

PRE-BUDGET CONSULTATION BRIEF

Submitted by the Association nationale des éditeurs de livres (ANEL)

August 2020

[Association's logo]

RECOMMENDATIONS

ANEL recommends that the Government of Canada:

- increase the annual budget of the Canada Book Fund (CBF) from \$38.4 million to \$58.4 million over five years or less;
- finish reviewing the *Copyright Act* (CA) over the course of the year and make the necessary amendments to the Act to ensure that rights holders receive fair payment for the use of their work;¹
- implement policies or mechanisms to encourage people to buy books published by national publishers.

ANEL would like to inform the members of the Standing Committee on Finance that it stands by all of the recommendations it has already made in previous briefs.²

¹ <https://www.ourcommons.ca/Content/Committee/421/INDU/Brief/BR10268895/br-external/AssociationNationaleDesEditeursDeLivres01-9967804-e.pdf>

² https://www.anel.qc.ca/wp-content/uploads/2018/09/Me%CC%81moire-de-lANEL_Consultations-pre%CC%81budge%CC%81taires_Ottawa-2017.pdf [available in French only]

<https://publishers.ca/wp-content/uploads/2018/08/2019-ANEL-ACP-PreBudgetConsultation-FINAL.pdf>

BACKGROUND

ANEL represents more than 110 Canadian French-language publishers, large and small, across four provinces. They publish more than 5,000 titles every year in various formats (audio, e-books, paper books), ranging from novels to how-to manuals, as well as poetry, essays, scientific works, textbooks and art books.

As part of the pre-budget consultations held by the Standing Committee on Finance, ANEL is presenting its brief on the impact of COVID-19 and digital technologies on the publishing sector. ANEL wants to emphasize that the CBF and the CA are very important to its industry. This is why ANEL is recommending that the government increase the CBF's annual budget from \$38.4 million to \$58.4 million over five years or less; implement policies or mechanisms to encourage people to buy books published by national publishers, such as a publishing tax credit; and finish the review of the CA, which began on March 27, 2018.

In light of the economic uncertainty caused by COVID-19, it is more important than ever for the government to ensure that publishers have the financial resources they need to develop their businesses, thus protecting the jobs of thousands of Canadians who work to showcase our authors around the world. Support for Canadian publishers translates into support for the entire book chain and acknowledges the crucial role this industry plays in the country's social and economic development.

ANEL surveyed its members between May 22 and May 28 (50 respondents) and found that:

- 42% of publishers are anticipating financial losses in the neighbourhood of 20% to 39% for 2020, and 20% of publishers are anticipating losses of 60% to 79%;
- 70% of publishers surveyed anticipate cancelling or delaying some releases planned for 2020. Of these publishers, 47% reported having delayed 10% to 19% of titles from 2020 to 2021;
- 60% of publishers said that they were worried about the sector's recovery and the fall back-to-school book season, in particular because of the uncertainty surrounding major events, such as book fairs;
- 28% of publishers estimated needing from six to 12 months to resume regular operations, and 16% reported needing more than a year, if the country manages to avoid a second wave.

ANEL recognizes that Canadian Heritage has provided assistance to cultural organizations get through this health crisis and plan for the future.³ This support will be essential to help the publishing sector resume operations. However, the pandemic has just exacerbated the problems the sector was already experiencing during previous consultations. These problems include financial precariousness, the fragile balance of the book chain, and the public's perception that digital works are free. Although the increase of online sales during the isolation period provided some relief, these sales did not match the figures bookstores would normally

³ <https://www.canada.ca/en/canadian-heritage/news/2020/05/emergency-support-fund-for-cultural-heritage-and-sport-organizations-next-steps-to-support-the-industry-impacted-by-the-global-covid-19-pandemic.html>

see. In addition, the cancellation or delay of book releases will have a major impact in the months to come.

CANADA BOOK FUND: A PROGRAM WITH A PROVEN TRACK RECORD

Canadian publishers publish 80% of new books written by Canadian authors every year. In 2016, this sector generated \$1.6 billion. According to CBF figures, the Canadian-owned book publishing industry supported 9,570 jobs and added \$756.5 million to Canada's GDP in 2017.⁴ The Creative Canada Policy Framework (2017) recommended investing in Canadian creators and cultural entrepreneurs by modernizing the Canada Music Fund (CMF) and the CBF.⁵ Although the 2019 budget increased the amount allocated to the CMF,⁶ nothing has been done for the CBF. Now is the time to fully implement this recommendation.

In 2019–20, eligible publishers posted sales of more than \$346 million, nearly one-third of which was in foreign markets. The CBF is an effective program and plays an important role in developing our industry.⁷ Any discussion on the modernization of this fund must acknowledge that the program's budget was created in 2001, which was before the widespread adoption of online sales, smart phones and electronic devices; before the proliferation of digital formats; and before the widespread consolidation of book publishing, distribution and sales on a global scale. As we pointed out to Heritage Minister Steven Guilbeault on March 5, 2020, the erosion of the CBF's budget over the past 18 years has meant that the CBF—and therefore the publishers it supports—must do more with less to remain competitive in a changing marketplace.

In spite of a significant investment for Canada's participation as a guest of honour in Frankfurt, and the development of accessible publishing, the CBF's core programs are still under pressure. The real value of the Fund has decreased by 40% since 2001, which has made it less beneficial. Every year, new publishers are participating in the Publishing Support sub-component, which is a sign of a vibrant sector, but this puts added pressure on the program. The Support for Organizations sub-component is also too popular. Between 2012–13 and 2017–18, demand for funding has always surpassed available funds. In 2017–18, demand surpassed the CBF's annual budget of \$5.6 million by around 30%. A number of organizations were forced to scale back their operations because of a lack of funding, even though the program met the government's objectives.

The proposed \$20-million increase over the next five years would help the industry stabilize and would fund a new phase of growth and development.

⁴ <https://www.canada.ca/content/dam/pch/documents/corporate/publications/evaluations/CBF-Evaluation-Final-Report-en.pdf>

⁵ <https://www.canada.ca/en/canadian-heritage/campaigns/creative-canada/framework.html>

⁶ <https://www.budget.gc.ca/2019/docs/plan/budget-2019-en.pdf>

⁷ <https://www.canada.ca/content/dam/pch/documents/corporate/publications/evaluations/CBF-Evaluation-Final-Report-en.pdf>

An increase in the CBF's budget would enable the industry to:

- encourage digital innovation and experimentation;
- make Canada's publishing sector more competitive;
- increase domestic and international sales;
- increase the visibility of Canadian authors in stores in Canada and abroad;
- help strengthen Indigenous publishing houses and publishing professionals; and
- create new jobs and maintain existing jobs with competitive wages and qualified workers, the majority of whom are women, in this industry.

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When will digital technologies finally help cultural industries and creators grow? COVID-19 has made digital technologies even more present in the lives of Canadians. ANEL has, for several years, pointed out in its briefs how digital technologies have disrupted payments to rights holders—highlighting the flaws in the existing copyright framework—and the financial risks this entails for book publishers (paper or digital).

In recent months, publishers have seen increased demand for royalty-free use of works (paper and digital) on a platform or through the education network for distance learning. Why should this use be free, while Facebook, YouTube and other communication platforms, such as Zoom or Teams, are seeing increased revenue? On April 28, 2020, the Director General of WIPO, Francis Gurry, issued a warning, saying that access to free cultural content—books, films and concerts—has been widespread during the pandemic, but that disregarding intellectual property is threatening already fragile cultural industries. Mr. Gurry considers that this free access causes the sector, and, by extension, cultural professionals, to lose revenue. The COVID-19 pandemic shone a spotlight not only on the fragile balance of cultural industries and the precariousness of cultural workers, but also on the crucial role the cultural sector plays in countries' economies.⁸

The funding generally allocated to culture is increasingly being put toward Internet services and technological tools. Publishers will adapt to meet the growing demand for digital works, particularly in the education sector, but how much are users willing to spend for quality, innovative Canadian content?

Although this health crisis has made it easier for Canadians to transition toward reading more e-books, publishers are again being asked to invest more, without the hope of increased

⁸ <https://www.ledevoir.com/culture/577868/covid-19-le-milieu-culturel-mis-en-danger-par-une-trop-grande-gratuite> [French only]

revenue.⁹ Publishers' share of the value chain does not correspond to the scale of the work done. If, in the future, there is greater demand for digital works, Canadian content will have to be prioritized, the investments made by publishers will have to be met with adequate funding, and all those who benefit from Canadian creators' works will have to contribute. This is why ANEL recommends that the government:

- review the principle regarding fair dealing for educational purposes (section 29);
- review the CA to combat pirating by amending the notice and notice regime and the notice and take-down regime;
- expanding the private copying regime to e-reading devices (e-readers, tablets, cell phones, etc.); and
- recognizing the fundamental role that collectives play for creators.

⁹ E-books generally cost 25% less than paper books, however the investment required to publish them is similar.

CONCLUSION

A publisher is responsible for maintaining a publishing fund and for promoting its authors. A book is more than a simple commodity; it is first and foremost an expression of our culture, our history and our future. To maintain this bibliodiversity, publishers must take risks. If we want Canadians to continue to have access to rich and diverse literary works, ANEL is calling on the Government of Canada to increase the CBF's budget, to implement policies or mechanisms to encourage people to buy books published by national publishers; and to ensure creators have a legal framework giving them the stability they need to generate and increase investments, allowing for good-quality Canadian books to be produced. By following these recommendations, the government will:

- encourage publishers to take risks on inspiring and innovative content written by Canadian authors;
- help develop the skills needed to use digital technology to promote our written works in different formats and on different platforms;
- support innovation in publishing and research into new sources of funding for creators;
- increase visibility of our authors among Canadian and international readers;
- ensure that publishers can continue to contribute to the Canadian economy and the well-being of fellow Canadians.

We must promote reading and support national publishing if we want to develop and showcase our country. ANEL hopes that the next federal budget will take into account the recommendations made by the Canadian publishing industry in recent years and make culture—and more particularly publishing—a government priority.