

**Canada's Independent Publishers:
Contributing to a productive and competitive Canada
Submission to the Standing Committee on Finance
Prepared by the Association of Canadian Publishers
August 2017**

Executive Summary

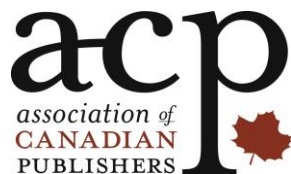
The Association of Canadian Publishers (ACP) represents 115 English-language book publishers from all provinces and Nunavut. Our members are independent businesses, owned and operated by Canadians. Along with our francophone counterparts, we publish 80% of the new books written by Canadian authors each year, contribute to local economies, and are a vital part of Canada's cultural industries. We are known internationally for our creativity, entrepreneurship, and innovative approach to business, and for the high-quality books we publish. We are fully engaged in the digital marketplace, and through our sister organization, eBOUND Canada, ACP members' ebooks generate sales in over 100 territories worldwide.

Our accomplishments have been made possible in part by judicious government investment and far-sighted public policy. The support of the Canada Book Fund (CBF) and Canada Council for the Arts (CCA) remain essential to Canadian-owned publishers, who work strategically to optimize taxpayers' investment and have established a Canadian-controlled book publishing industry known around the world. Our collective work provides both economic and cultural returns. The \$30.7 million invested annually through the CBF'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 2016-17, eligible publishers reported more than \$400 million in sales, with 25% of that revenue earned in international markets.¹

More than 85% of CBF recipients are exporters, and contribute to making books Canada's second-largest cultural export. Publishers punch above their weight in comparison to other cultural industries, with books representing approximately 20% of all Canadian cultural exports.² Our international success will be recognized during the 2020 Frankfurt Book Fair, where Canada will be Guest of Honour. We thank the government for its commitment to this landmark initiative, which will further enhance our export business.

¹ "Export Profile of the Canadian Book Publishing Industry," Canada Book Fund, Department of Canadian Heritage, May 2017.

² Ibid.



The time is right for new investment in the CBF. The Standing Committee on Finance recognized this need in December 2016, when it recommended that the Fund be increased.³ The Fund's value has remained stable for more than 15 years, contributing to Canadian publishers' successful digital transition. However, rapidly changing market conditions and government policy decisions challenge publishers' competitiveness, and pressures on the CBF budget have meant that funding recipients struggle to do more with less. In order to fully realize the returns that the digital and export markets promise, new investment in the CBF is essential for the sector to thrive and build on the success of the last fifty years.

Summary of recommendations:

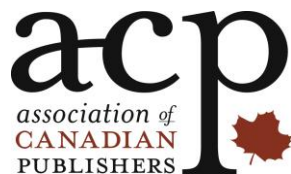
1. Increase the Canada Book Fund's annual budget from \$39.1 million to \$54 million.
2. Maintain Budget 2016's commitment to increase the Canada Council's annual budget to \$360 million by 2020-21.
3. Ensure that reading and literacy programs for new Canadians, Indigenous communities, at-risk youth, and others are supported and maintained where they already exist, and establish programs where they do not.

Context

The Canadian book market is among the most competitive in the world. The production, marketing, and discovery of Canadian books is a persistent challenge given our relatively small population and proximity to the United States. Multinational publishing firms are well-established in our marketplace and compete with Canadian firms for retail shelf space, for publicity opportunities, and for manuscripts from Canadian authors. They do so with their parent companies' infrastructure and resources behind them, and with the benefit of revenue earned from the sale of the high profile, foreign-authored books that dominate Canadian bestseller lists.

ACP members operate in communities across the country, and employ Canadians and pay royalties to authors from coast to coast to coast. 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, including those by Indigenous authors and in Indigenous languages. Our members also contribute to Canadian education and scholarship, working in partnership with educators and academics to ensure learning resources reflect provincial curricula and Canadian research finds the largest possible

³ "Creating the Conditions for Economic Growth: Tools for People, Businesses and Communities," Standing Committee on Finance, December 2016.



audience. 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.

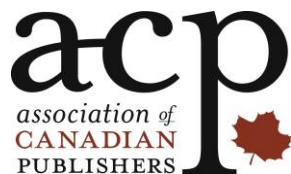
Digital technology is fundamental to our industry. Canadian firms use digital tools to create, market, and sell books in all formats, including print, digital, and audio. We sell those books across Canada and internationally, bringing Canadian writing and culture to a global audience. Over the last ten years, firms have adopted digital workflows, invested in professional training, and implemented new digital marketing strategies to bring books to readers, including those with print disabilities who require accessible formats. In response to widespread consumer adoption of digital devices, Canadian ebooks are now available for sale through major ebook vendors including Kindle, Kobo, and the Apple iBookstore, and through the digital platforms that serve public libraries.

Against this backdrop, challenges persist. Reduced retail space for books has necessitated the development of new business strategies. Labour costs have increased as publishers compete with technology companies to retain the skilled staff the digital marketplace demands. 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 educational resources. The budgets of federal funding programs that have contributed to the development of a vibrant domestic publishing industry have not kept up with inflation and the demands of today's market.

To address these challenges, ACP offers the following recommendations:

- 1. Increase the Canada Book Fund's (CBF) annual budget from \$39.1 million to \$54 million. We share the position of our francophone colleagues at l'Association nationale des éditeurs de livres (ANEL) that a substantial increase to the Fund is overdue. CBF should continue to support the activity of Canadian-owned and -controlled publishing firms.**

Rationale: CBF's budget has been stable yet static since 2001. Its well-administered programs provide strong economic returns and high cultural value, but after more than fifteen years, inflation, a rapidly changing marketplace, and increased demand have taken their toll. The program's Support for Publishers component, which rewards eligible firms for their commercial success and business acumen, must now support a wider range of activities, a natural outcome of publishers' successful transition to digital. Support for Organizations, which provides matching contributions to collective industry initiatives, is heavily oversubscribed; in 2016-17, the value of applications received exceeded available budget by 50%.



CBF has contributed directly to Canadian publishers' success in adapting to the digital marketplace and expanding into international markets. These objectives are shared by Canadian Heritage, whose 2017-18 Departmental Plan includes as a lead priority the implementation of "a plan to support the creative sector in adapting to the digital shift and in promoting Canadian culture that reflects Canada's diversity and home and abroad."⁴ CBF has proven itself as an effective delivery channel for public support of the publishing industry, and is the obvious mechanism through which increased digital and export activity in the sector can be advanced.

Impact: Increasing the CBF will maintain competitive capacity in the Canadian-owned publishing sector, enhance export activity, and encourage continued innovation.

An increase would contribute to economic growth by enabling publishers to:

- Increase investment in new Canadian voices, and contribute to Canadian authors' career development;
- Strengthen investment in the production and marketing of books in print, digital, and audio formats;
- Provide ongoing professional development and training to employees, ensuring that Canadian books continue to be produced to the highest standards;
- Enhance Canada's book supply chain to ensure it remains among the most technologically advanced in the world;
- Respond strategically to the evolving marketplace for educational resources, ensuring that Canadian content remains available to K-12 and post-secondary students;
- Explore opportunities in new international markets, and expand efforts in existing markets;
- Enhance the marketing and promotion of Canadian-authored books internationally;
- Encourage the translation of Canadian authors into foreign languages.

2. Maintain Budget 2016's commitment to increase the Canada Council's annual budget to \$360 million by 2020-21.

Rationale: Budget 2016 made a landmark commitment to double CCA's budget by 2020-21. ACP is thankful for this investment, noting that CCA's support of Canadian-owned publishers and the writers we publish has contributed to the development of a vibrant literary culture, with books being a vital part of the lives of Canadians. CCA is an essential partner in building audiences for Canadian books, with its publishing programs supporting the promotion of Canadian authors. New publishing houses are flourishing, and since 2002, 70 new publishers have entered the CCA's book publishing programs. These

⁴ "Canadian Heritage 2017-18 Departmental Plan," available at <http://canada.pch.gc.ca/eng/1488480388732>, accessed July 26, 2017.



serve to complement the industrial programs of Canadian Heritage, providing support to literary and artistic works.

Impact: Increased support for the CCA will ensure the continued publication and promotion of a broad range of Canadian literature: fiction, non-fiction, poetry, drama, biography, memoir, and other literary writing. This investment will enable publishers to:

- Increase investment in books by new and emerging writers;
- Strengthen investment in books of high literary and artistic merit;
- Build new audiences for Canadian writing across Canada and internationally.

3. Ensure that reading and literacy programs for new Canadians, Indigenous communities, at-risk youth, and others are supported and maintained where they already exist, and establish programs where they do not.

Rationale: Canada is a nation of readers, and Canadians regularly turn to books for education, information, and entertainment. The positive benefits that accrue from reading include improved academic performance, better physical and mental health, and increased civic engagement. Literacy is the foundation on which all other skills demanded by today's STEM and knowledge economies are built, making reading the key to economic growth and improved quality of life for all Canadians.

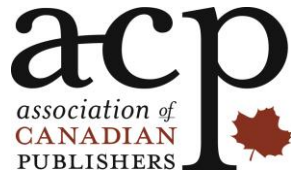
Impact: Enhanced support for reading programs will contribute to a healthier and more prosperous Canada by:

- Increasing productivity in Canadian workplaces;
- Improving academic performance among Canadian students;
- Improving Canadians' health and well-being.

Conclusion

Transformed by digital technology, Canada's book publishing industry is poised to seize the opportunities of the next decade. Digital capacity has increased, Canadian books are available in more formats than ever before, and publishers are building new revenue streams at home and abroad. As a durable and authoritative medium, books remain an essential cultural good in today's rapidly shifting marketplace, and have proven their resilience within an increasingly competitive media landscape.

In the absence of federal tax credits and other financing tools, direct funding support is Canadian publishers' key economic infrastructure. The Canada Book Fund has proven its effectiveness in supporting publishers' adoption of digital technologies and expansion to export markets, and remains essential to the health and vitality of a Canadian-owned publishing sector. We continue to deliver value to taxpayers, not only in the form of economic returns, but also cultural value. The books we publish contribute to the national conversations and debates that will shape Canada's future; present Canada



and its writers to a global audience; and educate, inform, and entertain Canadians of all ages. We urge the government to expand and strengthen the programs that return such substantial yield for modest investment, and that offer strong promise for Canada's future productivity and competitiveness.

ACP values the opportunity to participate in the 2018 Pre-Budget Consultations. We have not appeared before the Finance Committee in many years, and would welcome the opportunity to appear as a witness to discuss our recommendations.

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