

## **The Information Industry: The Publishing Sector as a Case Study.**

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I don't in fact, want to read you a speech because I tend to be one of the more boring readers of speeches in the world. You are apt to do a little bit better if I don't read, but I was anxious not to come and spend an hour telling you things you don't necessarily want to know, but to tell you what I think you might like to know, and then give you a chance to indicate by asking questions whether, in fact, I have at least guessed correctly some of what you might be interested in. Perhaps, the first thing I should do is to indicate what the Association of Canadian Publishers is. The answer is that it is a, I never know whether to describe it as a National Trade Association or a Federal Trade Association. We actually now, have managed to organize ourselves to reflect the regional nature of the country. We have an Atlantic Publisher's Group, a British Columbia Publisher's Group, and we are beginning to be organized in the Prairie Region. We have, in fact an Alberta organization, but we hope to be properly organized before long in the Prairie Region as a whole. We represent 118 publishing companies, I believe at last count. They account for something close to \$50,000,000. in sales. They are scattered. One of things that surprises me is the recent analysis that I did that showed that the amount of publishing being done in Toronto or the proportion of publishing being done in Toronto, was declining. There are more Canadian works being published in Toronto but the rate of increase outside Toronto is substantially greater, and about 20% of the books published in 1976 were published outside Toronto, which I think is very important. One very sobering experience that I get, is that of going to the Atlantic Provinces, and I am forced, by the way, to remember not to say the Maritime Provinces, because I have friends in Newfoundland who are offended if I don't indicate that they are included in the region, although the same friends are not sure if they are happy at all that Newfoundland is included in the country. Anyway, what I was saying was that I have become particularly sensitive to the importance of and the separateness of what goes on in British Columbia, or in the Prairies, and again there are three provinces even there, and they are quite different, the Atlantic Region. It seems clear to me from my traveling that as an Association we cannot function if we don't structure ourselves in a way that reflects what is a very confusing and difficult country to organize. I should also note, that we are an English language organization only. There is an organization of French language publishers which does a very nice job of looking after its own interests. I was a little curious when I was invited to come and speak, because I had the feeling I guess, that what your Association dealt with was largely computers and information transfer but I guess you include dealing with people in the book business. Somebody was suggesting this to me

before we came back into the this room. We like to think that books don't just transmit information, but values and emotions, and that one of the reasons for being concerned about a national publishing industry and vigorous publishing activity in the regions of the country is that books transmit emotions and values and for that reason they are of particular national importance. The Association of Canadian Publishers represents Canadian-owned book publishing firms. I guess, there are two broad objectives the Association prizes: One of them is to further the development, of a Canadian-owned and controlled book publishing industry. That isn't an easy objective to pursue, and I'll get to some of the reasons for that as quickly as I can. The second objective, though, is to some degree closely related to that, but it is specifically to further the publication and distribution of original Canadian books. At the present time, one of things that interests me and that has always interested me is the rationale for worrying about \_ the development of the Canadian owned book publishing industry, is that the Canadian sector of the industry, while it accounts for probably not more than 25% of the sales of all book publishing firms that are located in Canada \_ in other words, including the subsidiaries \_ publishes 85% of those original Canadian works of literature or works that deal with Canadian art or sports or history or geography or economics or politics, etc. So, there is a substantial cultural importance for me that attaches to the problems affecting the future of the Canadian sector of the industry. Looking back, I'd like just quickly to provide a short history of the development of the industry. There was a time, when at the very least 50% of the industry was Canadian owned and controlled. That was still true in 1945. What happened, I guess, is that the war period marked the watershed. We went from being poised somewhere mid-way between the British and the American industries which gave us a little maneuvering room, to being dominated after the war very quickly by the Americans. One of the things that happened during the war, of course, was, that the British couldn't produce books because they couldn't get the paper to print them on and a lot of books got produced in Canada and the Americans began supplying the Canadian market. The other things that happened, though, was that the two main supports that had been there for the Canadian owned sector of the industry began to vanish. One of them had been producing original Canadian educational titles, and selling them to the schools. It has been a matter of policy in Ontario that they want to have Canadian authors and manufactured books. They used to list, and still do list, only Canadian authors and manufactured books, except in special cases, in their Circular 14, which is the publication which tells schools in the province what they can use. Other provinces have to a greater or less degree a concern about having Canadian material for use in the school. Unfortunately, one of a results of the gradual proliferation of the number of courses offered, decline in the authority of the approved list of books, both in Ontario and elsewhere \_ with the local Boards, the local schools increasingly be able to buy whatever they wanted \_

has been that there are fewer students in any given course and the market for any particular title has declined. The average run print run of an educational book for the Canadian market has gone down. You are always competing against imports, and in terms of price that is an extremely difficult competition. One provincial Minister of Education said recently, and I don't think I'm misquoting him, "'I'll buy your bloody books, but they better be cheaper than American books!'" So that is an attitude that we face in some parts of the country. a kind of sublime indifference to the education of Canadian children, as though they were Canadian children. Anyway, this textbook market, that has been one of sources of strength to Canadian book publishing firms, has slipped badly. The other support that they had had, was that in the past there was arrangements under which foreign publications, and I guess a lot of the libraries here are familiar, some of you horrified, by the arrangement by which a Canadian agent would be designated by a British or American publisher, and you would buy the books of that foreign publisher through the Canadian Agent \_ maybe. Book sellers tended to buy them from the agents and schools tended to buy them from the agents. Libraries sometimes did, and sometimes didn't, and there are some regional variations, but I've said enough about British Columbia. In any event, what happened to the agent business, was that the better job the agency did of selling the foreign company's books, the more attractive the Canadian market came to look. I guess the general rule, was when sales in Canada got up to anywhere between \$500,000. and \$1,000,000. the company wanted its own subsidiary. You know, why share the profit? So what happened , and it happened particularly through the 1960's, was that a long string of new foreign owned companies came into the country, and they came in particularly from the United States and they represented in most cases, very, very, substnatial corporate power. What happened in U.S. publishing of course, was that a lot computer firms, a lot a lot of firms that had been in the business of producing instruments of war, and technical machinery opf war, decided they could get into the business of producing technical machinery for education in much 'the same way. They needed a software arm. So, what they do is buy into the book publishing business in the U.S. in a big way. Part of the expansion ended up being an expansion into Canada. The result is that CBS and Xerox and Litton Industries and RCA, and Bell and Howell and on and on, all have book publishing subsidiaries in Canada and they are pretty powerful, and that as I said, is the second thing that happened that effected the future of the Canadian owned sector of the industry. They ended up losing the agency business they had and having to compete with very, very powerful new subsidiaries companies in Canada. The chain of events from there usually went something like this. The new subsidiary would find that yes, Ontario, would use its books, would list it for use in the schools, but only if the Company did an adaptation. So, they do the odd adaptation and then they'd meet somebody who had a wonderful idea for a book and they would begin to become involved in publishing in Canada. The difficulty that

Canadian owned firms were left with in the end, was basically this, and it is kind of a cardinal rule for looking at any industry in Canada where you have Canadian products in competition with, well, in the computer business, with hardware from outside. It's a fundamental cost problem. The hard fact is that the book publishing industry in Canada is still to a very substantial degree organized and economically based on importing books from outside the country which are produced simply as overrun production, usually at a very, very low cost. Perhaps, I should give you a specific example of that fundamental cost problem because I think it is the key to understanding not just book publishing, but broadcasting, and film and a lot of other areas in the communications sector. If you look at the mass paperback publishing business, and anybody who has been to the little newspaper stand in this hotel will have had a chance to verify the observation, you'll find that what you see there is probably between one hundred and two hundred paperback book titles exposed on those pockets. Every one of those books will have been printed at a cost of something like 10 because they are almost all part of U.S. print run. The average print run in the U.S. in the mass paperback industry at the time of the federal study of the mass paperback industry was 70,000. It is about 100,000 now. A comparable print run in Canada would be 10,000, if you take into account the population difference. In fact, it would be a bit less if you take into account the language difference. The difficulty is that if you happen to be running a Canadian mass paperback industry publishing program, you have to compete in the market directly with books that are produced in print runs, at the very least, 10 times the size of yours. If you are trying to publish as wide a range of titles, and really meet a wide range of needs for the public, there is that fundamental cost problem, and that applies right across the industry. The publishers are always caught between the need to sell their Canadian book at the price of a comparable U.S. book and the need to stay in business. The second problem that interests me particularly, and it is one that is affected by the activities of librarians, is what I consider to be the second key to understanding Canadian book publishing, and it is really that U.S. distributions systems which extend into Canada create better access to major sectors of the Canadian market for Americans than for Canadian publications. That's not any sinister plot on the part of anybody. But, necessarily, if for example, Bantam Books which has a distributor called Select Magazine. If Select Magazine is going to sell not in the U.S. alone, but in Canada too, it is going to treat Canada essentially as an extension of the U.S. market. And, in fact, if you read publications produced in the United States, you find that in many areas, Canada is treated as though it were part of the domestic market. You'll read through an analysis in the publications of the Association of American Publishers, and you'll find that for purposes of analysis, the foreign market really is everything outside Canada and the United States. Canada is not treated as a foreign market. We don't have, or we haven't had until recently, any Canadian

company involved in the distribution of Canadian mass paper back books on a substantial scale. There are only about ten firms that are involved in a major way. A recent decision by the Canadian government, by the Foreign Investment Review Agency helped to see the first major U.S. firm brought within Canadian control. That is Simon and Shuster which; as I was talking about the corporate connections, is a subsidiary of Gulf and Western. When Gulf and Western bought Simon and Shuster, the Agency looked at the transaction in Canada and said, "'No'". As a result one of the members of my Association, General Publishing was able to buy Simon and Shuster in Canada and now has that access to the mass paper back market. That's the first time in the history of the country that anyone has ever had the potential to put Canadian authors into the mass paperback market, with the same sort of force with which American publications enter that market. There still will be the cost problem, but at least there is access now. Once you have access, it is possible to improve your terms of sale in dealing with the distributors. The second major distribution sector that concerns me is the book club field. There is only one Canadian book club, and most of you have probably not heard of it. It's called the Reader's Club of Canada. It has a membership I don't know whether Peter Martin would like me to give you the figure, but anyway it is under 10,000. Book of the Month Club has about 125,000 members in Canada. Double Day has probably 90,000. They are just two of the many American book clubs. One of the most staggering things that I learned when I got involved in activity with the trade association was that people in the United States buy as many books through direct mail and book club operations as they buy in book stores. The reason I didn't know that was that, although that is also true in Canada, people are buying their direct mail and book club books from exactly the same companies from which Americans buy them. The other area, and I said I would get to librarians, and I will get to librarians, the other area that is of concern is the library wholesaling business. And, will we do a show of hands to see who buys where? It has been extremely difficult \_ I will be tactful, because I do understand the problem \_ to develop competitive, efficient library wholesaling operations in Canada that can satisfactorily meet both the needs of librarians and the needs of the Canadian publishers. I think that no one would deny, that one of the results of buying from a wholesaler based in the U.S. is that you are buying from a list that has two weaknesses. One, it doesn't adequately represent the range of Canadian material available. Two, you are going to find that the library wholesaler in the U.S. is offering you books that cannot legally be sold in Canada. It has always been my opinion that one fundamental problem for book publishers was that despite the fact that they had a small market, and everybody knew that was a problem, there was an additional problem which was that they couldn't expect to get all of their own market. We have gone through the experience now over the past few years of seeing an extension of what used to be a practice, I think, pretty much restricted to librarians. To go back to

B.C. again for moment, I went out and spoke to some people in British Columbia and I was talking to an acquisitions librarian, for a major public library in British Columbia. She was talking to me about one of her favourite writers, Margaret Laurence, and I told her that I worked for Margaret's publisher. Well she thought I meant Knopf. She had never heard of McClelland and Stewart and hadn't the remotest notion that you could buy Margaret Lawrence's books from a Canadian publisher. She'd always bought them from this company in the U.S. and through a wholesaler, and because she had only seen the U.S. Wholesaler Catalogue, she wasn't even aware that she was breaking the law. I give her credit, she was very much concerned! It gave her moral difficulty to think that she had been doing that. What it didn't do, I suspect is result in any change in the way in which she buys her books. I'd almost guarantee that if I go back to see her, the only thing she she'll have done, is to try to make sure that when she is buying books by Margaret Lawrence she gets them from McClelland and Stewart. Beyond that, she won't know about any of the other titles that come in illegally. Because we have a problem with lack of enforcement, or refusal to enforce the law by the government of Canada, she really will not be under any pressure to change her practice. What I was saying, is that over the past five years, that practice which has been a library practice in the past has spread into the bookstores. Everybody is familiar, I would think with the Writer's Union concern over the fact that Cole now buy and import against Canadian law. I believe the Writer's Union sign said, "'Canadian Law not Cole's law'". But Cole, and W. H. Smith and Classics, and I'm prepared to say it publicly and have somebody record it, now feel that they are free to buy in the United States books for which a Canadian firm holds copyright. And they do it. And they do it when they can buy remainder editions and make a profit. Often they are buying the books for a quarter and they are bringing them in and selling them for \$2.95. The market in the U.S., of course, for a new book is much shorter, then in Canada. If a new book by Margaret Lawrence comes out, well, the sale period may be a couple of years in both edition in Canada because there is a lot of interest. In the U.S., the industry of course has a massive output, and in six months the book is dead or The publisher will have sold off paperback rights and he will remainder his cloth edition and the cloth edition comes back into Canada and destroys the Canadian publisher's market. It is against the law, but nobody has done anything about it. But that again is, in this area of retail book selling, also a sign of the beginning of a fairly serious problem. Cole's now have stores in the U.S. Classics now have stores in the U.S. What it means is that they can now buy in the U.S. and supply their Canadian stores from the U.S. base. They begin then to function as a continental distributor not obliged particularly to deal with Canadian firms. One of the things that disturbs me, and I guess there is going to be a bit of a debate beginning sometime shortly \_ I understand at the Canadian Library Association Meetings\_part of a day, or a day is set aside for

discussing what is, I guess is called the Keyes/Brunet Report — the Report on the Proposed Changes in the Canadian Copyright Act. But that discussion, which will begin shortly, will focus from the point of view of the publishers on the fact that what the government of Canada, what has been recommended, I'd better be careful about this. What they want to do is to remove any responsibility from the Revenue Department of the Federal Government and from the Customs Officials to enforce the Copyright law either at the borders through customs surveillance, or under the customs tariffs through the provision which allows for confiscation of goods brought into the country illegally. The proposal is that the New Copyright Act remove, for those of you who are familiar with the Act, Sections 27 and 28, which were the evidence in the past that was given to the publishing industry, although they were not acted on, at least they were in the Act, that the government was willing to take some responsibility for enforcing the provision of the Canadian Copyright Act.. We've got these major problems: One was with respect to the competitive disadvantage that the publisher of a Canadian book has in competing market in which inexpensive, or relatively inexpensive over runs of foreign books come in and sell on the Canadian market at good prices. You've got that second problem of U.S. distribution systems penetrating the country, and the related problem of not having an effective copyright enforcement which would to some degree compensate. Resulting from that observation about the competitive advantage that exists for foreign publications over Canadian publications, is the fact that about 90% of foreign publications that come into the country now, come into the country through subsidiaries of large foreign companies. The Canadian owned firms have lost most of their agency business. So that that competitive disadvantage which exists for Canadian books also exists for Canadian publishers, because to an increasing degree from year to year, the Canadian owned firms come to rely on their Canadian publications. On the other side, you've got subsidiary firms with something like probably 75% of the Canadian market, which published less Canadian material and rely heavily on the sale of very profitable and very low risk — in fact its no risk — importing business. You see, they don't every have to print a book. The subsidiary or agent never has to run that risk. If you initiate a publication, you are probably stuck with printing maybe 5000 copies. If you are importing, you can bring in five copies. Of course, there are librarians who have found the agency system a little bit unsatisfactory. You know, sometimes the publisher doesn't bring in any, so you order them and than he orders them for you. That's been a problem, one that I think that the industry has in a fairly serious way addressed itself to over the last few years. But I see that my thirty minutes is now up and if I haven't told you anything that you wanted to know, I hope you will ask me to tell you something you want to know. (Question from audience mumbled) We don't represent French language publishers. I do know a little bit about the situation in Quebec. One of the first things I learned about it was from an

Industry Trade and Commerce Study done in 1970, which showed that only 13% of the books sold in Canada were French language books. Despite the fact, of course, that the French language population is at least 25% of the population. So, while, those figures have been questioned, I think that it is probably true that the level of sales of French publications is lower than one would expect on the basis of the population figures. It seems to me that they, basically that they have all our problems magnified because they have an even smaller market, and the same sort of competition with French publishers. What they have been successful in doing is, to a considerable degree, dominating their own market. And the Canadian owned English-language firms don't do that. The bulk of the French language Industry is Canadian owned and controlled. Of course, if you want to do what any sensible publisher wants to do, if you want to choose from the list, the ideal way for you or anybody else to get a foreign publication is really for it to get a publisher for it in Canada. who can undertake to print the thing, and tell you about it and put it in his list. It is much easier for the Quebec publishers to do that, for the French language publishers to do that, than it is for English language publishers, because they control their market. The book will do substantially better with a major French language Canadian firm than it will if it simply comes into the country from France. That is not the case for English-language firms. If I wanted for example, as a publisher, to buy a book from foreign firm, e.g. McGraw Hill, which has a Canadian rights subsidiary here and they've got a bigger marketing staff than you have. What kind of case can you make to the writer \_ assuming that the writer is in a position to actually direct those rights to you \_ when you don't even have the equivalent marketing capacity in your own market to that of McGraw Hill. So to some degree the situation is different in French and English \_ language publishing, but their market is smaller, their print runs are proportionately smaller. (question from audience muffled) I'm glad you raised that question because certainly there has been a much more intelligent effort made by Quebec publishers and the Quebec book industry and the government to come to terms both with bibliographic needs in a way which we are not able to get anyone to come to terms with in the rest of the country. I think that the buying policy of having you buy essentially from the bookstores is a very important one because of the cultural purpose of that which was to see that there was a lot of bookstores in Quebec and that they had some Quebec publications in them that if you wanted to get a book by a Quebec writer you didn't have to get on a train and go down to Montréal and see if you could find somebody who had one. I think that it would be desirable to begin to change the book distribution system in the rest of the country. I also think, though, that what was done in Quebec, while it doesn't really hurt the public libraries and the school libraries, it seems to me not an unreasonable thing to expect then to buy under that system \_ It seems to me that it is extremely difficult to expect it at more specialized libraries, or post-secondary, the



libraries in post-secondary educational institutions could buy that way. And I think that if the Quebec government seriously wanted to have all those institutions spending their public money in Quebec, then there ought to have been more serious attention given to the need to at least have a centralized source, and to do something about providing the necessary support to see that the service that was available was comparable, and it didn't damage the interests of the libraries. One of the things that I'd like to go back to though, is some of the comments of the previous questioner, to whom I didn't respond. I think that one thing that has changed about the industry is that people aren't just lying down and putting up with whatever the government wants to do anymore. I don't do that. I don't think my Association does that. We are often accused of completely the reverse of that. But on the question of meekness, one of the things that has always bothered me, to the degree that it really disturbs me, is that librarians and library associations in Canada aren't open with the publishers about what the problems are. If they have a problem getting adequate service or adequate prices, the usual response is to buy somewhere else, not to treat it as a matter of some considerable importance and to bring it to the attention of the publishers and to try to deal with it at the level of a national problem for the book trade. I was very much involved in setting up the Book and Periodical Development Council and I saw that as a forum to which one might expect such problems to be brought. It has been extremely difficult to get anyone other than the book publishers and to some degree the periodical publishers and writers to bring their problems there. One of the results is that because the book publishers and to some degree the periodical publishers and writers do, they are accused of dominating it. But the blunt truth is, that in that organization, the librarians and the book really don't feel very actively involved, don't seem to feel that the problems addressed should be treated as serious national issues for the book trade as a whole. One point I wanted to deal with when I was speaking earlier and didn't, was raised by this question of our internationalism and our nice Lester Pearsonism. The interesting thing about the book trade in North America, about book publishing in North America, is that Canada, with its relatively small population, adopted back in, I think it was 1926, it might have been 1924, a policy that granted full and complete copyright protection to the U.S. book publishing industry. It meant that anything an American publisher produced could be shipped freely into Canada. But the American response was not to give Canadian publishers access to the U.S. market at all. The U.S. government thought that it couldn't afford to let the English language publishing industries around the world ship books into the U.S. market and we were excluded from the U.S. market until 1962. Actually, we were allowed, if we registered for an interim copyright to ship 1500 copies of a book into the U.S. But every book published by a Canadian publisher before 1962 — this was noted in the Royal Commission Report on Book Publishing — is in the public domain in the U.S. But it is

this system in which we have had to try to operate and it is typical of the Canadian government, which has dealt consistently with book publishing in a way that shows a profound disregard for the national interest. The result has been, what Bob Fulford nicely calls "'one way internationalism'". There has been a complete openness in Canada to the flow of books from the U.S. And no openness whatever from the other side of the border. Even from 1962 on, if I wanted, for example, to initiate a major series \_ Say I wanted to get involved in publishing a good series in economics and I can organize a couple of editors \_ If I wanted to publish a book by an American writer \_ that series, I couldn't ship it into the U.S. So, even now, until January, 1978, the U.S. market has to that degree been closed. And what we are being told now, in 1977 is that after we have lost control of our book publishing industry, and when U.S. imports into Canada are rising at a very rapid pace, the U.S. government will finally give us access to their market. The astonishing thing to me is that the small country that needed protection didn't bother, did quite the reverse, and the United States, although it wasn't responding to any threat from us, treated us like it did the rest of the world, and the object of the U.S. exercise was to keep the British publishers out of the United States. They did not want British books coming into the American market at all and they, in effect, closed the borders, they used an import quota system to develop their book publishing industry. I'm extremely offended and angered by all the charges that the only reason there is anything wrong in Canadian book publishing is the book publishers haven't been very enterprising., but that's on the side. Are there any other questions?