value of government's and the industry's investment in it, and undermine the strides that BookNet Canada has made in ensuring that Canada remains at the forefront of new technology developments in the book industry. Its success stems in part from the participation of a diverse and independent distribution sector.

c. book retail

The Hachette example cited above (see 3.c.) is useful in two ways. First, it demonstrates the limitations of the policy when it is poorly executed and the net-benefit test is inappropriately applied. It also demonstrates what happens in the absence of Canadian ownership of book retail: foreign-based management is unlikely to consider the impact of its decisions on any basis other than a numeric one. While all Canadian businesses, including retailers large and small, must consider profitability before all other factors, a Canadian-owned retailer is more likely to be aware of the implications for its Canadian suppliers, and to seek solutions that will maintain positive business relationships with those suppliers, than would be the case with a retailer whose management is, in this case, an ocean away. Would a Canadian-owned retail chain have made the deal that Hachette made, excluding Canadian publishers in return for exclusive terms with foreign publishers? None ever has.

The prospect of opening book retail to non-Canadian interests of course raises the possibility of additional consolidation within a marketplace already dominated by a single chain. One of the most daunting challenges facing all English-language publishers operating in Canada is the enormous market share held by Indigo, a reality which puts great control into the hands of a very few people. In light of the Hachette example above, the spectre of a foreign interest acquiring Indigo is alarming.

In online retail, we have seen the two-stage entry of amazon.ca, first as a website and now in the process of becoming a physical presence. This turn of events is spurring the Canadian online retailer, Indigo.ca, to improve its service in a number of ways, a development to be welcomed by consumers and publishers alike. The degree to which amazon.ca will facilitate access to Canadian books specifically is unclear; their decision not to retain Canadian buying staff will likely give Indigo.ca an advantage in serving those readers interested in specifically Canadian titles, and continue to disadvantage those Canadian publishers who, as amazon.ca readily admits, are not big enough to warrant their attention. Amazon's entry into Canada might bring some benefit in time, but is already reinforcing existing disadvantages.

5. **Are there particular types of business within the publishing, distribution or retail sectors (e.g. educational publishing or online retail) that require distinct treatment under the policy?**

   In the current environment, Canadian-owned educational publishers face greater competitive disadvantages than trade, children's, and other publishers. Further opening ownership in this sector would make this disparity greater. Canadian-owned educational publishers would support initiatives that would increase their capacity to compete with multinationals in the domestic market, including those measures mentioned in Heritage's recently published research on this market. Changes to the ownership policy are not among those; the current policy is flexible and adaptable to the full range of book industry enterprises.

6. **Foreign investment policies exist for the periodical publishing and film distribution industries, as well as for the book industry. Do these existing policies suggest models that could be beneficial to Canadians and to the book industry?**

   On the contrary, we believe that the book industry models might be beneficial to the film and magazine industries.

   Canadian publishers have long observed the differences in the relative success, both at home and internationally, of Canadian film, magazines, and books. We see the continuing dearth of Canadian films in theatres across the country, and their entire absence from weekly lists of top box-office draws; we note the very small number of Canadian films that achieve international recognition. We note the substantial domestic market share that Canadian magazines enjoy, but also the very low proportion of export sales. On the other hand, we see the routine presence of Canadian authors on bestseller lists in our local and national media, the growing number of Canadians shortlisted each year for international literary awards, and the substantial portions of Canadian publishers' revenues derived from export sales.

   Public policy in the book industry has recognized the integrated nature of publishing, distribution, and retail. By addressing all three elements, rather than focusing only on production, as was until recently the case with film policy, government has ensured the development of a stable and unmistakably Canadian book industry, so that Canadians see, buy, and read Canadian books, whether in print or in e-format, in much greater numbers than they see Canadian films.

BOOK INDUSTRY TRANSFORMATION

7. **Are there any new or emerging issues in the book industry, including those mentioned in the discussion paper, that are not sufficiently addressed by the current policy? If so, how should a modernized policy respond to these?**

   As has been mentioned above, the digital revolution presents exciting opportunities for Canadian publishers and readers alike. We believe that the current policy is sufficiently flexible to extend to new formats, new supply chain mechanisms, and new business models. While we have not always agreed with the outcomes of net-benefit tests, we believe that the assessment process in general helps to sustain a stable and globally competitive book industry, while providing maximum access to books of all kinds for Canadian readers. We support these goals, and believe that the ownership policy now in place strikes a careful balance between the interests of Canadians and the book industry.

With new technology come new means to transfer books from authors to publishers to readers, with all (or none) of the intermediate steps. The primary functions remain the same: authors create works; publishers select works according to their specific standards, prepare the works for market, prepare the market to receive them, put them into the channels of delivery, collect payment, and pay the author. In a digital world, these functions remain the same. For Canada to remain culturally vibrant and globally competitive in book publishing, it must foster entrepreneurial activity in every link of the print and digital supply chains. At this moment, Canada boasts successful indigenous companies through every part of both processes, due in part to a practical and effective ownership policy.

8. **The existing policy specifies the kinds of net benefit undertakings that may be sought from foreign investors in cases of indirect acquisitions, such as commitments to promote Canadian authors; to support the infrastructure of the book distribution system; to improve access to the company's Canadian marketing and distribution infrastructure; and to engage in education and research. Are there ways in which these undertakings should be modernized to better reflect the current book industry environment?**

   We understand the right of corporations to protect information that would, if made public, place them at a competitive disadvantage. Nevertheless, as currently applied, the policy regarding undertakings leads to decisions made without public scrutiny, without means to enforce them, and without any measurement of their effectiveness over time.

   The kinds of undertakings made in recent years, as listed in the Heritage discussion paper, vary considerably in merit from one to another. For example:

   - The use of Canadian suppliers is the undertaking most often made in securing an exception. Have these businesses used Canadian suppliers? Have they used them exclusively, or only when terms were favourable? Does anyone know?
   - Maintaining the autonomy of Canadian management was an accepted undertaking in 16 cases. How is such autonomy determined? Demonstrated? Monitored?
   - Sponsorship of an event or an award was been an undertaking in seven cases. Have the companies committed to a year's sponsorship, or ten years, or any fixed time? What is the dollar value of such a commitment, and what percentage of the company's overall budget does it represent?
   - Three companies have undertaken to maintain a head office in Canada. A head office of a foreign-owned company is, on the face of it, an unlikely prospect, one that raises the question of what constitutes a head office, and links back to the point above about defining autonomy.

- Two companies have undertaken to join a council or an institute. For how many years of membership are they committing? And how does that commitment, regardless of duration, constitute a net benefit to Canada?

In view of the government's commitment to proactive disclosure, we believe that, once an exception has been granted, undertakings made under the net-benefit test must be monitored and measured for their effectiveness, and those outcomes must be available for scrutiny by all concerned, whether in aggregate form or otherwise. Exceptions, in general, weaken the policy; those who are granted the privilege of an exception should be prepared to justify that privilege on an ongoing basis.

INVESTOR UNDERTAKINGS

9. **Types of commitments:**

a. What types of commitments, including those mentioned in the discussion paper, do you think have been/would be the most beneficial to Canada and the Canadian book industry?

Those undertakings that reinforce the stability of the industry in general, such as sourcing in Canada and establishing Canadian buying operations, offer the best rationale for allowing foreign-based companies to compete with Canadian companies within Canada. All undertakings must be measurable and enforceable, as explained above, for the policy to operate with the full confidence of the industry and the public.

b. What are the impacts of investor commitments related to the marketing of Canadian books, retention of Canadian staff, and sponsorship of industry initiatives and events?

In the absence of concrete information on what investors have made what undertakings, it's impossible to assess what those impacts might be. We can only speculate. Certainly the marketing attention they bring to books in general is of benefit to the industry, and staff retention, to the degree that it exists (a degree we cannot measure) is always a good thing. Seven companies have committed to sponsor an event or award; without knowing what awards or events, it's hard to say whether or not such commitments have had any impact whatsoever. In general, there is little evidence of foreign-owned companies having made a substantial contribution to the industry through any initiative not directly tied to revenue generation, initiatives they would presumably have undertaken in any event.

c. Is it beneficial to the Canadian book industry and to Canadians to require that investors commit either to expanding or restricting the scope of their businesses? If so, under what circumstances?

Retailers who carry other product lines in addition to books often mention the better margins they realize on their non-book lines. Indigo, for example, has announced their intention to reduce the proportion of floor space they devote to books over the next year, because the margins they make on toys and other merchandise contribute more to their stores' profitability. Amazon has also dramatically expanded its product mix over the years, so that books make up a decreasing proportion of its sales. Those chains such as Costco, where books have never been a primary product line, are likewise reducing the proportion of books in their product mix. In light of these trends, we do not foresee any retailer willing to commit to expanding the book segment of their product mix. Our experience with the Indigo-Chapters merger makes us equally skeptical about the value of a commitment to increased proportion of Canadian books within an overall book inventory.

OFFICIAL LANGUAGES

10. **Are there ways in which foreign investment in the book industry, or changes to the foreign investment policy, might have a particular impact on publishers, distributors, or retailers who either work with official language communities in minority situations or are members of these communities?**

The ACP does not have a position on this issue.

GENERAL COMMENTS

As Canada moves forward into the digital age, its book industry is embracing new opportunities. By fostering independent publishing, distribution and retail sectors, the ownership policy ensures that Canada remains in the forefront, competitive with the rest of the world, and in control of a rich cultural heritage.