

MA Major Research Paper

Book Publishing in Canada, 1945 – 2010:
Ownership and Control of the Canadian Market

Jordana Lobo-Pires

Dr. David Skinner

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Introduction

Book publishing in Canada has always been a risky business. A relatively small population spread over a wide geographic area makes the production, advertising, marketing and distribution of any book complex and expensive, without achieving the sales that a more populous or densely situated country can yield. Competition with international publishers ensures that books are priced below the level at which a successful return may be made on them, with the recent rise of the value of the Canadian dollar adding to pricing pressures. Losses on a title are the norm: a few successful titles often support the publishing of many important but less successful ones, and profits tend to be low, if present at all.

And yet the publishing industry in Canada continues to survive and grow, producing the work of Canadian authors such as Michael Ondaatje, Margaret Atwood, Alice Munro, Yann Martel, Nino Ricci, Rohinton Mistry, and Carol Shields, who have garnered the top international literary prizes and are known around the world. Statistics Canada lists 12,488 new English titles published in Canada in 2004, of which only 2,439 were published by foreign-owned publishers (Statistics Canada, 2006a). These numbers indicate a massive increase from the 82 English titles published in Canada in 1947 (*Royal Commission on the National Development in the Arts, Letters, and Sciences Report*, 1951).

This essay sets out to trace the structure of the Canadian publishing industry in light of the policies that have allowed and enabled the survival of an indigenous Canadian publishing industry. Specifically, it explores the history of government intervention in the Canadian publishing industry through the Investment Canada Act in its three formulations: Federal Investment Revenue Agency Act (FIRA), enacted from 1974 to 1985; the Baie Comeau policy, from 1985 to 1992; and the Revised Investment Canada Act, from 1992 to the present.

The Investment Canada Act in each of these formulations was the crucial policy designed to protect and encourage Canadian ownership of the publishing industry. This study then assesses the impact of these policies on the ownership and size of Canadian publishers.

It is a truism that despite the seeming success of the publishing industry in Canada as a whole, Canadian publishers are almost always on the verge of bankruptcy, struggling to find new and creative ways to hold their own against multinational conglomerates with deep pockets. It is the contention of this study that this situation was not inevitable or determined by the inexorable forces of capital. In the struggle over cultural self-determination during the 1970s and 1980s, the inconsistent application and deliberate *abdication* of Investment Canada's policies, which were designed to favour Canadian ownership of publishing companies and thereby to create the economic conditions in which Canadian publishers could be sustainable and thrive, led to the formation of a distinct two-tier structure: a powerful top tier characterized by multinational publishers belonging to large media conglomerates, and a lower tier comprising small and medium-sized Canadian publishing houses that are permanently dependent for their survival upon government intervention and funding.

The Political Economy of Culture

In order to analyse the emergence of the current structure of the publishing industry in Canada, it is first worthwhile to set out the rationale for and the assumptions underlying the critical approach that undergirds this study. Cultural industries, of which the publishing industry is the first and oldest example, occupy a paradoxical position in a capitalist society. *Culture* inherently assumes the meaning-making activity of humans with human agency at its core, whereas *industry* comprises multiple rationalized, bureaucratic systems in which human

labour is but one abstract factor among many at work. This interrelation and divergence around the beleaguered place of human agency in the creation of *cultural* products lies at the crux of the vexed debates around the place, protection and subsidization of local cultural industries in the face of the powerful and homogenizing sweep of global capital.

In “The analysis of culture”, Raymond Williams cites three components present in the definitions of *culture*: *ideal* where the definition of culture exists in terms of absolute or universal values; *documentary* which is the body of intellectual and imaginative work as representative of the best of their periods; and *social* which is the description of the values and meanings inherent in a particular, often historical, way of life and from which laws and trends may be elicited to create a scale of value (Williams, 1961). While acknowledging the value of these categories, Williams goes on to argue that far from constituting *culture*, their interrelation points to their being only a part of a “general human culture” (p. 33). The values, ideals, intellectual works and social arrangements exist as “active” parts of a lived and ordinary culture, one that is embodied in “local and temporary systems” which bear a relation to a “whole,” “actual,” and “complex organization” (Williams, 1961, p. 33-4). Works of intellect, art and imagination thus are neither simply documents of a bygone or particular culture, nor are examples of universal values to be retained. They continue to do work, and can thus be studied both as documents of a particular society and as ones which continue to interact within current society. Artistic products can therefore neither be extricated from the culture in which they were created, nor from the general culture in which they continue to be received. As such, “a general organization” can be studied “in a particular example, while in the general organization there is no element” that may be abstracted and separated from the rest (Williams, 1961, p. 34).

The implications of Williams' anthropological definition of *culture* is that the production of artistic and intellectual works must be studied as one special kind of "activity" *in relation with* all other activities – "the production, the trading, the politics" – practiced in a society (Williams, 1961, 35). Williams speaks of a "community of experience" created by the entire domain of social practice, thereby blurring the lines between artistic activity and general communicative activity, between product and process, between production and consumption, between economics, art and politics. The sum and interrelation of all these activities constitute *culture*. Culture is created collectively rather than autonomously, it is informed by its relation to the society as a whole, and thereby, Williams collapses the distinction between the cultural and the social.

Williams' redefinition of culture not only removes culture from the purview of intellectual elites with pretensions to upholding "universal values," it highlights the importance of the locally articulated, democratic agency of ordinary people to collectively create, formulate and shape shared values into a "community of experience." However, while Williams is aware that the formation of culture may be threatened by special interests, "including class interests," that seek to influence, govern and control it, he plays slight attention to the antagonistic relations between these interests in his essay. It is Nicholas Garnham who articulates these clashing relations between the economic and the cultural. Garnham (1990), building on the conjunction between Williams' definition and Marx and Engels' recognition that in debates about the production of culture what is at stake is the "control of the means of mental production" (cited in Garnham, 1990, p. 24), identifies two distinct moments of cultural production: "culture as a superstructural phenomenon in relation to non-cultural modes of material production" whereby culture was the "dominant of

hegemonic cultural production paid for out of capitalist revenue” and entailed the “the direct payment of ideologists and the necessary maintenance of the physical instruments of their ideological production”; and second, the place of culture as “part of material production itself, directly subordinate to or at least in a closely determined articulation with the laws of development of capital” (32). While the first phenomenon still exists, in that capitalists are still able through the redistribution of surpluses to exert economic pressures on ideologists, it is the second moment that is a latter historical phase, and that emerged as part of monopoly capitalism, whereby the means of cultural production is controlled by capital and becomes industrialized. Here the takeover of large areas of cultural production and reproduction occurs, and cultural products become subordinate to the laws of capitalist commodity production (Garnham, 1990). For Garnham, therefore, it is the *accumulative* logic of capital that heavily influences the creation of culture under monopoly capitalism.

Vincent Mosco, in articulating a methodology for the analysis of mass media, stresses the same interdependence of communication and culture on an economic base: “communication and culture are material practices, labour and language are mutually constitutive, and communication and information are dialectical instances of the same social activity” (Mosco, 1996, 45). For communication to occur and culture to be produced, there is “a social process of exchange whose product is the mark or embodiment of a social relationship” (Mosco, 1996, 72). With respect to the products put forth by the publishing industry, books are both cultural and artistic artefacts, as well as commodities. Books, according to Murdock and Golding (2005), fall under the category of “symbolic commodities” (64) that are consumed directly and individually, in contrast to radio and television, which occupy the more recent category of mass communicative technologies. However, like mass

communication technologies, books enable communicative exchange, and the society in which they circulate is informed by the ideas and information contained within them, while also shaping the discourses that are taken up and emerge in further cultural products. Within any society, the local production and circulation of cultural products ensure that local voices are heard, and the ideas and information thus produced enable the discourses about local identity and culture so vital to the *organic* formation of a healthy and democratic society. Books therefore become one means of the kind of communicative activity that Raymond Williams writes about, whereby “social relationships” are embodied, and a “community of experience” can be articulated and may take shape.

While these insights have often led to a focus on the influence of capital on the increasingly *private* instead of *public* (or State) ownership of cultural firms by large multinational corporations, it is essential to recognize that under monopoly capitalism the difference between *private* and *public* acts in conjunction with the difference between *indigenous* and *multi-national* ownership to influence the vitality and survival of an organic, democratic culture. It is the plethora of privately held, but *indigenous* modes of cultural production upon which the power of multinational corporations have had the strongest impact. Moreover, the *multi-national* / *indigenous* distinction does not play out into a neat binary, so that the survival of a local cultural industry does not necessarily mean the power of multinational corporations have been withstood. Garnham (1990) points out that no easy line may be drawn “between those [cultural] sectors controlled by private capital” (p. 36) with the goals of growth and accumulation, and those supported or controlled either by smaller independent artisanal producers or by the State. Book publishing, as a prime example, falls according to Garnham (1990) under the category of “artisanal modes of labour organization”

(p. 37), since the individual authorship of a book along with its publication is usually carried out by a relatively small group of people in a relatively small organization with scarce opportunity for accumulation. Such modes of independent artisanal production have not only remained vital to the creation of innovative cultural products in the cultural sphere, they have also been the means of producing powerful and succinct anti-economist cultural critiques. However, such artisanal modes of cultural production, while ostensibly functioning under the ideology of creative freedom and democratic local production, often result in being functional for capital because they “ensure the necessary production of a range of cultural artefacts from which capital can choose without having to bear the risks and overheads which are borne directly by [artisanal] labour” (Garnham, 1990, p. 37). In absorbing most of the risks of new cultural production, artisanal producers remain consistently in a weakened position vis-à-vis multi-national capital, resulting in one of two options, one of which exacerbates the other: cultural firms may be absorbed into multinational industrial conglomerates and begin operating according to the logic of capital whereby since constant growth and accumulation is called for, there is a consistent pressure to seek for new markets at home and abroad; in response to this growth and expansion from the resulting powerful multi-national publishers, there is ever-increasing pressure on the State to intervene with support and rescue for the survival of an indigenous cultural sector. Where such State support is provided, the State becomes functional for capital in an indirect manner. In the case of the publishing industry worldwide, both options have been increasingly apparent over the past 30 years, as multi-national publishers expanding into various countries from Australia and India to Canada have impacted the survival of smaller, indigenous publishers in all these countries.

Expressing concerns about the takeover of artisanal publishers by multinational corporations and such takeovers' influence on a democratic culture is not meant to imply that where a publisher is owned by a large privately owned corporation, the *content* of cultural products necessarily reflects the interests of capitalist ideologies. Indeed, Herman and Chomsky had suggested just such influence on content in proposing a propaganda model for the analysis of media content. They argue that "the powerful are able to fix the premises of discourse, to decide what the general populace is allowed to see, hear, and think about, and to 'manage' public opinion by regular propaganda campaigns" (Herman and Chomsky, 1988, xi). Herman and Chomsky's focus identifies the direct pressures felt by cultural workers and exerted by capital on the content of cultural discourse, and thereby follow what Garnham termed the first moment of cultural production, entailing the "the direct payment of ideologists and the necessary maintenance of the physical instruments of their ideological production" by capitalists (Garnham, 1990, 32). But it fails to account for the mode of cultural production under monopoly capitalism, whereby ideological contradictions in content are easily absorbed according to the logic of accumulation and the flexibility of capital. Thus in the end the propaganda model is a reductionist model of analysis which does not adequately take into account the logic of capital to adapt to ostensibly oppositional ideologies.

In elucidating the paradoxical status of the cultural commodity, Garnham (1990) clearly states that "because capital controls the means of cultural production in the sense that the production and exchange of cultural commodities become the dominant forms of cultural relationships, it does not follow that these cultural commodities will necessarily support, either in their explicit content or in their mode of cultural appropriation, the dominant ideology....The cultural commodity possesses an inherent contradiction, a contradiction which

may be profoundly subversive” (34). There is therefore a clear distinction between the explicit content of cultural products, which are produced as well as received according to a multitude of aesthetic, social, political, and material concerns, and the logic of capital, which manifests itself in accumulation. Indeed, as stated earlier, it is precisely the publication of a variety of cultural content embodying a heterogeneity of ideologies (including those that are oppositional to capital) that functions best for capital. Thus Murdock and Golding (2005) recognize that while “economic dynamics [play] a central role in defining the key features of the general environment within which communicative activity takes place, [they are] not a complete explanation of the nature of that activity” (63). This recognition is crucial to understanding that while critics (Herman & Chomsky, 1988; also Bagdikian, 1992; Klaehn, 2002) have on several occasions called for the political economy of culture to examine the creation of meaning as influenced by the flow of capital – to investigate how “the economic organization of media industries impinges on the production and circulation of meaning” (Murdock & Golding, 2005, p.61) – quite often no direct correlation may be made between capital and cultural content. As such, this study is undertaken with a more traditional focus, examining the impact of capital on local ownership and on the amount of indigenous cultural production as a correlation to a healthy, organic cultural output, rather than focussing on the content of cultural products.

Under monopoly capitalism, however, far more than just the production of cultural products are now under the purview of multinational corporations. Vincent Mosco points out that as the level of concentration in global media conglomerates have deepened and broadened, “successful media companies have depended on controlling both steps, [production and distribution], in the circuit of capital” (Mosco, 1996, p. 89). In the case of the production

of more artisanal cultural products, such as books, publishers that belong to multi-national media conglomerates have not only the power of capital behind them for expenditure on advertising and marketing, they also have access to the latest extensive communication and information systems through which distribution as well as decisions about production may be conducted more effectively. The possession of information and communication systems are “central to customizing production lines, central to marketing these lines to customers, and central to the rapid response times necessary to translate actual purchases into new production decisions” (Mosco, 1996, p. 75). There emerges a “dialectical relationship between production and distribution” (Mosco, 1996, p. 89) which gives multi-national conglomerates enormous advantage in marketing and distributing their products and which smaller artisanal publishers without access to such systems cannot hope to compete against. Since the implementation of such systems to benefit indigenous publishers requires an extensive input of capital, once again the State is called upon to supply the required funds. Dependence of indigenous cultural production on the State thus extends to the entire circuit of capital – from production to marketing and distribution.

While the critical political economy approach has provided a strong critique of the power of capital to displace indigenous cultural industries, and thus to affect the healthy, organic and democratic development of culture and identity (Herman & Chomsky, 1988; Garnham, 1990; Mosco, 1996), such a focus has sometimes ignored the manner in which specific public intervention, often through state intervention, has affected and constrained the power of capital. Insufficient attention has been paid to the ways in which state policy has acted to enable the formation of more healthy, indigenous cultural structures. Murdock and Golding (2005) had asserted that structures are “dynamic formations which are constantly

reproduced and altered through practical action” (p. 63). And Anthony Giddens (1976) had cautioned that in order to avoid the charge of “structuralism” – the tendency to see economic structures as stable or inevitable – it is vital to remember how “structures are constituted through action, and reciprocally how action is constituted structurally” (p. 161; as cited in Murdock & Golding, 2005). It was precisely to address this gap in the study of structure as constituted by specific actions, and in particular by government action through public policy, that Angela McRobbie (1996) drew attention to cultural policy as a “missing agenda”, since it provides a distanced critique of the dominant regime as well as offers a “program” for change (p. 335). The cultural critic Stuart Cunningham (1992) cautions against the narrow tendencies of some critics to dismiss policy, stating that when critics “do turn to questions of policy, [the] command metaphors of resistance and opposition predispose us to view the policy making process as inevitably compromised, incomplete and inadequate, peopled with those...wielding gross forms of political power for short-term ends. These people are then called to the bar of an abstrusely formulated critical idealism” (p. 9; as cited in Lewis & Miller, 2003). Such purity fails to acknowledge the dialectic between government policy and capital to both influence and constrain each other, and critical theorists have therefore stressed that it is vital to reach for “both an understanding of the ways in which cultural policies have been deployed, and a disciplined imagining of alternatives” (Lewis & Miller, 2003, p. 2). A focus on the implementation of policy would highlight the deliberate government actions that were taken or failed to take place in the struggle to liberate cultural space in the face of the power of multinational capital. Questions of ownership, the strength of indigenous cultural production, and the significance of these for the development of local and national cultures must therefore be

studied in conjunction with an examination of the cultural policies which enabled and constrained the structural formation of the cultural industries.

Methodology

For the purpose of this study, the publishing industry will be defined according to the definition used by Statistics Canada. *Publishers* refers to those organizations “engaged in carrying out various design, editing, and marketing activities necessary for producing and distributing books of all kinds, such as textbooks; technical, scientific and professional books; and mass market paperback books” (Statistics Canada, 2010). The publishing industry also includes Agencies – those organizations that “distribute and sell works (agency titles) published by another firm, by acting as its sole representative” (Statistics Canada, 2010). Since exclusive agents may be organizations which sell other items besides books, they are included in Statistics Canada’s list of agents only if “revenue from book publishing exceeds 10% of their total revenues” (Statistics Canada, 2010). These definitions used by Statistics Canada are based on the North American Industry Classification System (NAICS) and have only been used since 2004, but they are considered a more rigorous delineation of those firms considered as part of the cultural sector, delineating as they do those firms which publish and print a range of culturally relevant texts from almanacs, dictionaries, and fiction to street guides, maps, textbooks and technical books, but excluding those firms which publish these exclusively on the Internet as well as excluding those firms that are solely printing services (Statistics Canada, “Standard Industry Classifications”, 2002). As well, since 2004, print-on-demand publishers and self-publishers have been included in the culture sector as relevant to the cultural output of books produced in Canada. For this reason, statistics before 2004, which

were based on the activity of printing and publishing rather than whether a firm belonged within the cultural industry, cannot be accurately compared with statistical data after 2004. Regrettably, while statistics taken in 2004 provide data for the number of workers and the number of titles published in the industry, these data are not collected in the two most recent surveys of publishing output (for the years 2006 and 2008). Thus while financial results for the industry are comparable with the most recent data, it is not possible to compute productivity of the industry in terms of titles anymore.

The publishing industry focussed upon in this paper will comprise English-language publishers, as no foreign-language publishers have established businesses in the Canadian French-language market, so the environment within which French-language publishers in Canada operate is a wholly different one from their English-language counterparts. It is primarily publishers who produce books in English that are in direct competition with well-funded foreign-owned corporations, not only for books but also for authors. Information on French-language publishing, funding and distribution from Statistics Canada as well as funding bodies such as the Department of Heritage will be filtered out.

Current information with regards to the economics and funding of the Canadian publishing industry is spread over a variety of reports distributed among Statistics Canada, the Department of Heritage, funding bodies such as the Book Publishing Industry Development Program (BPIDP) and the Canada Council for the Arts, and reports in *Quill and Quire*, the journal of the publishing industry in Canada. Two key government reports will be key to understanding the growth and development of the publishing industry in relation to book publishing policy. Paul Audley's 1990 report, *Book Industry Policy: A Review of Background Information and Policy Options*, prepared for the Government of Canada's Department of

Communications, which was at the time responsible for the formulation of cultural policy, will be the key source of information on the Baie Comeau policy and its implementation. Audley's report specifically outlines the Baie Comeau policy and the promises and problems that the government of the time was encountering in implementing the policy. *Vital Links: Canadian Cultural Industries*, published in 1987 by the Government of Canada, is the only comprehensive policy paper on the cultural industries in Canada at that time to be publicly released. It provides what was ostensibly the government's view of the cultural industries in the late 1980s, when the crucial Baie Comeau policy was in effect. Roy MacSkimming's book *The Perilous Trade: Book Publishing in Canada, 1946-2002* is the only recent publication which deals in one chapter with publishing policy regarding the ownership of Canadian publishers and book distributors. However, MacSkimming's publication is a narrative history, which provides biographical details and histories of individual publishers such as Macmillan and Oxford University Press, as key to the slow growth and development of a literature produced in Canada. MacSkimming does not anchor his narrative in any explicit theories on ownership and distribution in an economy increasingly shaped by global, transnational capital. In addition, no one has yet focussed on the ownership of book retailers and channels of book distribution in Canada, and the way in which policy has played a role in the creation of a largely Canadian-owned book retail sector.

This paper will therefore consolidate information from the various news sources, scattered reports, commission findings, and data tables from Statistics Canada, the Department of Heritage, the Book Publishing Industry Development Program, the *Globe and Mail*, and *Quill and Quire* in order to construct a coherent and theoretically grounded narrative of the struggle to maintain a viable Canadian publishing industry in the face of the pressures of

global capital. In particular, these reports will be used to correlate the indigenous ownership of publishers and distribution channels with an analysis of the application of cultural policy, specifically in the form of the Investment Canada Act in its three formulations that regulated foreign investment in the publishing industry: FIRA, from 1974 to 1985; the Baie Comeau policy from 1985 to 1992; and the Revised Investment Canada Act, from 1992 to the present. The terms of the Investment Canada Act will be reported and Investment Canada decisions on ownership of publishers based on this Act will be examined for compliance to the Act, and more importantly for what they meant as cultural protection against the vicissitudes of capital flow.

The findings from the various news and government sources will therefore address the following questions: In what manner has the Investment Canada Act been formulated? What restrictions and regulations does the act contain to limit foreign monopolies from dominating a key cultural industry, and how effectively have they been implemented? What are the effects of implementation on the ownership and size of publishers and distributors in Canada? What changes to the Act have been made since its original formulation in 1974, why were these changes made, and how have they affected ownership and control of Canadian book publishing?

Historical background

The Massey Commission and the paucity of Canadian publishing

The history of a deliberate Canadian policy regarding the arts industries begins with the Massey Commission's investigation into the state of the arts in Canada in 1951. A few individual publishing houses already existed in Canada, the most prominent of which were Oxford University Press, McClelland & Stewart, Random House, Doubleday, Ginn, the Ryerson Press, and Macmillan of Canada. University presses associated with McGill, Queens and the University of Toronto also existed to publish scholarly works. While foreign-owned publishers did undertake to publish a few books locally, they acted primarily as distributors for parent companies or agents for firms that were located in the UK or the US. Therefore, when the Massey Commission inquired into the question of a national literature in Canada in 1951, it concluded that there was a paucity of evidence for such a body of work. Critics, scholars, and surveys provided to the Commission agreed that "Canadian literature has not yet achieved the status of a 'national literature'," and the Canadian Authors' Association wrote that "the inarticulate nature of the average Canadian's patriotism results from the lack of a native literature commensurate with Canada's physical, industrial, scientific and academic stature, and with the proved character of its people" (*Royal Commission on the National Development in the Arts, Letters, and Sciences Report*, 1951). For the Commission, the lack of Canadian books resulted in a grievous lack of knowledge about the country, a serious effect which caused an unexpressed and confused sense of patriotism that directly threatened the security of the country.

But if writers and critics agreed on the lack of a recognized national literature that would express a Canadian identity, they also agreed that the increase in young Canadian

writers indicated a healthy move towards developing such a literature: new Canadian writers were beginning to “bridge the gulf between Canadian literature and Canadian society” (*Royal Commission Report*, 1951). Yet, an optimism about the growth of a truly Canadian literature was mitigated by complex concerns about both the desire to move away from the respect paid to literatures of Great Britain and Europe as vestiges of the spirit of colonialism, and about the increasing influence of the literature emanating from the United States. The lack of development of a Canadian literature was seen as a symptom of confusion about the complex and unresolved issues of Canadian identity (*Royal Commission Report*, 1951). Canadian literature would thus continue to struggle against more powerful literary forces from the former imperial powers and the emerging power of the United States, and this would lead to a cultural environment hostile to the writer. As Dallas Smythe noted, the concerns over being overcome by an increasingly powerful US media imperialism necessitated formulating suggestions in the form of an appeal to nationalism (Smythe, 1981). Thus, this desire to shake off the vestiges of colonialism while withstanding the new US imperialism highlighted the urgency of creating the *conditions* for the protection and expression of Canadian identity through Canadian literary works:

Immunity from alien influences would not, of course, be sufficient in itself to create a national literature; but it would at least make possible a climate in which the Canadian writer would find himself more at home, where he would be better understood, and where he would find the opportunity for more frequent spiritual contacts with a society which would be more fully Canadian (*Royal Commission Report*, 1951, p. 226).

In turning attention to the book publishing industry that is responsible for the recognition and dissemination of Canadian literature, the Commission noted a bleak situation:

in 1947, only eighty-two books were published in English Canada, and in 1948, that number had decreased to fifty-five (a mere fourteen books of fiction, and thirty-five works of poetry). A Canadian publisher had suggested that these low numbers reflected a failure on the parts of Canadian authors to produce books of literary quality; but in rebuttal to this point, the Commission noted that Canadian authors had been recognized and published with greater success in the United States and Britain. The problem lay instead with the *structure* of publishing in Canada which had in fact prevented the recognition and encouragement of Canadian authors (*Royal Commission Report*, 1951). There were a hostile set of economic issues that plagued publishers in Canada, characterized by the breadth of the country and its sparse population. These issues made it difficult for a publisher in Canada to get a return on the books he published, and thus created an atmosphere adverse to actively seeking out and developing Canadian authors, and publishing and launching their works with creativity and imagination. The Commission recognized that

First, [a publisher] cannot count in Canada on production sufficient in volume and in quality to permit him to acquire and to maintain a steady market. Second, our population is too small and dispersed to provide mass sales. There are also several financial reasons peculiar to Canada which complicate the business of a publishing house... A large country and a scattered population make for high advertising, transportation and distribution costs...a fixed minimum number of copies of any book which must be sold before the publisher does more than meet his expenses. This minimum is about four thousand for books in French and three thousand for books in English. Even if novels are included, it seems that the sales of few books in any one

year exceed these numbers, so critical for the publisher (*Royal Commission Report*, 1951, pp. 229-230).

The Commission offered a two-pronged approach to addressing these issues: the encouragement of Canadian authors by introducing prize money to accompany the Governor General's Award, the expansion of a system of Canadian literary awards, and fellowships to established writers that would allow them to take a year to complete a significant work of literature; and recommendations to increase the viability of Canadian publishers in a harsh economic climate through government policies such as the cancellation of the sales tax, and preferential postal rates (*Royal Commission Report*, 1951). From the beginning then, the commercial viability of the publishing industry was recognized to be a vital ingredient in the formation of a Canadian national identity, and would be the reason for creating publishing policy and increasing funding to encourage the growth and development of an indigenous literature. However, emphasis on the structure of the Canadian industry did not entail limits on access to the books, magazines, movies, or other cultural products sold in Canada from foreign publishers. Instead, the onus was placed squarely on Canadians to remedy the problem. The need for a National Library was highlighted, and the report spurred the creation of the Canada Council of the Arts seven years later, which disseminated funds to authors, in 1957 (Canada Council for the Arts, 2007).

Canadian Publishers or Canadian Publishing?

Formative in its recognition that policies must be put into place to encourage the works of Canadian writers, and to sustain Canadian publishing ventures of these writers, the Massey Commission nevertheless failed to recognize or address a few key characteristics of publishing

in Canada at the mid-Century mark. The first was that in 1950, only a dozen foreign-owned publishers operated Canadian branches, with only four of these American: Doubleday, Random House, Ginn, and McGraw-Hill (MacSkimming, 2007, p. 31). The Canadian publishing landscape was, however, strewn with book agencies – organizations that were owned by Canadians but existed primarily as a more effective marketing and sales conduit of books published by foreign presses. Canadian-owned houses benefited from representing 700 American and British publishers (MacSkimming, 2007, p. 31). Those presses that did in fact publish books in Canada concentrated not on works of literary imagination, but on educational and scholarly publishing. In noting the scale of the profits gleaned in this sector, MacSkimming (2007) records that “while publishing a novel or book of poetry was risky and the typical print-run of 2,000 copies took a long time to sell through, adoptions by school boards of a textbook that was either adapted or created specifically for the Canadian school system routinely had print-runs of 50,000 copies” (p. 32). Moreover, as Lorimer notes, “a massive reorientation of education through curriculum revisions in the United States, Canada and elsewhere in the western world, based on the theories of the pragmatists, notably John Dewey” meant that imported American educational materials occupied a particularly favoured position (Lorimer, 1991, para. 20). Canada thus provided a commercially lucrative educational market. American publishers catering to this market were able to reap large profits, and major American companies such as John Wiley & Sons, Prentice-Hall, Addison-Wesley, and Holt, Rinehart soon abandoned selling books through their agents in Canada and opened up branches in Canada themselves. Most often these branches simply adapted an American textbook and model to reflect Canadian geographical and historical realities, thus saving enormous amounts in the development of the texts, and making it virtually impossible for

Canadian-owned publishers to compete in this market (Lorimer, 1991). The economies of scale achieved thus prevented Canadian publishers from the very beginning from publishing in areas that might be sustainable and lucrative, while being consigned to producing the culturally relevant but far riskier works of fiction and non-fiction. Conversely, foreign branches consistently tapped in the most lucrative markets, while eschewing the production of riskier fiction and non-fiction works.

Even with the few Canadian-owned publishers, there was a wide gap between Canadian publishers and Canadian authorship of their books. A Canadian owned publisher would often double as an agency for foreign publishers, thus attempting to achieve efficiency through economies of scale. The presence of relatively few international branch publishers with the concomitant domination of agencies in 1950 had led the Massey Commission to neglect the issue of ownership, and would lead to their focussing on financial support for publishing individual Canadian titles. The mandate of the Canada Council of Arts, set up in 1957, was therefore to support individual writing projects. This focus on individual Canadian works rather than a flourishing Canadian industry would set the stage for the gradual takeover of the Canadian publishing industry over the next five decades by foreign-owned multinational corporations, and the subsequent incapability of Canadian presses to compete and survive apart from continued government support and funding.

Questions of ownership and the beginnings of funding for the publishing industry

In the wake of the Massey Commission's recommendations, and with the advent of support provided by the Canada Council of the Arts, a number of new Canadian publishing houses opened in the fifties and sixties, and a burgeoning body of Canadian literature was

being sought and published. Jack McClelland of McClelland & Stewart was key to creating an excitement about a growing list of Canadian authors, publishing and publicizing the talent of Margaret Atwood, Margaret Laurence, Gabrielle Roy, Pierre Berton, and Farley Mowat, among others in the 1960s (MacSkimming, 2003b). But the precariousness of publishing was illustrated by McClelland & Stewart's reduction in revenue from the loss of the prestigious American publisher Alfred A. Knopf. Until 1960, McClelland & Stewart had acted as an agency for Knopf, in addition to being a publisher. When Knopf merged in the United States with Random House, the distribution of Knopf's titles were automatically transferred to Random House's branch in Canada, and McClelland & Stewart lost the rights to sell this agency line and the profits generated from these sales (MacSkimming, 2003b).

The loss of revenue from the transference of an agency line away from a Canadian agency to the foreign-owned multinational meant the loss of revenue which contributed to the profitability of the Canadian publishing house, which could then use these profits to invest in publishing Canadian works that did not yield the same profit margins. Thus, both the movement of foreign publishers into Canada, as well as the range of mergers that were beginning to occur outside the country in the 60s and which would accelerate in the 70s and 80s, would result in a constant diminishing of Canadian control over the book publishing industry. The Massey Commission's lack of focus on the importance of Canadian control of publishing resulted in a failure to recognize the connection between Canadian distribution of foreign titles, profitability, and re-investment of profits in the publishing of Canadian authors. In other words, if the structure of Canadian publishing did not remain in the control of Canadian publishers, the prohibitive costs of publishing for Canadian publishers could not be offset by economies of scale, and the Canadian publishing industry would struggle to survive.

Moreover, where no cultural policy existed to prohibit the takeover of Canadian publishers by foreign-owned corporations, well-capitalized foreign firms could as easily make a bid to invest in, takeover, and control Canadian publishers. Indeed, it was precisely the takeover of two historic Canadian publishing firms – Ryerson Press and Gage Educational Publishing – by American interests that led to the formation of a Royal Commission on Book Publishing in 1972 with the mandate to focus specifically on the structure of the book publishing industry.

The 1972 Royal Commission on Book Publishing listed the same issues of economies of scale plaguing the Canadian book industry that had been listed earlier in the Massey Commission's report—"limitations imposed by geography, by population, by changing educational theories, by new technology, by foreign laws, by poor communication" (Royal Commission on Book Publishing, 1972a, p. xi). The industry as a whole had remained "beleaguered" throughout the sixties. Increasingly, however, as they conducted their review of the industry, a new issue of ownership had also emerged. Increasingly, foreign publishing houses, whose lines of books had been successfully sold by local Canadian publishers as part of agency agreements, were opening up subsidiary branches in Canada, which in turn led to the loss of revenue by Canadian owned publishers (Royal Commission on Book Publishing, 1972a, p. x). More serious was the takeover of a few Canadian publishers [Ryerson Press and Gage Press] by foreign firms in 1970 (Royal Commission on Book Publishing, 1972a, p. x). The increasing presence of foreign-owned publishers led to an examination of works published in 1970 in Canada. The question asked was, were subsidiaries simply acting as agents for the parent company's line of books, or were they undertaking publishing within Canada? In 1970, there were forty publishers listed as members of the Canadian Book Publishers' Council and seventeen publishers that belonged to the Independent Publishers'

Association (Royal Commission on Book Publishing, 1972b, p. 59). Altogether that year, 631 books were published (a heartening increase from the 55 listed in 1948), of which only 345 were published by Canadian-owned firms. It seemed then that since 286 original works were published by firms controlled either in Britain or the United States, non-Canadian publishers were making sizable contribution to the publication of books in Canada (Royal Commission on Book Publishing, 1972b, p. 61-62).

A closer look at the types of publishing undertaken, however, revealed a less optimistic publishing landscape. The Massey Commission had linked the support of literary publishing in Canada to the formulation of Canadian national and cultural consciousness. In 1970, of the 631 books published in Canada, 170 belonged to the category of Canadian literature (including fiction, poetry, drama, and criticism), of which only 46 were published by non-Canadian firms (Royal Commission on Book Publishing, 1972b). If only works of fiction and poetry were counted, only Macmillan and Oxford University Press of the non-Canadian publishers, had published works of “creative imagination” in these areas, publishing nineteen titles between them (Royal Commission on Book Publishing, 1972b). Creative publishing in these fields were overwhelmingly published by Canadian publishing houses. The report thus revealed that the commercial realism that characterized foreign subsidiaries prevented them from participating actively in these fields. Canadian literature suffered the drawbacks of a regional literature, and was simply not an attractive domain for a business-oriented publisher.

Of concern for the Commission was the scenario in which creative and critical editorial competence was underdeveloped in Canada since it could not be nurtured in houses where the publishing parameters required that every title published be profitable. If the small and struggling Canadian publishing houses that published works of creative and cultural

importance continued to remain under stringent financial pressures, they would not survive. The Commission recognized that the very presence of Canadian publishers ensured the continued presence of subsidiaries in Canada:

If the market could be rendered equally profitable and secure to the parent company without its operating a branch plant here, it would close down its Canadian office even more quickly than it opened it...This is a condition that could very well arise if original Canadian publishing diminished further in importance, for example, through the disappearance of the last of the Canadian-owned houses of any size. Then there would be no original publishing done by Canadian houses, and soon there would be less reason for foreign subsidiaries to do much either. (Royal Commission on Book Publishing, 1972b, p. 69)

The dangers of foreign takeovers and business failures among Canadian publishers thus lay in the diminishment of Canadian publishing altogether. The disappearance of Canadian control of publishing would result in certain kinds of books in Canada not being published at all – books of creative and literary merit which did not return an adequate profit, or books of political and critical importance launched on behalf of Canadian economic and cultural nationalism, or books of regional history and culture which had even more restricted markets. The Commission noted that not a single of the recent works written on behalf of Canadian national or regional interests were published by foreign-owned publishing houses (Royal Commission on Book Publishing, 1972b).

The second Royal Commission's report thus focused on the viability of the Canadian book industry itself as vital to the survival of Canadian cultural identity. In assessing the issue of ownership, however, the Commission rejected any repatriation of foreign-owned firms

which would require them over time to restructure ownership in order to place majority control in Canadian hands. The Commission noted that a publisher's real assets were not so much the physical inventory of books, but the possession of copyright licenses. If forced to leave the country, the foreign publisher might take his copyright with him, which would lead to a range of titles not being available at all in Canada. The greater fear was the unavailability of the books of Canadian authors published by such a publisher.

While rejecting a wholesale repatriation of foreign-owned firms, the report nevertheless recognized the nature of the struggle between foreign and local publishing companies. Committed as they were to profit, foreign-owned firms inherently chose and produced those titles that by their extensive sales could only expand and increase the influence of the foreign firms in the Canadian marketplace. Meanwhile, publishing titles with few prospects of adequate profits coupled with growing pressures from the domination of foreign-owned firms would lead to the demise of many Canadian publishers. Despite this knowledge, the report itself seemed to evince a sense of helplessness with regard to stemming the tide of influence of multinational capital and its threat to indigenous Canadian publishers. On the structure of the Canadian industry, it was permeated by a sense of the inevitability of foreign domination. The language in which the rejection of the repatriation of Canadian companies that had been sold indicates the reason for this sense of helplessness. The language of *choice* placed cultural products as *commodities* being produced to which *consumers* needed "access": "The freedom to read assumes freedom of access to books issued by foreign and multinational publishers....Artificial restriction of the general public's access to such published works could constitute censorship... [This constituted] restricting an individual's right to select his own reading material." (Royal Commission on Book Publishing, 1972b, p. 75). Since the foreign

publisher holds the copyrights to works published by Canadian authors, a foreign firm forced to divest its branch to Canadians would take the copyrights to the works of Canadian authors with them, thus limiting access to these books. The commission noted that “it might be possible to force the branches of these [foreign] firms to ‘go Canadian or leave’, but it would not be practicable to force them to surrender their copyrights. Better far that they should publish Canadian books as well as their own than that they should get out of Canadian publishing and sell nothing but their own books here [through agencies]” (Royal Commission on Book Publishing, 1972b, p. 75). Authors, made equivalent with the copyrights for their books, thus became *commodities* rather than voices which continued to speak to a society of citizens who collectively created culture. In such a market culture, the best that could be achieved was life-support to small Canadian publishers to ensure their survival.

Canadian control of its industry was thus rejected, while government aid to publishers was emphasized as the solution. This would result in increased funding to the Canada Council of the Arts, whose mandate would expand to include awarding block grants directly to publishers. Block grants were designed to enable established Canadian publishers to offset the costs of publishing Canadian books that make a significant contribution to Canadian literature. In addition to block grants, the Council instituted emerging publisher grants for new publishers. By 1979, the Council was awarding assistance to ninety publishing houses through the block grant program, and to sixty-nine for assistance in publishing individual titles (Canada Council for the Arts, 2004).

A further result of this report and of increasing pressures perceived in the book publishing industry, would be the institution by the Department of Canadian Heritage of the Book Publishing Industry Development Program (BPIDP) in 1979, (renamed the Canada

Book Fund (CBF) in 2009). BPIDP's mandate was to focus almost exclusively on the viability of Canadian publishers with support to the ongoing *production* and *promotion* of Canadian books and titles. Its "Aid to Publishers" program was instituted as a reimbursement of spending based on the losses of the previous year. Contributions to publishers would be based entirely on previous years' sales (Book Publishing Industry Development Program, 2009). Over the 80s and 90s, BPIDP's support would encompass not just funding for production and promotion, but also for a range of business activities from building technological infrastructure to funding for internships, research, business planning, and marketing and advertising. In other words, as multi-national corporations expanded and controlled more and more of the circuit of capital from production through to distribution, government funding needed to grow along the entire circuit of capital as well in order to ensure the competitiveness of indigenous cultural sectors. Along with funding from the Canada Council, BPIDP funding would therefore become increasingly responsible for the financial survival of the Canadian publishers it would support.

The subsidy-rich environment of the 1970s and 1980s immediately resulted in the growth in the number of new publishers over these decades. In the years 1970-1979, 21% of publishers in business today had their beginning. From 1980-1989, another 21% of publishers in business today began operating (Boggs, 2010). Subsidies thus accounted for an expansion of Canadian publishing, as new publishers were able to access grants that enabled their operations to take off and survive. The increase in the numbers of publishing houses over the next decades thus indicated the importance and effectiveness of government funding to the entrance of Canadians into the industry, and reinforced a growing-confidence in a Canadian identity, and the contribution Canadian books could make in the cultural landscape. But the

increase in numbers of publishers had little correlation to their viability vis-à-vis multinational publishers, so that almost all of the publishers that began operations in this period have continued to remain small- or medium-sized businesses (Boggs, 2010). Thus, a growth in the number of Canadian publishers over these decades also reinforced dependence on the government for the expansion and survival of the Canadian publishing industry.

Public Policy and Ownership in the Book Industry

Despite the Royal Commission's emphasis on funding for the continued viability of the Canadian publishing industry, it did recognize that the wave of mergers and takeovers beginning to take place globally posed a distinct and increasing threat to the cultural sovereignty of Canada (Royal Commission on Book Publishing, *Background Papers*, 1972, p. x). The new globalism in telecommunications and media heightened the sense of cultural vulnerability not just for Canada's cultural industry but abroad as well. Precisely because foreign-controlled publishers already had branches operating in Canada for over a century, a completely Canadian-controlled book publishing industry (as occurred with broadcasting) was not possible. Despite these facts, it was the government that stepped in to restrict and regulate foreign takeovers and investments in the cultural industries, and to ensure that Canadians would be in control of the means of their own cultural production.

Foreign Investment Review Act: The first policy attempt to limit foreign investment

In the wake of international mergers and takeovers occurring in the 1970s not only in the cultural industries, but also across every other manufacturing and service industry globally, the Trudeau government moved to examine and regulate all foreign investment, and especially to restrict this investment in the cultural industries. The *Foreign Investment Review Act* (FIRA), set up in 1974, was the first concrete step towards limiting the increasing foreign domination of multi-national media companies by focussing on *ownership* of the cultural industries (Department of Canadian Heritage, 2007b). FIRA prohibited foreign takeovers of Canadian-owned publishers and disallowed start-ups by foreign-controlled firms. Indirect acquisitions also had to be reviewed, so that if a foreign-controlled subsidiary in Canada

changed hands through a takeover outside the country, FIRA had to assess the impact of the takeover in cultural and economic terms. The transaction could be approved only if it was deemed of “net benefit” to Canada (Department of Canadian Heritage, 2007b). “Net benefit”, according to Industry Canada was defined as encompassing the following factors:

- a. The effect on the level of economic activity in Canada, on employment; on resource processing; on the utilization of parts and services produced in Canada and on exports from Canada;
- b. The degree and significance of participation by Canadians in the Canadian business or new Canadian business and in any industry or industries in Canada;
- c. The effect of the investment on productivity, industrial efficiency, technological development, product innovation and product variety in Canada;
- d. *the effect of the investment on competition within any industry in Canada* [italics added];
- e. the compatibility of the investment with national industrial, economic and cultural policies; and
- f. the contribution of the investment to Canada's ability to compete in world markets.

(Industry Canada, 2009)

The language of “net benefit” was remarkable in that while it was entirely economic in its terms, it provided the agency administering FIRA with a broad-ranging mandate to examine foreign investment based not solely on cultural factors, but also on the effect of the foreign investment on employment, economic activity, productivity, technological development, product variety, and competing Canadian industries. A mandate as broad-ranging as this stemmed from the Trudeau government’s attitude that while foreign investment was

beneficial, its extent could threaten Canadian cultural sovereignty (Department of Canadian Heritage, 2007b). This section of the policy meant that foreign publishers with exclusive agents in Canada were not allowed to set up their own new subsidiary and thereby to take the agency away from the Canadian firm that represented them. The Federal Investment Review Agency was given the mandate to review “indirect acquisitions” as well, evaluating for net benefit in cultural and economic terms every time a foreign-controlled publishing subsidiary in Canada changes hands through a takeover outside the country (Department of Canadian Heritage, 2007b). The section on “indirect takeovers” would be the most contentious, for it meant that when a foreign publisher which had a Canadian agent was acquired abroad by another foreign publisher which already had a subsidiary working within Canada, the agency business could be prevented from being transferred to the foreign-controlled subsidiary, thus avoiding a concomitant loss to the domestic publisher’s revenue. Economic benefit was examined therefore not in terms of consumer choice, but in terms of Canadian cultural sovereignty, and there was a sincere attempt through this policy to move away from the commodification of authors that had been latent in the report of the second Royal Commission.

The result of the application of this policy for the strength of Canadian publishers soon became evident. There were several important proposed acquisitions of book companies that were rejected under FIRA. In 1976, the American conglomerate Gulf + Western (which would later become Paramount, and still later would be merged into the multinational conglomerate Viacom) acquired the New York publisher Simon and Schuster, including Simon & Schuster’s paperback arm, Pocket Books. The move meant that Simon & Schuster’s lucrative Canadian business would be transferred from Canadian publisher, General Publishing, to their wholly

owned asset, Pocket Books of Canada, resulting in a major loss of revenues for General Publishing. As a result of FIRA's rejection of this transfer, General was able to retain the Simon & Schuster agency *and* acquire Pocket Books of Canada (Audley, 1990). Similarly, in 1977, Doubleday in America took over Bantam books, which were distributed in Canada by McClelland & Stewart. But under FIRA's legislation, Doubleday was permitted to complete the Canadian part of the takeover only if Bantam partnered with McClelland & Stewart to create a new imprint Seal Books, which would include paperback versions of Canadian works along with Bantam's prestigious list. This move not only prevented a transference of Bantam's list away from McClelland & Stewart, but increased the presence of Canadian-authored paperbacks in the marketplace (Audley, 1990). The proposed acquisition of Lippincott by Harper & Row had detrimental implications for two Canadian publishers: Fitzhenry & Whiteside, who distributed Harper & Row titles, and McClelland & Stewart, who distributed Lippincott's titles. When FIRA denied the application, Harper & Row decided to close down Lippincott Canada rather than divest control to McClelland & Stewart, but Lippincott's titles continued to be warehoused and sold in Canada through other Canadian agents, thereby never being unavailable in the Canadian market. The Harper & Row business agency remained with Fitzhenry & Whiteside (Audley, 1990). In January 1979, Dow Jones' indirect takeover of Irwin-Dorsey of Canada was denied. Unwilling to sell a controlling interest of Irwin-Dorsey to Canadians, Dow Jones challenged the authority of FIRA in the courts, but the judge upheld FIRA's decision and authority. Despite Dow-Jones' public threat to close down Irwin-Dorsey of Canada, Audley (1990) notes that "within two years bookstores were again ordering Irwin-Dorsey books from a Toronto warehouse" (p. 63).

The results of these rulings revealed that net benefit was calculated not in terms of accessibility of books to Canadian consumers in general but in terms of benefit to the Canadian publishing industry as well. More importantly, the unhappiness of the holding companies and the threat to withdraw its titles from Canada – the threat that the second Royal Commission had feared – was never truly implemented. The growing size of the Canadian market and the profits to be made from it were too lucrative to give up. This emphasis on the health of the indigenous Canadian publishing industry as indicative of cultural vitality as opposed to the accessibility of commodities to consumers was what made FIRA's rulings the first potentially effective policy in mitigating some of the detrimental impacts of the mergers and takeovers that were sweeping across communications industries globally.

FIRA was eventually undone, however, not due to a lack of nerve on the part of the government to reject proposed foreign acquisitions, as much as due to the inconsistency of its rulings on indirect acquisitions. Part of the problem lay in the lack of clarity around whether the mandate to "review" indirect acquisitions necessarily meant that those acquisitions were to be divested to Canadians. No clear *prohibition* existed in FIRA's mandate to indirect acquisitions of foreign owners going forward since these would be evaluated on a case-by-case basis. While the language of FIRA thus ostensibly placed the health of the indigenous Canadian industry at the centre of the government's concerns, in practise there were proposed foreign indirect acquisitions that were not rejected by FIRA. Often the capriciousness of these decisions was highlighted all the more in that the reasons or conditions for approval were not publicly available. Takeovers of Bantam Books, Whitman Golden, Random House, and GLC were all approved subject to specific undertakings on the parent company's part, but these undertakings were not made public (Audley, 1990). This inconsistency was criticized both by

Canadian-controlled publishers as well as foreign buyers whose acquisitions in Canada had been blocked by FIRA, and a review of FIRA was called for in 1985 – a review which would close loopholes in the formulation of FIRA’s mandate administratively and legally, and create a more robust policy to guide the implementation of cultural protections for the book publishing industry.

The Baie Comeau Policy: The second policy attempt to build a sustainable publishing industry

As international mergers and acquisitions continued to take place and the presence of multi-national communications companies loomed all the larger in the 70s and 80s, a range of countries besides Canada recognized the threat posed by the power of these multinationals to their domestic cultures. The importance of policy to withstand the onslaught of cultural imperialism from media conglomerates was specifically emphasized through UNESCO, particularly in the *Report of the MacBride Commission* in 1980. The Commission’s report highlighted the tendency of the mass media to serve “narrow sectarian interests” and be turned into “new instruments of power, justifying assaults on human dignity and aggravating the inequalities which already exist between nations and within nations themselves” (International Commission for the Study of Communication Problems, 1980, p. xiv). The inherent conflict between open economies and indigenous, democratic cultural development was recognized as encompassing not just developing world nations, but also developed nations such as Canada which were vulnerable due to their relatively sparse populations, and active government policy intervention was recognized as necessary (International Commission for the Study of Communication Problems, 1980). Anthony Smith’s (1980) study of media imperialism noted

that “no country in the world probably is more committed [than Canada] to the practice of free flow in its culture, and no country is more completely its victim” (as cited in Department of Communications, 1987, p. 12).

Within this context of growing consternation about the survival of indigenous cultural industries, the Association of Canadian Publishers (ACP) called for the government to go beyond emergency funding in order to create the conditions for the book publishing industry in Canada to be sustainable. Despite increased funding over the 70s, there was the clear recognition that over the decade of the 70s and early 80s, “the fundamental structural dilemma affecting Canada’s cultural industries [had] worsened” (Department of Communications, 1987, 12). The ACP called for the government to take up the responsibility to shape policy that might enable Canadian publishers to achieve a reasonable return on their investments while calling for structural intervention in the industry (Aldana, 1980). Growing international awareness of the vulnerability of domestic culture, the concerns of local cultural advocates, the voiced sense of fragility of those working in the cultural industries, and the recognition that the existent regulatory policy in the shape of FIRA had not stemmed the growing power of multinational capital and influence all combined in 1985 to urge the government to draft a more extensive, interventionist and empowering book publishing policy for Canada, called the Baie Comeau Policy.

At the same time as these concerns were percolating, however, the newly elected Conservative government of Brian Mulroney was beginning to promote the virtue of neoliberal economic policy in the form of North American free trade (McDonald, 1995). Thus in 1985, FIRA was replaced by Investment Canada, whose mandate was less to regulate than to *encourage* foreign investment. The drive towards loosening regulations to promote free

trade was pitted against the need to tighten regulations to limit foreign investment in the cultural industries, and both these contradictory pressures in foreign policy were to be administered by the same department, Investment Canada (McDonald, 1995). The Baie Comeau policy, drafted by the minister of Communications at the time Marcel Masse, sought exemptions from the increased drive toward free-trade policies in the realm of culture for Canadian-owned publishing. In their efforts to sell the concept of free trade to Canadians, the government could mitigate concerns about the diminishment of Canadian sovereignty through policies that promised Canadians protection for their culture (Maryse, 2000). Limitations on foreign investment for the book publishing industry in the form of the Baie Comeau policy thus became critical for the protection of Canadian cultural sovereignty in the face of an economy increasingly shaped according to neoliberal doctrine.

With respect to the structural changes required within the industry, Masse recognized that “it has now been 15 years since the state began subsidizing Canadian publishing. Government support, which has increased constantly during this time, has still not altered the structural make up of the publishing and book distribution sector. It is therefore obvious that without structural change the government would have to increase its support, continually, simply to maintain the status quo” (Masse, 1985, p. 2). The implications of increasingly large conglomerates controlling all the stages from production through to distribution meant that local cultural industries would only deepen their dependence on government funding simply to survive and without ever achieving stability. Masse modelled the Baie Comeau policy on Quebec’s cultural policy (Ross, 1992a). Since 1971, the Quebec government had made it mandatory that its agencies and school boards buy books only from bookstores owned by Quebec residents. Quebec bookstores were required to carry a quota of books published by

Quebec publishers. And publishers and distributors both had to be owned by residents of Québec in order to qualify for discounts (Ross, 1992a). The result of this policy was that Quebec publishers grew to be the most profitable and stable publishing sector in Canada, with textbook publishing and distribution – the two most lucrative areas – dominated by Quebec publishers (Ross, 1992a).

According to the Baie-Comeau policy, new foreign investors in book publishing, distribution and retail would have to partner in joint ventures with Canadians holding majority control, if they wanted to invest in Canada (Audley, 1990). This aspect of the policy mirrored FIRA's requirement, and the impact similarly meant that the profits from the sales of foreign books could accrue to local Canadian publishing industries who could then use the surplus to bolster their own publishing programs, thereby bolstering the publishing of Canadian voices while buffering the risks. The policy reflected the premises that established subsidiaries of foreign publishers could continue to operate in Canada, that foreign publishers could continue to export their books into Canada through either their already established subsidiaries or through their Canadian agents, and that for mergers and acquisitions that had already taken place the policy would not be implemented retroactively so that there would be no forced divestiture by existing owners (Audley, 1990).

It is, however, the manner in which the Baie Comeau publishing policy went further than FIRA's requirement to combat the detrimental economic impacts of the mergers and takeovers that were occurring worldwide in the 70s and 80s, that this publishing policy truly attempted to mitigate the dangers from powerful multinational corporations to the smaller, artisanal production occurring in Canada. The two key provisions of the policy which dealt with foreign-controlled businesses read as follows:

- For foreign-controlled businesses, direct acquisition could proceed if divestiture of control to Canadians occurred within a reasonable period of time (two years), at fair market value.
- Indirect acquisitions...are allowed only when control will be divested to Canadians within a reasonable period of time (two years), and where effective competition will not be lessened. (Audley, 1990)

These two provisions made clear that whether acquisitions were direct or indirect, control was to be divested to Canadians. Thus if a foreign publishing company had a subsidiary in Canada, and were to change hands abroad, thereby impacting the ability of the Canadian subsidiary to either remain with the Canadian agent through which its books were distributed or to maintain editorial autonomy as a local publishing venture, and instead would accrue to the larger, powerful multi-national conglomerate, the policy boldly stated that the subsidiary had to be sold to Canadians in order both to keep capital within the circuit of Canadian cultural publishing, as well as to withstand the enormous power of the multinational corporation. This strategy would thereby redirect revenue flows from the most profitable parts of the industry into the hands of Canadian publishers.

Given the waves of consolidation occurring internationally at the time, the implementation of the Baie Comeau policy would have strengthened the holdings of Canadian publishers dramatically, providing a cushion and some measure of security for their own publishing programs. While the policy was not to be enacted retroactively, the constant international changing-of-hands of parent companies meant that over time more and more foreign subsidiaries in the Canadian market would need to be divested to Canadian control. The goal was to make Canada's cultural industries less reliant on constant government

subsidies, a reliance which was a symptom of the domination of US mass entertainment (Department of Communications, 1987). Due to the constant overflow of US entertainment into Canada, Canada remained second in state support for the arts among twenty-four industrialized nations, and yet Canada's artists and authors claimed a lower share of their own markets than anywhere else (Department of Communications, 1987).

The Baie-Comeau policy, while being formulated by the Department of Communications, would be implemented by the Investment Canada agency and by the Minister of Industry, Science and Technology, who was responsible for making decisions under the Investment Canada Act. While the Investment Canada Act, amended to take into account the provisions of the Canada-US Free Trade Agreement (FTA) contained exemptions for cultural industries, one specific article in FTA amended the specific provisions regarding the requirement to divest *indirect* acquisitions to Canadians. The divestiture requirement of direct acquisitions could remain as stated in the Baie Comeau policy. But divestiture of indirect acquisitions were to be implemented according to a new requirement. Article 1607 (4) of the Canada-US Free Trade Agreement stated that

In the event that Canada requires the divestiture of a business enterprise located in Canada in a cultural industry pursuant to its review of an indirect acquisition of such business enterprise by an investor of the United States of America, Canada shall offer to purchase the business enterprise from the investor of the United States of America at fair open market value, as determined by an independent, impartial assessment. (as cited in Audley, 1990).

The clause stipulated that where no Canadian buyers could be found to purchase the business at "fair open market value", the Government of Canada would be required to step into the

breach and purchase the business. As Audley (1990) noted in his report, “What precisely ‘fair open market value’ means is not evident from the FTA itself, but it presumably means the price that would be paid for the Canadian publishing or distribution business if it could be sold to the highest bidder, rather than to the highest Canadian bidder” (p. 67).

The first test of the implementation of the policy came almost immediately upon its adoption. Gulf + Western had acquired the foreign subsidiary Prentice Hall Canada, and according to the policy, 51% of Prentice Hall Canada had to be divested to Canadian owners within two years of this acquisition. Gulf + Western’s lawyers argued that the policy could not be applied retroactively, and then threatened to close down Prentice-Hall Canada (Lorimer, 1989). The Baie Comeau policy would thus provide a significant barrier to the formation of integrated multimedia corporations, and would prove a major irritant to these global firms. Gulf + Western’s vague threats to use a “scorched earth policy” and shut down all Canadian operations of its companies led the government to retreat on the implementation of its newest policy (Winsor, 1994). Prentice Hall Canada was allowed to be transferred to Gulf + Western without a share of Canadian ownership, under the pretext that the transaction had predated adoption of the policy by one month. Gulf + Western had acquired Prentice-Hall in the USA in June 1985, while the Baie Comeau policy was announced one month later in July 1985 (Winsor, 1994). The same privileges would then extend to Pearson PLV, the British based owner of Penguin and Viking, which had also just acquired Pitman PLC, which had owned the Canadian firm Copp Clark since 1963 (Audley, 1990).—

Late in 1985, Gulf + Western had acquired two educational publishers with Canadian branches, Ginn and General Learning Corporation (GLC). The company then put off buyers for far longer than the two years provided in the legislation. Only four years later, in 1989, did

it agree to sell Ginn and GLC in order to comply with the Baie-Comeau policy, but claimed that there were no suitable buyers for the Canadian subsidiaries. Clause 1607 (4), which had been designed to compensate American investors for assets “expropriated” under Canadian policy, required the Canadian government to purchase at “fair open market value” any company divested of American ownership under Baie-Comeau. Thus, when Gulf + Western claimed that no acceptable Canadian offers had been put forth, the Canadian government was forced to purchase 51% of the company through the Canadian Development Investment Corporation, at the price of \$10.3 million (Lorimer, 1989). But in the purchase agreement, Gulf + Western retained the power to have 50% representation on the board as well as to approve or veto any Canadian investor that might wish to purchase Ginn/GLC from the Government, and Gulf + Western went on to make exceedingly difficult the acquisition of shares by key Canadian publishers that had expressed interest in the case – McClelland & Stewart, Key Porter, Canada Publishing Inc (Lorimer, 1989), Reidmore Books of Edmonton (Ross, 1994), Fitzhenry & Whiteside, and Lester & Orpen Dennys (Sheppard, 1989). Gulf + Western’s rejection of all potential Canadian buyers led to the government reselling Ginn/GLC back to Gulf + Western in February 1994 at exactly the \$10.3 million price of original purchase in a deal which was made verbally and in secret, thereby foregoing the divestiture-to-Canadians requirement of this indirect acquisition (Winsor, 1994).

Given the opposition by multinational corporations, the Baie Comeau policy consistently faced difficulty in being implemented in Canada. As Lorimer (1989) states, “the new globalism represents a fresh assault on cultural industries as cultural institutions first and businesses second rather than businesses first and cultural institutions second” (para. 42). MacSkimming (2002) argues that the drawn out battle between Gulf + Western and the

government along with a panicked wish to avoid having to purchase foreign firms led to a change in the Government's resolve to implement the Baie Comeau policy. The clash between culture and economics would play out increasingly in favour of the conglomerates, as the Investment Canada Agency failed to implement the Baie Comeau policy through a series of takeovers:

1) The Harcourt, Brace, Jovanovich takeover by CBS affected the subsidiaries Holt, Rinehart & Winston of Canada Ltd., Les Editions HRW, and W.B. Saunders.

Nevertheless, the companies were all allowed to merge without divestiture to Canadians (Audley, 1990).

2) In 1987, the West German media conglomerate Bertelsmann purchased the New York publishing conglomerate Bantam, Doubleday, Dell. Under the Baie Comeau policy, Bertelsmann did divest 51% of the Canadian subsidiary Doubleday Canada to Anna Porter of Key Porter Books Ltd. By 1991, however, Anna Porter had resigned from Doubleday Canada due to her struggle over questions of control, and by early 1992, she was forced to sell her majority shares in Seal Books to Doubleday Canada (now wholly owned by Bertelsmann). (Ross, 1992c)

3) In 1988, Penguin was allowed to takeover the New American Library (NAL) when it acquired NAL indirectly, by convincing the government that it was actively seeking out and publishing Canadian writers, as well as stating that NAL was only a distribution operation and not a publisher (Lorimer, 1989).

4) Robert Maxwell of Maxwell Communications acquired Macmillan, Inc. (USA), and thereby was allowed to acquire Collier Macmillan (Canada) and Science Research Associates (Canada) Ltd. Investment Canada dragged its heels in forcing divestiture.

When at the end of 1991, Maxwell/Macmillan filed for Chapter 11 bankruptcy in the US, Investment Canada's delay meant that Canadians were not yet majority owners of Collier Macmillan (Canada), and therefore did not have the chance to buy out the rest of the company (Ross, 1991). Maxwell/Macmillan was then bought out by Paramount Communications (formerly Gulf + Western).

5) In 1989, Rupert Murdoch's conglomerate News International was allowed first to acquire William Collins & Sons Canada, and then use Collins as the basis for expansion in Canada by acquiring Harper & Row to create the behemoth HarperCollins, even though the deal gutted the revenues of Harper's Canadian agency, Fitzhenry and Whiteside (Audley, 1990).

6) Murdoch continued to expand, acquiring the publisher Scott Foresman, and taking away the Scott Foresman Agency business from the Canadian-controlled firm, Canada Publishing Corporation (Audley, 1990).

The 1980s and early 1990s were thus hard for publishers. Multiple takeovers had occurred in Britain and the United States, with multinational conglomerates swallowing up all but the smallest publishers in the United States. By 1990, any attempt to implement the Baie-Comeau policy had been abandoned. With the failure to implement the Baie Comeau policy, all three of the publishing behemoths that now dominate the industry – Pearson PLC belonging to Paramount Communications, HarperCollins belonging to Rupert Murdoch, and Bantam/Doubleday/Dell belonging to Bertelsmann – had consolidated and were operating as large foreign branches in Canada by the end of the decade. The impact on local Canadian firms was immediately apparent. A Price Waterhouse & Co study conducted in January 1991 pegged the loss of revenue for the six largest Canadian publishers at 6% for the year 1988 to

1989, and a further 6% for the year 1989 to 1990 (Ross, 1992a). By the end of 1991, a number of established firms, such as Clarke, Irwin; Lester & Orpen Dennys; Hurtig Publishing; Summerhill Books; and Prairie Books of Saskatoon had closed down (MacSkimming, 2003a). Each of these Canadian publishers was well respected in the industry, and their bankruptcy highlighted the precarious financial grounds upon which Canadian publishing was being increasingly run. The government of Canada had retreated from its chance to implement a cultural policy which would have mitigated the effects of takeovers within Canada, and from its chance to encourage the increasing Canadian ownership and control of the book publishing industry in Canada.

Paul Audley's (1990) report to the Department of Communications had outlined several of the Baie Comeau policy's weaknesses, as well as provided possible policy options regarding the policy. His analysis had argued that while the Baie Comeau policy had specified that divestiture should occur to Canadian controlled businesses, just what that control was had not been adequately defined. He drew the distinction between *de jure* (according to the law), and *de facto* (control in fact) control: "the test of control which is applied under the general provisions of the Investment Canada Act is one of *de jure* rather than *de facto* control. As a result, foreign investors can meet Investment Canada's definition of Canadian control without necessarily actually surrendering control" (p. 71). Acquiring *de facto* control may be what the Department of Communications and the Investment Canada Agency would have wished, but there was in fact no "necessary authority in the *Act*" to obtain this (p. 71). In fact, this is precisely what happened with Gulf + Western. In selling Ginn/GLC to the government, but retaining the rights to veto major decisions, Gulf + Western essentially retained control of Ginn/GLC until the government had no option but to resell the Canadian subsidiaries to them.

Moreover, there were ways to manipulate the definition of Canadian control, and prevent actual Canadian decision-making from taking place. If a majority of voting shares were issued to Canadians, the Corporation would be considered to be Canadian-controlled and could therefore purchase a publishing business while not having to comply with either the *Investment Canada Act* or the Baie Comeau policy since both these policies applied to *foreign* investment. "This classification as a Canadian entity would result despite the existence of a shareholders' agreement which specifies that the non-voting shareholders have the right to appoint one or more directors and that no significant or material changes, as exhaustively specified, in the corporation may be made with the approval of *all* directors" (p. 72). The minimal requirement of 51% of voting shares provides not only a tenuous margin by which Canadian-control is defined, but the requirement specifies nothing about either Canadian-controlled decision-making or the presence of non-voting shares. Anna Porter's resignation from Doubleday Canada (owned by Bertelsmann) in 1991 over her lack of control over Doubleday Canada's operations despite owning 51% of the shares, exemplifies this problem. When Porter left, a 51% paper share in Doubleday Canada was provided to a retired Winnipeg lawyer named Abraham Simkin who lived in Florida in order to satisfy the Baie Comeau "divestiture" requirement (Ross, 1992c). While in fact this weakness was not exploited by many other foreign firms, the fact that it was not testifies more the manner in which Baie Comeau had begun to be ignored rather than implemented by the Investment Canada Agency. Companies did not have to resort to these kinds of tactics because their indirect acquisitions were approved. The one conglomerate which did resort to this strategy was the only one which had in fact followed the "divestiture" requirement of the Baie Comeau policy in 1986.

The final and perhaps the most important weakness of the Baie Comeau policy was the ICA assumption that if Canadians are in control (with as little as 51% of the voting shares) of a business, that they are therefore in a more stable and empowered position vis-à-vis the foreign publisher. There are a number of ways in which this would not be true. As has been mentioned earlier in the paper, a publisher's real assets are not the physical books sold as much as the rights to the books he possesses. When titles are sold through an agency, the foreign publisher does not sell the ownership of copyright to the Canadian publisher, but sells instead the finished copies at a discount. The transaction involves a contractual agreement between the foreign publisher and the Canadian agent, in which the foreign publisher is patently in the position of power (Audley, 1990), since the foreign publisher can easily shop around for an agent which will sell the most books for the least possible discount. The Baie Comeau policy had little to say about the negotiation of such contracts. Since the foreign firm held the real assets of copyright and also held the bargaining power in the formulation of the contract, it would be easy for it to reduce discount and negotiate new contracts that required all books to be purchased on a non-returnable basis, even as it sold control of its agency line to the Canadian publisher. Such a move would effectually substantially reduce the profit to the agent while simultaneously ensuring both that the full potential for profit accrues to the foreign publisher while the agent absorbs all the risk of selling and accepting returns on the books (Audley, 1990). Rupert Murdoch's strategy was precisely this. Once HarperCollins was established as nominally a "Canadian-controlled" company, Murdoch separated its Canadian companies into two divisions: Harper & Collins Publishers Ltd. was created for the purpose of publishing Canadian books, with the Colbert family in control; and Harper & Collins Books of Canada Ltd. would be controlled by News International and would act solely as a distributor,

handling imported books. Thus while Canadian control was exercised over the more uncertain business of publishing books, full control by non-Canadians was exercised over the import business, which in fact comprised a majority of the operation (Kirchhoff, 1989). Thus Murdoch's deal institutionalized the very structure that the Baie Comeau policy was designed to correct, as the riskier business of publishing Canadian titles fell to Canadian hands while the profitable import business was controlled by the foreign firm. Murdoch's manoeuvring showed up the manner in which once approval based on divestiture was granted by Investment Canada for a publishing firm, the Agency was loth to open up a case again to examine further divisions of the firm, which were designed to sidestep the economic implications of the policy.

Moreover, any test of control is the open assessment of all the conditions within the contract so that the foreign publisher does not "impose any contractual restrictions on the legitimate prerogatives of the Canadian agent to control decisions related to [the Canadian agent's] own publishing activity or the expansion of his business" (Audley, 1990). As Lorimer (1989) has remarked,

In founding one's business on a contract that has the possibility of termination, a vigorous pursuit of Canadian publishing activities could be seen to interfere with the requirements of a full and vigorous representation of agency lines. A vigorous pursuit of policies to lessen the presence of imported books on the shelves of Canadian bookstores and in Canadian classrooms would clearly be seen to interfere with agency publishing. Secondly, such activities often cut into one's profits. As a consequence, in the same way that indigenous publishing was undertaken by the branch plants in the context of the publishing program and general interests of their parents, so it was for the Canadian-owned houses in their relations with companies for which they were

agents. No foreign publisher has an interest in providing the cash flow necessary to run a competitive publishing venture. (para. 18)

Thus, to a large extent, the very success of local publishers in selling agency lines paved the way to those lines devolving away from them. Precisely at the point when significant importation was built up by the Canadian publisher which served as its agent, it made more sense for a foreign publisher to set up a branch plant for itself. This would allow it not only more control, but would allow the foreign publisher to capture all the profits. While the Baie Comeau policy was formulated precisely to reverse the trend towards ever greater control by non-Canadian publishers, the Investment Canada Act was not designed to examine such contractual provisions or to prevent the opening of branch plants, and was ill-equipped therefore to deal with this possibility.

At the time of the examination of the Baie-Comeau policy in 1990, Audley had outlined several options available to the Department of Communications and the Investment Canada Agency. If the government wished to retain the Baie Comeau policy in favour of Canadian-controlled publishing, it would need to either (a) strengthen the legislative and administrative structure in the Investment Canada Act for implementing the Baie Comeau policy, or (b) strengthen the legislative and administrative structure for implementing Baie Comeau as well as establish incentives in the forms of refundable tax credits, book distribution assistance, and development funds to provide loan and equity assistance (Audley, 1990). These incentives would target both foreign and domestic publishers, so that foreign resistance to divestiture could be assuaged while domestic publishers were enabled with funds to purchase foreign businesses. A third option, to jettison the Baie Comeau policy but nevertheless to provide incentives to encourage Canadianization of control of the industry

through tax incentives, book distribution assistance, and loan and equity assistance for local publishers was also proposed (Audley, 1990). The only other alternative was the whole-scale abandonment of the Baie Comeau policy, and the abdication of the attempt to mitigate the effects of indirect acquisitions on the Canadian publishing industry, except in terms of deepened government funding to ensure the survival of struggling Canadian publishers (Audley, 1990). Even early in 1991, the Minister of Communications Marcel Masse met with publishers to promise that he would work to close administrative and legal loopholes, and to provide the Investment Canada Act with the legal and administrative authority to enforce the Baie Comeau policy (Ross, 1992b). Among the changes he called for was that review of foreign investment cases for the cultural industries would shift from Investment Canada to the Canadian Radio-Television and Telecommunications Commission (Ross, 1992b) in order to avoid the perceived conflict of interests felt within Investment Canada's mandate. Moreover, precisely because cultural industries was the only sector in which foreign investors could complete their investments before undergoing review, making it all the more difficult to reverse investment decisions or force divestiture, Masse sought to have prior approval by the government for all new investment in the cultural industries (Ross, 1992b).

In the event, as emphasis on the US-Canada Free Trade Agreement grew towards the end of the 80s and Canadian control of its own industries was de-emphasized to focus on encouraging foreign investment, the Government of Canada chose to jettison the Baie Comeau policy in 1992. Marcel Masse was reassigned to the ministry of defence in a cabinet shuffle, and his efforts to close loopholes in order to strengthen the Baie Comeau policy went unimplemented (Ross, 1992b). It was only in 1999 that responsibility for reviewing foreign investment in the cultural sectors was transferred away from Investment Canada to the

Department of Canadian Heritage, but by this time the Baie Comeau policy was abandoned and a *Revised Foreign Investment Policy in Book Publishing and Distribution* had been formulated (Department of Canadian Heritage, 2008b). As Val Ross (1992a), publishing reporter at the *Globe and Mail*, opined, “it’s hard to say whether the old Baie Comeau was a good or bad policy, The truth, it appears, is that it was never tried” (p. A8).

The Investment Canada Act amendments: The third policy regime and the return to the status quo

By 1990, the Association of Canadian publishers gathered to lobby for action to sustain the Canadian publishing industry. The recession, coupled with the loss of revenues from unobstructed takeovers and transfers of publishing away from Canadian control had created heavy strains on the indigenous industry (MacSkimming, 2003b). The lobbying resulted in 1992 in a three-fold increase in funding to the Canada Council and the BPIDP programs by the government, with the announcement of \$140 million dollars over five years, but it also resulted in a revised cultural policy (Ross, 1992b). The divestiture requirement of the Baie-Comeau policy was jettisoned in favour of an easier policy that hearkened back to the Trudeau era: new foreign-controlled companies could not establish publishing or bookselling operations in Canada; and direct foreign takeovers of Canadian companies were disallowed. However, even with direct takeovers, there was an exception: the acquisition of a formerly Canadian-controlled business by non-Canadian interests was not permitted *unless* the business was in financial trouble and there are no Canadian purchasers (Department of Canadian Heritage, 2008b). Essentially this meant that a cash-strapped Canadian holding could be sold to foreign investors if no reasonable Canadian offers were received. With respect to indirect

acquisitions, there was a return to the “net benefit” criteria that had been formulated under FIRA: changes in ownership would be gauged by whether they benefited Canadian interests (Department of Canadian Heritage, 2008b). Ownership agreements would include stipulated “undertakings” – agreements to do something of benefit (Department of Canadian Heritage, 2008b). According to Section 20 of the revised *Investment Canada Act*, “net benefit undertakings” fell into four broad and vaguely worded objectives that failed to mention benefit to the indigenous Canadian publishing industry at all. They were:

- a) Commitments to promoting the creation, dissemination and preservation of diverse Canadian content;
- b) Commitments to nurturing new Canadian talent, to employment of diverse Canadians, to autonomy for executives of Canadian companies, to learning opportunities for staff, to partnerships/alliances with Canadian companies and/or learning institutions, particularly in relation to enhancing Canadian infrastructure through technology, know-how, e-commerce, training, internships, etc.;
- c) Commitments to the distribution and marketing of Canadian cultural products, and sponsorships of events and initiatives that showcase Canadian talent and stories; and
- d) Commitments to providing philanthropic contributions or in-kind gifts to cultural training institutions, studies, and initiatives designed to enhance Canada’s civic life. (Industry Canada, 2009)

While each of these “undertakings” were vaguely worded, and despite the Department of Heritage’s assurance that “where appropriate, [it] would seek commitments from the investor”

on these undertakings (Department of Canadian Heritage, 2008), most such “undertakings” were kept confidential between the company and the government so it was difficult for external oversight to judge just what was promised or how such promises were kept (Ross, 1992b). For the Canadian publishing industry, this meant that foreign subsidiaries and agencies that changed hands would no longer accrue to Canadian-controlled publishers. Moreover, “net benefit” would be calculated without any reference to the health of the Canadian publishing industry at all.

While the government stood back from implementing any policies that required divestiture into Canadian hands and subsequently approved indirect acquisitions without any seeming consideration to ‘net benefit’ of the industry, indigenous publishers, unable to compete against huge advances on publishing and massive marketing budgets controlled less and less of the market in Canada. Thus, over the period of the 1990s, further consolidations took place, with the largest ones listed as follows:

- 1) The largest and most significant of the mergers resulted in an entity larger than the five largest Canadian-owned publishers combined. In 1998, the German media conglomerate Bertelsmann merged Bantam/Doubleday/Dell with Random House in the U.S., a deal whose Canadian repercussions it is impossible to judge in terms of net benefit to either Canada or the Canadian-owned sector. This single company would be a colossus comprising three Canadian lines – Random House of Canada, Knopf Canada, and Doubleday Canada – but distributing a total of 164 foreign lines including the Bantam, Dell, Seal, and Anchor imprints (*Book Distribution in Canada's English Language Market*, 2008). This publishing giant has been

estimated to control over 25% of English Canada's trade book market (Anderson, 1998).

- 2) Prentice Hall Canada, which had been acquired by Paramount Communications (which had then been renamed Viacom), was sold to the UK publishing conglomerated Pearson PLC in 1999 (Department of Canadian Heritage, "Cultural Sector Investment Review", 2006). Since Prentice Hall books were already distributed by Paramount, this change in ownership continued to remain independent of the Canadian cultural industry.
- 3) In 2000, Scholastic Inc. acquired the reference publisher Grolier Limited., and thus acquired the Canadian subsidiary, Grolier Limited (Montreal). (Department of Canadian Heritage, "Cultural Sector Investment Review", 2006)
- 4) In the most public demonstration of the fragility of the Canadian publishing industry, June 2000 saw the venerable Canadian publishing institution McClelland & Stewart (M & S) put up for sale by its Canadian owner, Avie Bennett. In an unprecedented move, Bennett donated 75% of McClelland & Stewart to the University of Toronto and stipulated that five of the seven members on M&S's new board would be appointed by U of Toronto. The remaining 25% was purchased by the Bertelsmann conglomerate, Random House of Canada (Richler, 2000). The administration, operations, sales and marketing of Random House and McClelland & Stewart were to be combined in order to achieve efficiencies, but editorial and production departments would continue to operate separately (Richler, 2000).

- 5) In 2003, the three book companies that comprised Canadian Publishing Corporation (CPC) – Gage Educational Publishers, Macmillan Canada, and Diffulivre – were sold separately and CPC was dissolved. Nelson Thomson Learning acquired Gage Educational Publishers, the British multinational firm Wiley Publishers & Co. acquired Macmillan Canada, and Quebecor acquired Diffulivre (Anderson, 2003). While Nelson Thomson and Quebecor are indeed Canadian publishing companies, the acquisition of Macmillan Canada by Wiley went through without much opposition from the government.
- 6) In late 2002, Distican, a Canadian distributor, was sold to Simon and Schuster in a direct purchase which clearly contravened the prohibition on direct acquisitions according to the Revised Industry Canada Act regulations (Anderson, 2003a). The associate deputy minister of Canadian Heritage, Michael Wernick, admitted that permitting this purchase to go through was an “exception” to Ottawa’s policy. Moreover, while such a purchase may be permitted if the business was in “clear financial distress” and “full and fair opportunity” were granted to Canadians to purchase it, neither of these conditions were met with the takeover of Distican (Anderson, 2003a).

Over all, from 1999 to 2010, the Department of Canadian Heritage received 46 applications with respect to new foreign investments in the Canadian book industry, of which 45 were approved (Department of Canadian Heritage, 2010). Those foreign companies who were already in Canada strengthened their positions in the Canadian market, as they grew in size and strength. This trend has continued, with the latest multinational corporation to set up a branch in Canada being the Hachette Book Group (itself comprising two conglomerates, the

Time Warner Book Group and the Little Brown Book Group), opening its offices in September 2009. Hachette Book Group used to be distributed by the Canadian publisher, HB Fenn (MacDonald, 2009).

More threatening has been the constant struggle to survive that plagues the indigenous publishing industry. In the aftermath of the Baie Comeau policy, the largest Canadian publishers, the ones that might have provided the anchor to stabilize a Canadian publishing sector and provide a check to the foreign-owned multinationals, were the most affected. Once McClelland & Stewart was effectively devolved in operations and marketing control to Random House of Canada, Canada Publishing Corporation had been sold, and Stoddart Publishing had filed for bankruptcy in 2002 (although this was not due to a takeover by multinationals, but by problems in the Canadian retailing industry that will be outlined later in this study), Canada's three largest publishing companies had either ceased to operate or foregone any semblance of Canadian-controlled independence. Canadian publishing would consist entirely of small to medium-sized publishers who lacked the resources to compete effectively with multinationals in the Canadian market.

As will be outlined in further detail in the next section, struggles in the Canadian book retailing sector in the late 1990s and early 2000s only further exacerbated the issues facing Canadian publishers as problems in distribution and massive book returns from Chapters, the big box book retailer that commanded a monopoly at the time, hurt Canadian publishers the most since they turned the smallest profit margins and shouldered the greatest risks in publishing. These factors in book retailing, when coupled with the abdication of ownership rules for publishers, as outlined above, only helped to further entrench the two-tier structure of the Canadian publishing industry. The result is that by 2004, foreign multinationals

commanded a lion's share of the Canadian market, with 19 foreign-owned publishers commanding 63% of the Canadian market, while 311 Canadian-owned publishers shared the remaining 37% (Statistics Canada, 2006a).

The Department of Heritage's Book Publishing Industry Development Program (BPIDP) funding is almost wholly responsible for the continued survival of a local and regional publishing industry, with ever increasing amounts of funding required to support the industry. In 1979, when BPIDP began funding publishers directly, the government's investment was approximately \$6 million (Department of Canadian Heritage, 2005). In 1994, BPIDP funding to publishers totalled \$22 million. The increase in funding to BPIDP in 1994 was slashed in 1996 by the Liberal government cutbacks to as low as \$15.1 million (Department of Canadian Heritage, 2004). With the cuts, the overall percentage of publishing firms making profits dropped drastically from 71.9% in 1994-1995 to 50.5% in the year 1996-1997 (Standing Committee on Canadian Heritage, 2000). This statistic, however, included foreign firms in its calculations. When only Canadian firms were isolated, the numbers were even more dismal: in 1996, only 14% of Canadian-owned firms were profitable before BPIDP funding, i.e. 26 out of 184 publishers in the program. Thus 86% of Canada's indigenous publishers were not profitable before receiving support from the program (Standing Committee on Canadian Heritage, 2000).

By the year 2000, BPIDP funding to publishers had climbed back up to \$31.3 million distributed among 201 publishers (Department of Canadian Heritage, 2004). But even with restored and increased funding, a second report commissioned for the Department of Canadian Heritage indicated that nothing much had changed. Canadian-owned book publishers are small or medium-sized businesses, defined by Industry Canada as earning less than \$25 million in

annual revenues. According to the report, while large book publishers, all of them foreign owned, had a net profit margin of 9.6% in the year 2000-2001, small and medium-sized publishers earned a net profit margin of 0.5% (*Profile of small and medium-sized enterprises in the Canadian cultural industries*, 2004). Not a single Canadian book publisher qualified as a large enterprise, with revenues of every Canadian-owned publisher falling below \$20 million. In fact, the smallest publishing firms, with annual revenues of less than \$500,000 had an average net loss (*Profile of small and medium-sized enterprises in the Canadian cultural industries*, 2004). Since these profit margins were based on financial data that included government funding, the growing difference between a Canadian industry entirely dependent on government funds for survival and the power of large foreign, profitable publishers was apparent. The two-tier structure of the Canadian publishing industry had become entrenched. By 2006 funding investments in the industry had grown steadily to \$38.4 million distributed among 222 publishers (Department of Canadian Heritage, 2007a). The structure of the Canadian publishing industry today seems set to continue in the same dependent vein for the near future.

The question of access: Implementing policy in the book retailing sector

The history of publishers and agency sales in Canada clearly indicates the impossibility of truly separating out production of books from distribution. It is because Canadian publishers doubled as distributors for foreign companies that foreign policies regarding Canadian ownership had to deal as much with indirect acquisitions, wherein agency lines were shifted away from Canadian publishers to foreign ones, as with the direct acquisition of Canadian publishers. Nevertheless, it is valuable to level a separate focus on book retailing

distributors as comprising those businesses that make books available to the public. Under this category fall independent as well as chain bookstores, book clubs, as well as newer channels of distribution such as internet retailers, grocery stores, and large format stores such as Costco. The value of this focus lies in its recognition of the difference between those who produce books and the inter-related but separate category of those who provide the public with *access* to the books published. The impact of ownership on these channels of distribution of cultural products can be as stark as on the production of the cultural products themselves. This focus is further supported by the separate treatment accorded to these distributors in the various reports of the Department of Heritage, Statistics Canada, and Royal Commissions.

In 1972, when the Royal Commission on Book Publishing examined the state of the publishing industry in the wake of the sale of Ryerson Press and Gage Press to foreign publishers, one of their crucial recommendations was the limitation of ownership of book retailing outlets to Canadians. Thus while the Commission rejected an emphasis on Canadian control for publishers themselves, their greater fear that Canadian authors not be accessible to a Canadian public led to their recommendation that to ensure such access, control of retail distribution of books to the public must remain in Canadian hands (Royal Commission on Book Publishing, 1972b). In recognizing the issues of wholesalers acting as agents for foreign publishers, the Commission (1972) noted that “if there are cogent reasons why only Canadians should be allowed to acquire...wholesalerships in the future, there are even stronger reasons why new ownership and control of retail outlets by non-residents should no longer be permitted” (p. 317). Through its hearings, the Commission recognized that “foreign control of wholesale channels of distribution” led to an increase in monopolistic practices which

adversely affected the cultural needs of Canadians (p. 318). In presenting its report, the Commission thus stated:

From the standpoint of Canadian cultural needs, a somewhat more serious situation would arise if retail outlets whose principal business is the display and sale of publications should also largely pass into foreign control....If, for example, new chains of foreign-owned bookshops were to spring up in shopping centres and elsewhere..., it is possible and reasonable that their inventories might be largely selected, and largely acquired, outside this country. (p. 318)

The Commission's recommendations were implemented in 1974 under FIRA, and thus book distribution and retailing were included among the cultural industries to be protected right alongside book publishing. Foreign-owned retailers who were already operating in Canada could continue to operate until such a time when the book retail business was to be sold, in which case it would have to be sold to Canadian control (Royal Commission on Book Publishing, 1972b). Indeed it was precisely the Commission's focus on consumer access to books that led to an implementation of the Baie Comeau policy far more strongly in the case of book retailing than it ever was with book publishing itself.

Unlike the sweep of conglomerates in the publishing sector, until 1985, bookselling in Canada had remained primarily a Canadian-controlled business. There were three chains in the country – Classics Bookstores, Coles, and W.H. Smith – of which two (Classics and Coles) were begun by and had continued to be owned by Canadians. The issue of distribution across a sparsely populated country which affected the profits of Canadian publishers specially affected book retailers as well, and most importantly, had acted as a natural deterrent to other foreign chains attempting to enter the Canadian book retailing market. In all, therefore, there

were only a few crucial tests of book retailing control in Canada, and in most cases though not all, Canadian ownership rules were implemented far more strongly than they had been with the publishing sector.

1) The first test of ownership rules in the book retailing sector emerged only in 1985 after the Baie Comeau policy had been formulated. W. H. Smith, the UK bookstore chain, acquired the Classics chain of bookstores from its Quebec owners. Under Investment Canada's implementation of the Baie Comeau policy, W.H. Smith entered an agreement to sell 51% of W.H.Smith Canada to a Canadian within the next five years. Subsequently, W.H. Smith went further and sold all its 306 stores in Canada to Federal Industries Ltd. of Winnipeg, a Canadian-controlled company (Audley, 1990). With the divestiture of W.H. Smith books to a Canadian-controlled company, Paul Audley could confidently state in 1990 that "at present, almost all of the retail bookstores in Canada are owned and controlled by Canadians" (p. 76).

2) With respect to the takeover of the Doubleday book club by Bertelsmann in 1985, Investment Canada's imposition of the Baie Comeau policy led to an agreement with Bertelsmann that it would sell 51% of the Doubleday book club to Canadians. In the event, a group of publishers including Anna Porter of Key Porter Books in Toronto acquired the majority shares for the Doubleday book club due to this divestiture, and in a promising move Anna Porter's new leadership role in the book club resulted in a five-fold increase of Canadian-authored titles – from five percent to twenty-five percent (Audley, 1990). Prior to this divestiture, Doubleday book club had promoted and distributed U.S. titles almost exclusively. Such divestiture and increased representation for Canadian books were the ultimate goals of the Baie Comeau policy

and seemed to bear out the promise of benefits to Canadian culture that increased Canadian ownership would bring. It was only after the Baie Comeau policy failed to be implemented consistently across other multinational corporations such as Maxwell Macmillan and News International, that Bertelsmann began to resist Porter's leadership and eventually bought out Porter's share in the Doubleday book Aclub in 1992 (Ross, 1992c).

3) Perhaps the most crucial implementation of Canadian ownership rules on foreign investment in this sector occurred after the Baie Comeau policy was abandoned for the Revised Investment Canada Act. The loosened rules did not prevent Industry Canada from refusing the application put forward in 1995 by the Borders book chain to expand into Canada (MacSkimming, 2003b). John Manley, the Industry Minister in charge when the application was made, reiterated that the Revised Investment Canada Act prevented Borders' bid from being accepted: "Non-Canadians may only engage in book retailing as minority investors in a Canadian-controlled joint venture. We do not contemplate in any way softening or weakening that policy in favour of any proposed investment" (as cited in MacSkimming, 2003b).

This crucial rejection in 1995 paved the way for the dominance of the Chapters chain of stores to be formed in 1995. Without the ability of foreign booksellers to access the Canadian market, the takeover of both national chains Smithbooks and Coles bookstores by Larry Stevenson ushered in a new era of Canadian owned big box retailing which initially heralded well for Canadian publishers. When Barnes & Noble invested in 1996 in the Chapters bookselling chain, their investments were limited to 20% (Mutter, 1997). Once Chapters was bought out by Indigo Inc., Barnes & Noble retained their 20% ownership of the newly formed Chapters Indigo chain, while the remaining 80% resides with the book chain's

owner, Heather Reisman, and all buying, selling and merchandising has remained under Canadian control. Thus, book retailing through bricks-and-mortar *bookstores* in Canada has essentially remained in Canadian hands, ensuring that booksellers in Canada would remain in charge of receiving, ordering and making decisions about the display and sale of publications.

Chapters expanded quickly from 2 superstores in November 1995 to 77 superstores across Canada by 2000, and the range of Canadian titles available soared. The expansion led to the closing down of around a dozen independent bookstores, including long-established names such as Lichtman's in Toronto and Sandpiper in Calgary (O'Hara, 2000). Apart from quick expansion and heavy investment into online retailing which ran losses, however, Chapters's greatest problems emerged with the formation of a wholesale distributor, Pegasus, which was opened in order that a centralized distribution warehouse be created to which publishers could ship books easily than shipping individually to stores, while a centralized control of inventory would mean that books could easily then be tracked and shipped to Chapters stores across the country. Pegasus would act as a distributor not only to Chapters stores, however, but to smaller, independent bookstores as well. But tremendous mismanagement with the efficient creation and operations of Pegasus resulted in the creation of a bottleneck due to supply chain problems that caused delays of months in shipping books to stores, and meant that Chapters' losses seriously affected not only its own bottom-line, but publishers and bookstores dependent on it as well (O'Hara, 2000). Such practices strained publishers' almost bankrupted many publishers. Arita van Herk's (2003) description of what has been termed "the Chapters debacle" indicates the manner in which publishers were affected by Chapters' gross mismanagement:

Chapters didn't have a clue as to what was in its warehouses. Sometimes they claimed

to have copies of books, yet couldn't fill orders; other times they ordered from publishers thousands of copies of books, only to discover thousands of copies already in stock, and simply returned thousands, sending publishers, especially smaller and less financially successful publishers into a tailspin. No publisher can withstand a return rate of up to 50 per cent of copies that it believes it has successfully marketed and sold.... Chapters demanded huge discounts, demanded payment from publishers for prime display spots or book dumps in its retail outlets (which sometimes did not materialize), delayed its payment to the absolute legal limit, and returned truckloads of books to publishers who, assuming that these books had sold, had already paid authors royalties on these copies....[Meanwhile] mammoth shredders...ripped apart thousands of paperbacks...because the Chapters warehousing system couldn't figure out how to process return orders. (132-33)

The effect of Chapters' practices on small presses especially was immediate, with many small presses reducing the number of titles they published by up to 20% and printing smaller print-runs. Meanwhile, the Canada Council and the Canadian Department of Heritage provided \$1.3 million in emergency funding to twenty-two small and struggling publishers just so they could survive the year (Strauss, 2001).

The impact of Chapters' problems had its most serious effect on General Publishing, then the largest publishing house in Canada, comprising Irwin Publishing, Stoddart Kids, Boston Mills Press, House of Anansi Press, Stoddart Publishing and General Distribution Services (van Herk, 2003). General Distributing Services (GDS), the distribution division of the larger General Publishing enterprise that was responsible for the receiving and shipping of over 200 publishing lines, had shipped large numbers of books to Chapters at deep discounts

of up to 60% off retail price (the usual practice for discounts in the industry was 40%). For the first three months of 2001 alone, GDS was owed more than \$10 million for books, and these losses were compounded when Chapters returned books in lieu of payment – books that had been damaged so that they could not be resold (Strauss, 2001). Following massive returns from Chapters of books which had never left the Pegasus warehouse to be placed in stores for the Christmas season, General Publishing filed for bankruptcy protection in April 2002, owing publishers, booksellers and writers a sum of \$45.7 million (van Herk, 2003). Apart from the losses faced from being owed money by General Publishing, many small publishers would be levied court-mandated fees to recover their books from GDS's warehouse. Once again, the Department of Canadian Heritage and the Canada Council stepped in to provide funding by allowing cash-strapped publishers to access substantial advances against several years' worth of future funding (MacSkimming, 2003a). The mismanagement and takeover of Chapters by Indigo is an area that has been written about extensively, and while this study focuses primarily on the shaping of the book industry vis-à-vis foreign ownership policies, the "Chapters debacle" provides the touchstone example which demonstrates the indirect effect of these policies in the creation of a bookselling monopoly whose practices then affected the structure of Canadian publishing.

There is a second means, which bears mentioning here, by which the Chapters' monopoly (and now the Chapters Indigo monopoly) has had an impact on the health of smaller indigenous Canadian publishers' operations, and continues to affect, albeit indirectly, the structure of the Canadian publishing industry. In 1997, Chapters began the policy of demanding payment from publishers for displaying books in their superstores, a practice called paying for "coop" placement (MacSkimming, 2003a). Essentially, placement of books

in prominent places in stores such as on tables in the aisles or at the ends of bookshelves were treated as a means of advertisement, and costs were attached to such display. While foreign firms with larger marketing and advertising budgets began to pay large amounts to Chapters to highlight their titles prominently in places that would catch the book buyers' eye first, smaller firms with smaller marketing and advertising budgets were not able to compete on the same terms. The titles of smaller publishing firms thus remain relatively hidden on the bookshelves in the stores. Moreover, buyers at Chapters' head offices were more likely to select books from publishers' catalogues based on the publishers' investment in advertising and marketing books, so many small publishers' titles were not ordered at the chain at all. The result was a multiplication of the sales of prominently displayed books from multinational publishers.

Such prominent placement of big-name authors published primarily by multinational firms has had the effect of turning into a public relations coup for the multinational firms, as questions of the relationship between Canadian publishers and Canadian publishing have become raised. It has seemed that most Canadian authors of standing are being published by multinational corporations in any case, so that the protection of Canadian ownership of the publishing industry should not impact a thriving Canadian culture (Schwanen, 1997; Anderson, 2003a). The numbers, however, tell a different story. Roy MacSkimming's study in 2000 of Canadian generated titles revealed that of the 1,587 new Canadian titles listed that year, fully 1,381 titles or 87% were generated by indigenous firms (MacSkimming, 2003a). As MacSkimming states, "the fact that the multinational subsidiaries published just 206 of those titles, and yet managed to create the impression that they are responsible for publishing most of the contemporary Canadian literature is extraordinary – a testimony to their marketing power"(MacSkimming, 2003a, p. 393). Breaking down the numbers into culturally significant

genres was still more revealing. Canadian-owned publishers published: in short fiction, sixty-six of seventy-four titles, or 89%; in art, history, photography and architecture, 90%; in nature and environment, 92%; in Canadian history, 95%; in poetry, 99%; in drama, theatre, and dance, 98%; in Native Studies, nearly 100% (MacSkimming, 2003a). The latest available statistics bear the same pattern: In the year 2006-2007, 85% of new Canadian-authored titles were published by Canadian-owned small and medium sized firms (Department of Canadian Heritage, 2007c). What the multinational conglomerates with deep marketing and promotion budgets are able to do is first to acquire excellent authors by paying large advances for their works, despite the fact that most of them would have been recognized and nurtured by a small publisher willing to take a risk on new and innovative creative expression. Authors ranging from Margaret Atwood and Michael Ondaatje, to Susan Swan and Rohinton Mistry, were all turned down initially by the large multinationals and originally published by small Canadian publishers, and only subsequently recognized and acquired by large ones. With respect to bookselling in Canada, therefore, the monopolization of bookselling by a single national chain has allowed multinationals to market their authors not only through multi-city tours and advertising, but most importantly through payment for the strategic and prominent placement of books in the superstores and mall stores throughout the country. The ability of the multinationals to pay for the ubiquitous presence of their authors throughout the bookselling monopoly obscures the culturally relevant but largely invisible publishing of indigenous titles by Canadian-owned firms that is, in fact, the hallmark of a culturally vibrant Canadian publishing industry.

Historically, books have been sold mainly through traditional book channels – chain bookstores, independent bookstores, and book clubs – with non-traditional retailing, such as

that which takes place through speciality stores which stocked a small number of titles, occupying a minuscule percentage of the book retail market. The UK chain W.H. Smith and the Doubleday book club were the only foreign-owned book retailers in Canada. By 1990, however, W.H. Smith had divested all its Canadian stores, so that bookstore retailing in Canada was almost entirely Canadian owned, and has remained that way. There is no reliable Statistics Canada data to indicate the percentage of the retail market that the Doubleday book club commanded, but extrapolating from a percentage of below 5% of market share (*Book Retail Sector in Canada*, 2007) it would be easy to estimate that by 1990, at least 95% of book retailing in Canada was Canadian-owned and controlled, and the largest share of this market belonged to local, independent booksellers. This level of ownership of the book retailing market would continue into the 1990s and 2000s. It is only very recently that the advent of Internet retailers and non-traditional bookselling outlets is affecting the structure of ownership in the book retailing market.

The advent of Amazon.ca as a legitimate bookselling outlet highlights the increasing difficulties of implementing bookselling policy in the changing sphere of online retailing. The online retail giant Amazon.com was already shipping books that customers purchased online to Canada, but the levying of currency exchange and customs duties acted as a natural deterrent to unhindered sales to Canadian customers (Church, 2002). Amazon.com therefore launched a “Canadian” web site that would sell books directly to Canadians without these charges added, and thereby skirt around existing foreign ownership policy (Church, 2002). Despite the objections of the Canadian Booksellers’ Association and Chapters/Indigo, the Department of Heritage permitted the launching of Amazon.ca into the Canadian market. Its justification for permitting the “virtual” entry of a foreign firm was based on Amazon’s stated

commitment to stay within the Copyright Act, Amazon.ca would fulfil all its orders to customers by sourcing books from Canadian publishers to a Mississauga warehouse that would be run through a contracting out arrangement with Assured Logistics, a wholly owned subsidiary of Canada Post. The government considered that since Amazon.ca had no physical presence in Canada, with either its own warehouses or employees, its operations in Canada did not contravene the foreign ownership policies in place (Church, 2002). By thus permitting the launching of Amazon.ca in Canada in June 2002, the government essentially evaded the opportunity to revise current foreign policy rules and adapt them to the expanding domain of e-commerce. Moreover, it signalled a deeper and deeper unwillingness to implement any ownership policies, and thus respond creatively to the challenges posed by a world increasingly interconnected through communication and telecommunication technologies. Thus, earlier this year, in January 2010, when Amazon.ca applied to open up its own warehouse operations in Canada rather than continue to work on a contract with a Canadian company, it is not surprising that the application was approved. With this decision, it has seemed that Canada seems to be open for business to foreign firms wishing to invest in this crucial cultural industry.

Another astonishingly quick change that has occurred in the area of book retailing has been the expansion of book departments in big box stores such as Walmart and Costco. As with Chapters/Indigo, however, these outlets also demand deep discounts and payment for placement of books in their stores – both capabilities in the purview of large multinational publishers but out of reach of the marketing and promotion budgets of the many smaller, indigenous Canadian publishers (*Book Retail Sector in Canada*, 2007). The explosive growth in this area of book retailing has therefore further contributed to the growing power of

multinational publishers, and the invisibility of publishing from the indigenous industry. The structure of ownership in the book retailing market in Canada has therefore begun to shift away from the dominance of Canadian-owned booksellers it had even ten years ago. The current structure of the book retailing market in Canada, according to the study *The Book Retail Sector in Canada* (2007) is thus outlined below:

- 44% of book sales (excluding textbook sales) occurs through chain bookstores. There is one dominant chain in Canada – Indigo and its affiliates, Chapters and Coles – that commands this market share.
- 20% of book sales takes place through independent bookstores. As the Indigo chain has continued to increase in dominance, and online booksellers such as Amazon.ca slowly grow in their market share, independent bookstores increasingly lost not only market share, but decreased in numbers.
- 20% of book sales now takes place through non-traditional outlets, many of the largest of which are not Canadian-owned. As foreign-owned, big box stores such as Walmart and Costco increase the size of their book departments, this channel of retail has been the quickest to grow and has had the greatest impact on the question of ownership of book retailers in Canada. Big box stores, especially, tend to favour merchandise by the publishers with the largest promotional budgets, thus further consolidating the strength of large multinational publishers in the marketplace.
- Only 4% of sales takes place through online channels, in which Amazon.ca and AbeBooks.com. are the dominant retailers. Since Abebooks is now owned by Amazon, although it continues to operate from British Columbia, essentially online retail is

dominated by a US corporation. Indigo's online component is not included in this figure, since it is included in Indigo's overall sales.

- About 7% of sales occurs to institutions such as libraries and schools, while 5% occurs in non-traditional ways such as direct-to-consumer sales like book clubs or other ways not captured by the above identifications.

These statistics reflect major changes in the structure of Canadian book retailing within the last fifteen years. The dominance of Canadian bookselling outlets had previously boded well for Canadian publishers who have had direct access to decision-making buyers at Chapters Indigo as well as the various booksellers across the country. Based on the statistics above, *at least* 71% of book retailing occurs through channels that are known to be Canadian-owned and controlled (a steep drop from the 95% Canadian-control that existed just fifteen years ago), with the remaining 29% possibly foreign-controlled. But the share of foreign-controlled book retailing seems to be growing exceedingly quickly, with the overall structure of ownership with respect to book retailing in Canada being affected by different modes of book selling than existed even fifteen years ago. Moreover, the share of online sales are set to grow even more steeply as online retailers are the primary site for purchasing e-books – a relatively new medium that is quickly growing in popularity with the advent of e-readers. The combination of this new medium in which books are published with ease of online purchasing should result in an exponential rise in the use of online retailing – a rise not reflected in the statistics mentioned above that were computed in 2007, before sales of e-readers such as Kindle took off. Once again, the largest publishers with the capacity to create and market e-books stand to gain the most, while small publishers without this capacity will lose out.

The result of these changes in the book retailing industry has a direct bearing on the visibility of titles from smaller Canadian publishers. One crucial statistic from the Department of Heritage relates the size of a publisher to sales by type of retail outlets: “Independent bookstores currently account for an average of 27% of sales for publishing firms with revenues of \$499,999 or less, but an average of only 15% of sales for those with annual revenues of \$3 million or more” (*Book retail sector in Canada*, 2007, p. 35). The importance of independent Canadian booksellers to the viability of the smallest publishing firms and the accessibility of books from these publishers cannot therefore cannot be overstated.

Meanwhile, as large publishers are able to pay for increased visibility through the placement of their titles on special book tables, facings (where books are displayed at the ends of aisles and face out towards customers), advertising (online and in-store), and point-of-sale merchandise, these large publishers tend naturally to achieve more aggressive sales not only through the Chapters/Indigo chain, but also through the big box stores and through Amazon. In terms of achieving sales, therefore, small Canadian publishers have had to rely on BPIDP funds as much for marketing and promoting books, as much as for publishing them, and they are heavily dependent on small, independent bookstores for the most success in selling their titles. The challenge for policy in this quickly evolving area of book retailing is to recognize and build on past successes, while coming to terms with these changes and adapting to the new world of e-commerce.

Nevertheless, precisely because buyers at chains place orders for all stores in the country at a centralized location, the implementation of ownership policy in this sector has, at the very least, meant that Canadian buyers at Indigo’s head offices in Toronto meet Canadian publisher’s representatives and purchase books for the chain, rather than this crucial decision

being made at a foreign location. The monopolization of bookselling in Canada by a single dominant chain is therefore a story of mixed success – one that has ensured that Canadian book buying remains in Canada, while also concurrently having the effect of favouring the growth in the strength of multinational publishers in Canada. In addition to this clear means by which Canadian publishing structures continue to be entrenched through the practices of the bookselling chain, the perceived difficulty of monitoring online retail bookselling has led to an increasing sense of the futility of the book publishing policies as they currently stand to effect structural change in the industry. The latest and most tangible demonstration of this sentiment is that in August 2010, the Department of Heritage issued a call to review and possibly overhaul policies that restricted foreign ownership of cultural industries in Canada. Whether such a review will lead to a further loosening of already loose restrictions on foreign ownership of Canada's cultural industries remains to be seen.

The Publishing Industry in Canada today: What now?

As the publishing industry stands today, the dream of a largely Canadian-owned publishing industry has vanished, swallowed by globalization and free trade, and the government's unwillingness to enforce policies that would ensure the continued Canadian ownership of publishing companies and booksellers. Compounding the erosion of protective ownership policies were the effects of the monopolistic structure of Canadian book retailing, all of which have contributed to the dominance of multinational corporations in the Canadian book publishing industry. Thus, according to the 2004 book publishing statistics from Statistics Canada (2006a):

- In 2004, 330 publishers operated in Canada, generating a total revenue of \$2.04 billion. Only 19 publishers were foreign-owned; but these 19 had revenues of \$950 million, (47% of the total revenues). The remaining 311 Canadian-owned publishers had revenues of \$1.09 billion (or 53% of total revenues).
- Of this \$1.09 billion dollars, only \$561 million were generated in the Canadian market while the remaining revenues were generated in export sales.
- Thus, the Canadian market is divided between 19 (or 6% of) foreign-owned publishers commanding 63% of the Canadian market with the remaining 311 publishers accounted for the remaining 37%. (Statistics Canada, 2006a)

One caveat to an interpretation of the statistics stated above is that the figures above most probably overstate the market share commanded by Canadian firms. Since Statistics Canada does not count exclusive distributors – those firms which solely import foreign titles without having publishing departments of their own – in their figures, there are a volume of foreign-published book sales in Canada that are not accounted for by the focus solely on

publishers. The result is that most probably, 311 Canadian publishers share a considerably smaller percentage of the Canadian book buying market than the 37% mentioned above. As of 2008, with increases in government funding and support in every aspect of Canadian publishing from production, marketing and advertising, to distribution and infrastructure, the numbers had increased slightly: Of the \$1.62 billion in revenues achieved by the English publishing industry, \$1.17 billion in revenues were achieved by 311 Canadian publishers, whereas \$889 million were achieved by foreign-controlled publishers. Of the \$1.17 billion in revenues, however, \$803 million were achieved within Canada, so that the market share of Canadian publishers in Canada had increased to 45%, with foreign publishers commanding the remaining 55% (Statistics Canada, 2010).

Thus, a local publishing industry does exist, but is consigned for the larger part to local and regional publishing and, as the numbers indicate, is almost entirely dependent on government support. As new mediums of books grow more popular, small publishers who do not have the capacity to invest in the creation and dissemination of electronic books stand to lose out even further. Moreover, the recent call to review book publishing policies may result in further loosening of restrictions on foreign ownership of Canadian industries, and if that turns out to be the case, small, indigenous publishers, already dependent on government funding to survive, will not only continue to be increasingly dependent on this funding but will continue to be consigned to a largely invisible cultural presence in Canada.

The analysis provided in this paper, while recording a history of abandoned policy and the increasingly entrenched gap between the power of multinational publishers and the vulnerability of small- and medium-indigenous ones, is not meant to convey that nothing may be done to enable and empower Canadian publishers and encourage the growth of a healthier

Canadian publishing industry. A number of crucial measures may still be implemented to ensure the increased viability for Canadian publishers:

- In terms of policy, while restrictions on indirect acquisitions were abandoned, restrictions of direct acquisitions should continue to remain in place. The prospect of successful medium-sized publishers in Canada (H.B. Fenn, Raincoast Books, Thomas Allen Publishers, and House of Anansi Press immediately come to mind) being bought over by multinational firms would only further weaken the Canadian publishing industry.
- Precisely because bookselling is considered a cultural industry which is protected from takeovers by foreign firms, policy may be implemented to stipulate a percentage of books that must not only be purchased from Canadian-owned and controlled publishers, but that must be *published* in Canada. The effects of such a policy would mitigate some of the impact of the flood of foreign books being distributed here, not just by the branches of foreign multinational firms but also by the agencies and distributors who act for foreign companies that have no presence here, while enabling small, indigenous publishers to obtain shelf space for their books.
- Funding to Canadian publishers should include increased funding for advertising and co-op placement not only in the Chapters/Indigo chain but also on online websites such as Amazon.ca's, as these are the means by which Canadian-authored books can be made visible to the public. Special efforts with respect to publicity and marketing thus need to be made to mitigate the invisibility of the majority of indigenous publishing that occurs here.

- Because the most lucrative parts of the publishing business concern educational publishing, which yields large profits but only after the initial investment of large sums of money and the take-up of these books by school boards, this area is almost entirely dominated by multinational corporations such as Pearson Education Canada and Oxford University Press Canada. Therefore, those Canadian publishing houses that venture into this area should be enabled through initial start-up funding to create a viable educational product, while policies should be implemented which stipulate that school boards include the ownership of the publisher in their considerations to purchase school curricular materials. The ability of a Canadian publishing house to break into this market will enormously impact its viability and success.
- Investments in the computing and infrastructure capacities of small and medium-sized Canadian publishers to enable them to create electronic versions of their books would have the benefit of making available titles online that are largely invisible and for the most part, in their physical form, consigned to local and regional book markets. Precisely because electronic titles take the least amount of relative effort to be uploaded and available to outlets such as Amazon.ca and Chapters.indigo.ca, initial infrastructure costs will be steep but will then drop precipitately once the capacities for conversion are achieved.
- Also with respect to online retailing, geoblocks that prevent cross-border purchasing may be implemented to encourage and enable local online retailers in Canada. Alternatively, steep customs and shipping fees for purchases from foreign

online retailers can be as effective in discouraging purchases from foreign retailers while encouraging local online retailing.

Policies such as these may yet provide the tools by which Canadian publishers may achieve a measure of stability and success, and more crucially, may become recognized for the importance of the cultural voices they publish and for their contributions to the vitality and vibrancy of Canadian culture.

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