

**Postal Subsidies and the Canadian Book Industry:  
The Effects of Covid-19 on Online Sales**

by  
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## **ABSTRACT**

For over forty years, the Canadian government has actively funded the Canadian book industry through the Canada Book Fund's (CBF) grants and contributions; however, it has been over two decades since the industry had a postal subsidy. Due to the rise of online print book sales and the challenges related to the Covid-19 pandemic such as store closures, the book industry is now lobbying for the return of an industry-wide postal subsidy. This report will analyze the history of postal subsidies in Canada, the changes in technology and the changes in the book industry due to Covid-19, as well as the current federal funding in order to assess the necessity of a postal subsidy for the Canadian book industry post Covid-19.

**Keywords:** postal subsidy; Canadian book industry; Covid-19 pandemic; Canada Book Fund; Government of Canada; funding initiatives; online sales; e-commerce

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## LIST OF ACRONYMS

<b>ACP</b>	ASSOCIATION OF CANADIAN PUBLISHERS
<b>ANEL</b>	L'ASSOCIATION NATIONALE DES ÉDITEURS DE LIVRES
<b>BPIDP</b>	BOOK PUBLISHING INDUSTRY DEVELOPMENT PROGRAM
<b>CBF</b>	CANADA BOOK FUND
<b>CIBA</b>	CANADIAN INDEPENDENT BOOKSELLERS ASSOCIATION
<b>PAP</b>	PUBLICATIONS ASSISTANCE PROGRAM
<b>PDAP</b>	PUBLICATIONS DISTRIBUTION ASSISTANCE PROGRAM
<b>SFD</b>	SUPPORT FOR DISTRIBUTION
<b>SFO</b>	SUPPORT FOR ORGANIZATIONS
<b>SFP</b>	SUPPORT FOR PUBLISHERS
<b>WHO</b>	WORLD HEALTH ORGANIZATION

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# CHAPTER 1 - INTRODUCTION

Canadian postal subsidies date back to 1855. Although the first postal subsidy began over a century and a half ago, the book industry has not benefitted from a postal subsidy program in two decades. Instead, for over forty years the Canadian government has actively funded the Canadian book industry through the Canada Book Fund's (CBF) grants and contributions. In recent years, due to the rise of online sales, and the challenges related to the Covid-19 pandemic, such as store closures, members of the Canadian book industry have lobbied for the return of an industry-wide postal subsidy. In 2020, Canadian book industry associations lobbied for increased funding directed specifically at the challenges amplified by Covid-19, with mailing costs being at the forefront.<sup>1</sup>

This report will analyze the history of postal subsidies in Canada, the changes in the industry due to Covid-19, and the current federal funding available, to identify why the industry is calling for a postal subsidy and the benefits a postal subsidy could have on the Canadian book industry. While 1992 saw the end of the last postal subsidy available for the book industry in Canada, the challenges the book industry is facing has led industry members to lobby for the return of a postal subsidy in Canada. Following the United States' challenge of the legality of postal subsidies in 1996 in compliance with the General Agreement on Tariffs and Trade, postal subsidies previously designed

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<sup>1</sup> "Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery," Association of Canadian Publishers, November 2020, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>



as preferential mailing rates were hence forth distributed through the establishment of separate accounts at Canada Post.<sup>2</sup> As of 1998, “the subsidy amount is deducted from the title’s account and the difference is paid by the publisher.”<sup>3</sup> Current indirect postal subsidies available to periodicals and libraries, which align with the General Agreement on Tariffs and Trade, prove that postal subsidies are still a viable funding measure for industries struggling with high distribution costs. How current indirect postal subsidies are distributed will also highlight the potential benefits of a postal subsidy for the Canadian book industry.

Changes in technology have enhanced and challenged the book industry pre-dating the pandemic. The shift from in-store to online book sales created new challenges such as high mailing costs. The increase in online sales means booksellers, defined in this report as all bookstores and publishers that sell online unless specifically referring to bookstores or publishers, must compete with dominant e-commerce companies like Amazon. Additionally, Amazon’s reduced delivery costs and membership program make contending in the online market challenging for booksellers. Although the book industry is well supported by the government, there is no funding directed at the additional costs related to online sales.

The immediate impact of the pandemic and its safety measures, like store closures, exacerbated some of the challenges the book industry faced pre-pandemic. Store closures forced many industries, including the book industry, to rely on e-

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2 Publishing Policy and Programs, “Publications Assistance Program (PAP): 1998-1999 Activity Report,” Canada: Government of Canada, December 1999, 4.

3 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 6.

commerce, thus putting more pressure on booksellers to compete with established online sellers. While mailing books in Canada is expensive, costs are even more significant when competing with websites that offer free and expedited shipping. Although many booksellers praise the government for implementing emergency funding, like their program to help distributors maintain their operations during the pandemic, this funding is temporary and cannot be relied on in the coming years.

The cost of mailing has always been a barrier for the Canadian book industry, but with the increase in online print book sales due to the Covid-19 pandemic store closures, the unprofitability of online sales due to costs related to book mailing have become more apparent, and are likely to continue post Covid-19. This report will analyze the history of postal subsidies in Canada, the changes in the industry during the pandemic, and the current federal funding available, to determine the benefits a postal subsidy could have on the Canadian book industry post Covid-19.

## CHAPTER 2 - CANADIAN POSTAL SUBSIDIES

### *HISTORY OF POSTAL SUBSIDIES*

The PDAP, more commonly referred to as the postal subsidy program, was the first government subsidy program created with the belief that “inexpensive distribution of certain publications”<sup>4</sup> would help facilitate the dissemination of Canadian culture. The program, which dates back as early as 1855, began with the distribution of newspapers, and was implemented to encourage the distribution of information at a time when Canada’s population was widely dispersed and country-wide communications were in a relatively primitive state.<sup>5</sup> For this program, the federal government bought “rate reductions from Canada Post Corporation.”<sup>6</sup> The Canada Post Corporation is a wholly owned federal organization that is structured like a private or independent company;<sup>7</sup> it is granted “sole privilege in Canada of collecting, transmitting and delivering letters”<sup>8</sup> and is known as a Crown corporation. The PDAP enabled Canadian materials to be shipped via Canada Post at a reduced cost for the producers of the materials.

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4 Department of Communications Program Evaluation Division, Evaluation Assessment of the Postal Subsidies Program, Canada: Government of Canada, 1984, 4.

5 Department of Communications Program Evaluation Division, Evaluation Assessment, 4.

6 Department of Communications Program Evaluation Division, Evaluation Assessment, 6.

7 Allan Tupper, “Crown Corporation,” The Canadian Encyclopedia, February 7, 2006, <https://www.thecanadianencyclopedia.ca/en/article/crown-corporation>.

8 “Canada Post Corporation Act and Regulation Links,” Canada Post Corporation, accessed June 27, 2021, <https://www.canadapost-postescanada.ca/cpc/en/our-company/about-us/legislation-and-regulations.page>.

By 1939, the program grew to include “periodicals, publishers’ books, library books and educational films.”<sup>9</sup> The justification for the subsidy was 1) to encourage a more informed, better educated public; 2) to encourage a financially healthier Canadian publishing industry; and 3) to improve Canadians’ access to Canadian cultural products.<sup>10</sup> In 1984, the Program Evaluation Division of the Department of Communications assessed the postal subsidy program in order to prepare for a future program evaluation. This assessment indicated that although book publishers did not receive the majority of this program’s assistance, it was “substantial when compared to other sources of federal assistance”<sup>11</sup> available to the Canadian book industry at the time. Publishers’ books amounted to 7.5% of the PDAP’s total budget, while the largest amount, 18.9%, was allotted to daily newspapers.<sup>12</sup>

Although the 1984 evaluation mentioned how helpful the postal subsidy was to the book industry, cuts to the postal subsidy program began as soon as 1989.<sup>13</sup> Treasury Board President Robert de Cotret indicated an initial \$32 million trim in the 1990-1991 budget year to the annual \$172 million postal subsidy, and further reducing it to about \$110 million in 1992-93.<sup>14</sup> De Cotret explained these cuts as part of “the government’s

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9 Publishing Policy and Programs, “Publications Assistance Program (PAP): 1998-1999 Activity Report,” Canada: Government of Canada, December 1999, 1.

10 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 4.

11 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 8.

12 The PDAP’s estimated percent of the total postal subsidy by user categories is as follows: Daily Newspapers (18.9%), Weekly Rural Newspapers (13.1%), Periodicals (2nd class subscription and non-subscription) (39.6%), Periodicals (unaddressed) (10.0%), Non-Canadian Periodicals (mailed in Canada) (5.8%), Non-Canadian Periodicals (printed in Canada) (3.1%), Publishers Books (7.5%), Library Books (1.5%), and Educational Films (0.5%).

13 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 8.

14 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” *Financial Post*, December 18, 1989, 16.

15 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

overall \$1.4-billion spending control program,”<sup>15</sup> however, articles written at the time imply the cuts were made to appease the U.S. in light of the Canada-U.S. Free Trade Agreement of 1987.<sup>16</sup> Although “cultural programs [were] not part of the Canada-U.S. Free Trade Agreement,”<sup>17</sup> the U.S. was critical of “the postal subsidy program [referring to it] as a trade-distorting subsidy.”<sup>18</sup>

In 1991, Communications Minister Marcel Masse announced that as of 1992-93, the federal government’s assistance for the book industry would no longer come in the form of a postal subsidy.<sup>19</sup> In place of the postal subsidy, funding would be given directly to specific book and periodical publishers from an allocated \$110 million budget.<sup>20</sup> The phase out of the book postal subsidy program began in 1990 with the aforementioned budget cuts leading up to the program’s complete replacement in 1992-93. Members of the book industry were concerned with altering and ending the postal subsidy. An article from the *Financial Post* in 1989 stated, “the publishing industry fears changing the postal subsidy system could devastate parts of the industry particularly booksellers and libraries.”<sup>21</sup> Serge Lavoie, executive director of the Canadian Booksellers Association stated in 1989, “the subsidy cut will hurt large-volume book sellers who use the mail, [as a] two-pound book [shipped with the postal subsidy] costs 78¢ to mail, this could increase to \$1.86 because of the cuts.”<sup>22</sup> These concerns are

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15 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

16 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

17 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

18 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

19 Department of Communications, *1990-1991 Annual Report*, Canada: Government of Canada, 1982. 8.

20 Department of Communications, *1990-1991 Annual Report*, 8.

21 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

22 Alan Toulin, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

echoed in an article from the Financial Post in 1989, which states that “some Canadian publishers whose work forms an important element of [Canada’s] identity, will find an abrupt transition to full commercial postal rate highly destabilizing.”<sup>23</sup> These articles indicate the importance that publishers and booksellers placed on the postal subsidy for their survival.

The PDAP in 1992 was the last Canadian postal subsidy program to include the book industry. Although the book industry was no longer eligible for postal subsidies, the Canadian government continued to fund the book industry through their project funding programs. In 1992 the sole means of government funding available to the book industry was through the Book Publishing Industry Development Program (BPIDP), the precursor to the government’s current funding program, the CBF. While the BPIDP brought much-needed funding to the book industry, it did not include a postal subsidy component. The BPIDP was designed in 1986 to “encourage the financial self-sufficiency of publishers and the profitability of the entire industry”<sup>24</sup> through project funding. The BPIDP program provided funding through five components: The Educational Publishing Fund, The Aid to Individual Firms, The Aid for International Marketing Assistance, The Aid to Industry and Co-operative Projects, and The Aid to Professional Associations.<sup>25</sup> Receiving funding through the BPIDP meant that all funding for the book industry was allocated to publishers for specific projects.

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23 Alan Toulon, “Publishing Industry Braces for Deep Cuts to Postal Subsidies,” 16.

24 Department of Communications, *Book Publishing Industry Development Program Review, Publishers’ Opinions*, Ernst & Young, 1992, 1.

25 Department of Communications, *Book Publishing Industry Development Program Review*, 1.

In a 1992 program review/publisher's opinions, publishers mentioned a lack of variety in the programs available through the BPIDP emphasizing that "one universal program cannot meet the needs of all publishers."<sup>26</sup> When asked their opinions concerning the switch to project funding publishers expressed "a common complaint of the project funding approach [because] the projects have to go 'beyond the firm's on-going operations' [and] publishers trying ideas that they would not otherwise attempt with their own money [...] that are doomed to fail in many cases."<sup>27</sup> Publishers stated that it is difficult to keep coming up with new ideas and wonder why proven ideas are not funded."<sup>28</sup> Additionally, "a number of [publishers] stated that a project funding approach relies upon the Program Administrators to be able to "pick winners [and] the decisions are not always correct."<sup>29</sup> This review indicated that while the government continued to fund the industry following the end of the postal subsidy, the distribution of funding through project funding as an alternative to a subsidy rather than in addition to a subsidy as it had been prior to 1992, would not suit the variety of players within the book industry.

In consultant firm Fox Jones' evaluation of the BPIDP from the same year, the program was indicated to "ha[ve] failed fundamentally, because the financial health of the industry and individual firms had not changed substantially despite the considerable funding brought forward by Marcel Masse."<sup>30</sup> The consultants believed that "by placing

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26 Department of Communications, *Book Publishing Industry Development Program Review*, 4.

27 Department of Communications, *Book Publishing Industry Development Program Review*, 7.

28 Department of Communications, *Book Publishing Industry Development Program Review*, 7.

29 Department of Communications, *Book Publishing Industry Development Program Review*, 7.

30 Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada*, (Toronto: ECW Press, 2012), 115.

culture first, the policy had undermined the industry's ability to become viable and self-sustaining."<sup>31</sup> The evaluation sheds light on an issue that is still prevalent in the industry. Members of the book industry are heavily reliant on government funding programs to "protect existing publishing infrastructure and stimulat[e] sales,"<sup>32</sup> and are thus, with constant new developments to industry norms, not able to grow into self-sustaining companies.

### *CURRENT INDIRECT SUBSIDIES*

While the book industry does not have a postal subsidy in place at this time, Canada Post, the primary postal operator in Canada, has regulated reduced rates for publications such as newspapers, magazines and newsletters. These periodical publications have maintained a postal subsidy since prior to the creation of the PDAP in 1855. By the time books were removed in 1992/93, the PDAP was renamed the Publications Assistance Program (PAP), and consisted of "periodicals (magazines and journals); small community, minority official language, ethnic, and national and regional weekly newspapers; and commercial newsletters."<sup>33</sup> In March 1996, the PAP was challenged by the US as a violation of the General Agreement on Tariffs and Trade.<sup>34</sup> From that day forward, postal subsidies were changed from "preferential mailing rate to direct subsidy through the establishment of separate accounts at Canada Post."<sup>35</sup> Canada

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31 Rowland Lorimer, *Ultra Libris*, 115.

32 "Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery," Association of Canadian Publishers, August, 2020, 3, <https://publishers.ca/wp-content/uploads/2020/08/2021-ACP-PreBudgetConsultation-Final.pdf>

33 Publishing Policy and Programs, "Publications Assistance Program (PAP): 1998-1999 Activity Report," Canada: Government of Canada, December 1999, 6.

34 Publishing Policy and Programs, "(PAP): 1998-1999 Activity Report," 4.

35 Publishing Policy and Programs, "(PAP): 1998-1999 Activity Report," 4.



Post created a new method to calculate the reduced mailing rate: “the subsidy amount is deduced from the titles account and the difference is paid by the publisher.”<sup>36</sup> This made the program most efficient and helpful for mailing “10,000 eligible copies of a publication that weighed under 200 grams.”<sup>37</sup> Postal rates such as the PAP only worked for publications that distributed high numbers of low weight items. Although newspapers, journals, and newsletters have many issues and volumes, they are all, for the most part, thin publications with large distribution lists. Books, however, are not only thicker and therefore heavier, but they are also, for the most part, shipped for individual orders rather than to a set distribution list, which makes mailing costs much higher for booksellers.

With the redesign of the PAP in 2009, all postal subsidies administered by the Canadian government for the distribution of Canadian content in the form of books, newspapers, and magazines were replaced by funding programs. The Canada Post Corporation, however, created indirect postal subsidy programs for both periodical publications and libraries, similar to the previously discussed government administered postal subsidies. Canada Post Corporation’s indirect postal subsidy programs reduces the distribution cost throughout Canada for the distribution of Canadian content.<sup>38</sup> The Publication Mail program and the Library Materials program both resemble previous postal subsidy programs such as the PAP with similar goals to facilitate the distribution of Canadian content.

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36 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 6.

37 Publishing Policy and Programs, “(PAP): 1998-1999 Activity Report,” 6.

38 “Send Publications,” Canada Post Corporation, Accessed June 25, 2021, <https://www.canadapost-postescanada.ca/cpc/en/business/postal-services/mailing/send-publications.page>

The Publication Mail program is an indirect subsidy agreement between the Canada Post Corporation and periodical publishers, in which Canada Post offers lower postage rates to eligible publications.<sup>39</sup> The Publication Mail program is eligible for Canadian magazines, newspapers, and newsletters.<sup>40</sup> This program sees rates “starting as low as \$0.53 per mail piece.”<sup>41</sup> By using the Publication Mail program, periodical publishers “save over 50% on postage.”<sup>42</sup> Without the reduced rates, magazines, newspapers, and newsletters would struggle to make a profit due to the annual rise in postal rates. While the Publication Mail program helps to circulate Canadian content, it does not extend to booksellers. If books were included in the reduced mailing rate, mailing a single book would cost booksellers around \$1.50 versus the estimated \$10 rate at which they currently ship.<sup>43</sup> At the current price, mailing books is unprofitable for many booksellers and is becoming even more of an issue with the rise of online sales.

Another one of the Canada Post Corporation’s indirect subsidies is the Library Materials program, which reduces the rate of library materials being mailed to Canadian patrons.<sup>44</sup> Public libraries, university libraries, and libraries maintained by non-profit organizations for use by the general public are eligible to use the Library Materials

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39 “Send Publications,” Canada Post Corporation, <https://www.canadapost-postescanada.ca/cpc/en/business/postal-services/mailing/send-publications.page>

40 “Send Publications,” Canada Post Corporation, <https://www.canadapost-postescanada.ca/cpc/en/business/postal-services/mailing/send-publications.page>

41 “Send Publications,” Canada Post Corporation, <https://www.canadapost-postescanada.ca/cpc/en/business/postal-services/mailing/send-publications.page>

42 “PART I: Getting Publications Mail,” *Canadian Printer* 112, no. 7 (Oct, 2004), <http://proxy.lib.sfu.ca/login?url=https://www.proquest.com/trade-journals/part-i-getting-publications-mail/docview/274806734/se-2?accountid=13800>.

43 Ainsley Sparkes, “Podcast: All about The Canadian Independent Booksellers Association,” BookNet Canada, November 22, 2021, <https://www.booknetcanada.ca/blog/2021/3/29/podcast-all-about-the-canadian-independent-booksellers-association>.

44 “Library Materials Mailing Service,” Canada Post Corporation, Accessed June 25, 2021, <https://www.canadapost-postescanada.ca/cpc/en/support/kb/sending/general-information/library-materials-mailing-service>.

program. This program will allow them to pay a reduced price “at the time of mailing covers [for] both the outgoing and the return postage.”<sup>45</sup> The materials eligible for the discounted rate are “books, magazines, records, audiovisual materials (e.g. CDs, CD-ROMs, DVDs), [and] similar library materials.”<sup>46</sup> As the Library Materials program already deals with books as one of its materials, there’s clear precedent for postal subsidies to include books. Not only is a postal subsidy similar to the Library Materials program possible for booksellers, its extension to the book industry as a whole has already been requested by the Association of Canadian Publishers (ACP) in a 2020 submission.<sup>47</sup>

The ACP, an association representing approximately 115 Canadian-owned and controlled book publishers, requested, in a November 2020 submission to the standing committee on Canadian Heritage that the Canadian government stimulate local economies by introducing measures that encourage the purchase and reading of Canadian books.<sup>48</sup> One of the measures suggested responding to Canadian-owned book retailers and publishers’ request to extend Canada Post’s Library Materials Rate to the sector.<sup>49</sup> The ACP expresses that extending the Library Materials program to the book industry would “improve competitiveness and support fulfilment of increased online

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45 “Library Materials Mailing Service,” Canada Post Corporation, <https://www.canadapost-postescanada.ca/cpc/en/support/kb/sending/general-information/library-materials-mailing-service>.

46 “Library Materials Mailing Service,” Canada Post Corporation, <https://www.canadapost-postescanada.ca/cpc/en/support/kb/sending/general-information/library-materials-mailing-service>.

47 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, November 2020, 7, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>.

48 “Resilience, Agility & Innovation,” Association of Canadian Publishers, November 2020, 9, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>.

49 “Resilience, Agility & Innovation,” Association of Canadian Publishers, November 2020, 7, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>.

orders.”<sup>50</sup> Since the late 1800s, the main objectives of postal subsidies have, for the most part, remained the same from one postal subsidy to the next. The PDAP subsidy was implemented with three main benefits: to “encourage a more informed, better educated public,”<sup>51</sup> to “encourage a financially healthier Canadian publishing industry,”<sup>52</sup> and to “improve Canadians’ access to Canadian cultural products.”<sup>53</sup> Similarly the PAP “by lowering the cost of distribution, [...] contribute[d] to the success of Canadian publishers in reaching Canadians with local, regional, national, and international news.”<sup>54</sup> The Library Materials program is supported by members of the publishing industry for its ability to encourage the distribution of Canadian books and stimulate the industry by increasing its competitiveness.<sup>55</sup> Additionally, the Library Materials program deals with books, thus it stands as an exemplary model were there to be a book subsidy program in the future.

Both direct and indirect postal subsidies have historically been, and continue to be, imperative to the dissemination of Canadian content and the betterment of the industry they are benefiting. A postal subsidy would lessen the effects of the challenges the industry has dealt with, and continues to deal with, in the face of the Covid-19 pandemic. While the government’s funding programs have been crucial to the industry’s

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50 “Resilience, Agility & Innovation,” Association of Canadian Publishers, November 2020, 7, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>.

51 Department of Communications Program Evaluation Division, *Evaluation Assessment of the Postal Subsidies Program*, Canada: Government of Canada, 1984, 1.

52 Department of Communications Program Evaluation Division, *Evaluation Assessment*, 1.

53 Department of Communications Program Evaluation Division, *Evaluation Assessment*, 1.

54 Publishing Policy and Programs, “Publications Assistance Program (PAP): 1999-2000 Activity Report,” Canada: Government of Canada, 1.

55 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, November 2020, 7, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>

survival, a postal subsidy would help the industry grow in the future. The growth of e-commerce continues to skyrocket<sup>56</sup>; thus, the industry needs a new source of funding that more pointedly helps with the costs specifically associated with the increase in online sales.

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<sup>56</sup> Chong Guan, Zhiying Jiang, and Ding Ding, “The Fourth Industrial Revolution (Industry 4.0),” in *The Emerging Business Models*, (Singapore: World Scientific Publishing Co. Pte. Ltd, June, 2020), <https://doi-org.proxy.lib.sfu.ca/10.1142/11372>.

## CHAPTER 3 – THE BOOK INDUSTRY PRE-COVID-19

The implementation of technological advancements to the book industry has revolutionized the way the industry functions. While technology has opened up new possibilities, such as different formats and new ways of reaching a larger audience, it has also created many challenges for the industry, resulting from the shift to e-commerce and the related distribution costs.

### *INDUSTRY CONTEXT*

The Canadian book industry consists of the French language market and the English language market. The majority of French language sales come from Quebec, which in 2018 accounted for 25.4% of the industry's total operating revenue. Of the English book publishing industry, Ontario accounted for 67.2% of the industry's total operating revenue.<sup>57</sup> The Canadian book industry, with the backing of the federal government, has been consistently stable. From 2016 to 2018, Ontario, Quebec, and British Columbia, the three provinces that accounted for 97.2% of total operating revenue, all recorded increases in their operating revenues.<sup>58</sup> In 2018, the Canadian book industry was estimated at 1.7 billion dollars, a small increase of 2.0% from its estimated value in 2016.<sup>59</sup> These numbers are industry wide and thus do not reflect the diversity of publishers as large publishers such as “the big five”—Penguin/Random House, Hachette

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57 “Book Publishing INDUSTRY, 2018,” Statistics Canada, May 28, 2020, <https://www150.statcan.gc.ca/n1/daily-quotidien/200528/dq200528f-eng.htm>.

58 “Book Publishing,” Statistics Canada, <https://www150.statcan.gc.ca/n1/daily-quotidien/200528/dq200528f-eng.htm>.

59 “Book Publishing,” Statistics Canada, <https://www150.statcan.gc.ca/n1/daily-quotidien/200528/dq200528f-eng.htm>.

Book Group, Harper Collins, Simon and Schuster, and Macmillan— hold a large part of the industry’s market shares.

Similarly, large bookstore chains, such as Chapters Indigo for the English language market, and Renaud-Bray for the French language market, account for a large percentage of book sales in Canada. These larger publishers and bookstores skew the results of the industry-wide statistics, as they hold larger market shares their success is highlighted in the statistics much more than the larger group of independent companies that are struggling to be profitable. In BookNet Canada’s article “What’s in Store: The State of Independent Bookselling in Canada 2018,” independent bookstore owners mention that challenges related to “governmental costs, municipal, provincial, and federal are making it impossible to make a healthy profit.”<sup>60</sup> Independent bookstores are crucial when it comes to supporting the dissemination of Canadian-authored books, particularly those published by independent publishers.<sup>61</sup> “BookNet Canada reports that Canadian-authored books account for 19 to 20 per cent of independent stores’ book sales [compared to] the overall 12% share held by Canadian-authored books in the retail book trade.”<sup>62</sup> Therefore, the industry-wide statistics do not depict “the financial realities [that] remain difficult”<sup>63</sup> for many members of the book industry.

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60 “The State of Independent Bookselling in Canada 2020,” BookNet Canada, 2021, 25, <https://www.booknetcanada.ca/the-state-of-independent-bookselling-in-canada-2020>.

61 “Assessment of the Support for Distribution Program, Canada Book Fund: A Report by the More Canada Steering Committee,” More Canada Steering Committee, Canada: More Canada, March 16, 2021, <https://morecanada.ca/2021/03/16/assessment-of-the-support-for-distribution-program-canada-book-fund-a-report-by-the-more-canada-steering-committee/>

62 “Assessment of the Support for Distribution Program,” More Canada Steering Committee, <https://morecanada.ca/2021/03/16/assessment-of-the-support-for-distribution-program-canada-book-fund-a-report-by-the-more-canada-steering-committee/>

63 Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada*, (Toronto: ECW Press, 2012), 334.

## *SHIFT TO DIGITAL*

The stability of the Canadian book industry is in large part due to the support of the Canadian government through the Canadian Book Fund (CBF). Since it was established in 1979, the CBF has served as the government's main support system for the Canadian book industry.<sup>64</sup> Their two main streams, Support for Publishers (SFP) and Support for Organizations (SFO), contribute over \$30 million to the Canadian book industry yearly.<sup>65</sup> The CBF's budget is designed to “ensure access to a diverse range of Canadian-authored books nationally and internationally, by fostering a strong book industry that publishes and markets Canadian-authored books.”<sup>66</sup> According to a 2018 joint submission by the ACP and l'Association nationale des éditeurs de livres (ANEL), Canadian English-language and French-language publishers associations with similar mandates to represent over 100 Canadian-owned book publishers with public authorities and stakeholders, CBF support “remain[s] essential to Canadian-owned publishers, [...] the program rewards commercial success and serves as essential infrastructure for our industry.”<sup>67</sup> The funding distributed through CBF's two program streams, then, is essential to the survival of the Canadian book industry and the continued growth of Canadian culture both nationally and internationally. While the book industry is

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64 Evaluation Services Directorate, “Evaluation of the Canada Book Fund 2012-13 to 2017-18,” Canada: Government of Canada, July 31, 2019, <https://www.canada.ca/content/dam/pch/documents/corporate/publications/evaluations/CBF-Evaluation-Final-Report-en.pdf>.

65 Evaluation Services Directorate, “Evaluation of the Canada Book Fund,” <https://www.canada.ca/content/dam/pch/documents/corporate/publications/evaluations/CBF-Evaluation-Final-Report-en.pdf>.

66 “Canada Book Fund,” Government of Canada, October 2, 2020, <https://www.canada.ca/en/canadian-heritage/services/funding/book-fund.html>.

67. “Investing in Community, Education, Culture, Diversity, Equity and Export Development. Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget,” Association nationale des éditeurs de livres and the Association of Canadian Publishers, August, 2019, 3, <https://publishers.ca/wp-content/uploads/2019/08/2020-ANEL-ACP-PreBudgetConsultation-Final.pdf>.



receiving much-needed funding through the CBF, this funding does not mitigate the economic impact that changing technology has had on the traditional book industry.

Factors such as how buyers find and browse for books, how they buy, and what format they purchase, convey how technology has changed the book industry. Although new technological advancements help “increase the limited circulation of written text”<sup>68</sup>, these technologies also generate new challenges for the industry. The printed book was successful “in its ability to spread knowledge and ideas to large numbers of people, [it] reconfigured social relations and made the pursuit of knowledge [...] common activities for far more [people].”<sup>69</sup> Formats such as e-books and audiobooks, and innovations such as online shopping, are succeeding at that same goal.

Technological advances in the book industry allows for more content to be readily available and accessible to more individuals. E-books and audiobooks make reading more accessible for those living with print disabilities. Similarly, e-commerce makes shopping more accessible than shopping in a physical store. E-commerce removes the geographic barriers to book shopping, thus creating a larger audience for bookstores that would previously only serve their surrounding communities. According to BookNet Canada’s annual *The Canadian Book Buyer* report, which pre-dates Covid-19, and as seen in Figure 1, there has been a steady growth in online book-buying and, conversely, a decline in in-person purchasing.<sup>70</sup>

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68 Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada*, (Toronto: ECW Press, 2012), 264.

69 Rowland Lorimer, *Ultra Libris*, 264.

70 “The Canadian Book Buyer 2018,” BookNet Canada, June, 2019, 14. <https://www.booknetcanada.ca/canadian-book-buyer>

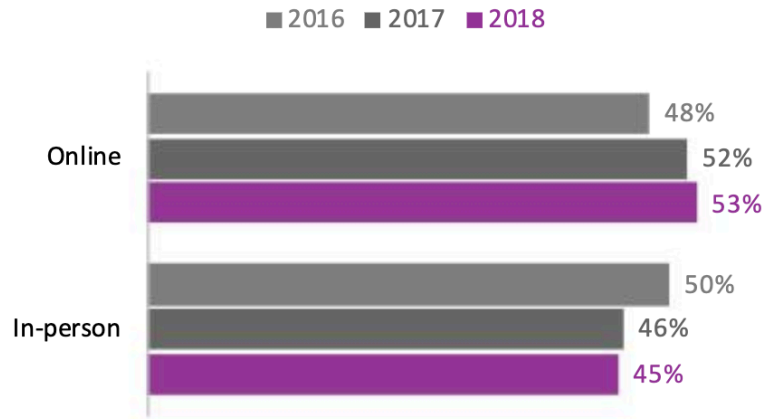


Figure 1. Comparative graph of online vs. in-person purchases from 2016 to 2018. BookNet Canada, The Canadian Book Buyer 2018, (June 2019). <https://www.booknetcanada.ca/canadian-book-buyer> 14.

When participants of BookNet Canada’s 2018 book-buying report were asked why they make their purchases from a chosen shop/website/organization, respondents indicated convenience as one of the most common deciding factors and highest-ranking answers.<sup>71</sup>

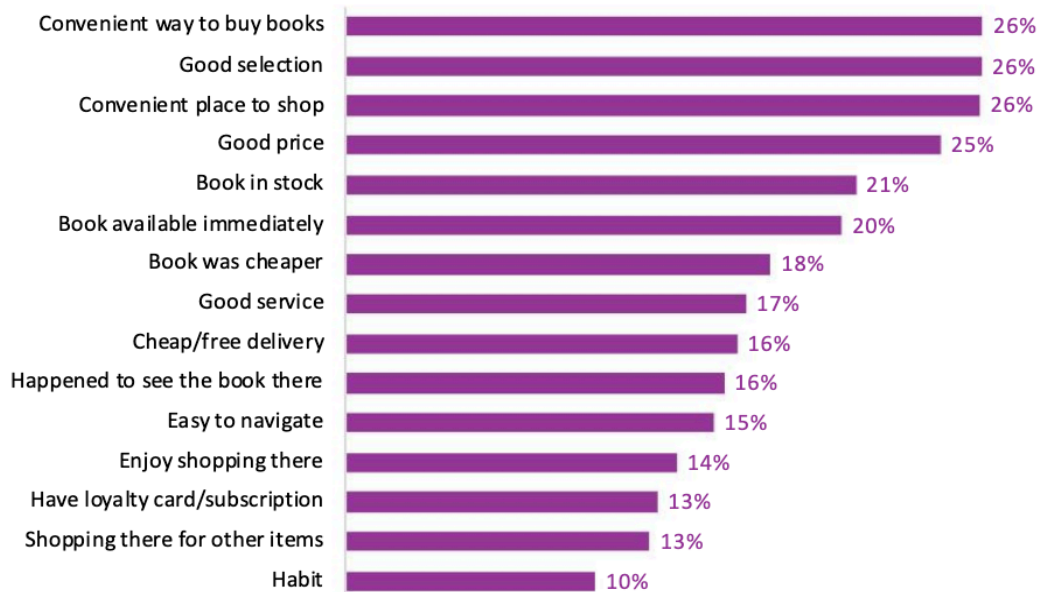


Figure 2. Graph indicating factors for purchasing preferences 2018. BookNet Canada, What’s in Store: The State of Independent Bookselling in Canada 2018. (August 2019). <https://www.booknetcanada.ca/whats-in-store>.

71 “The Canadian Book Buyer 2018,” BookNet Canada, June, 2019, 15. <https://www.booknetcanada.ca/canadian-book-buyer>

As shown in Figure 2, the ease and convenience of discovering, browsing, and buying books online, has become a large influencing factor for readers when choosing where to purchase books. The shift from in-store to online shopping comes with increased distribution related costs such as inventory, packaging, shipping, mailing and labour. While online sales have a positive impact on the industry's overall health, as seen through the stability in the industry's profitability year-over-year, many small booksellers do not have the resources to consistently, competitively, and profitably sell books online.

While the public's shift to online shopping noticeably picked up in 2018, 74% of BookNet Canada's surveyed booksellers indicated they "viewed their bookstore as healthy."<sup>72</sup> This shows that booksellers viewed the increase in online sales positively; however, many still relied on government programs such as the CBF's SFO and SFP components, to begin adapting to shifts from in-store to online. The CBF was designed to financially assist Canadian-owned book publishers for the production, marketing, and distribution of Canadian-authored books,<sup>73</sup> as well as support "Canadian-owned and Canadian-controlled [organizations] representing or related to the Canadian book publishing industry,"<sup>74</sup> with marketing, professional development, internships, and technology projects that serve to strengthen the book industry.<sup>75</sup> Though through these

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72 BookNet Canada. "What's in Store: The State of Independent Bookselling in Canada 2018." Pdf. August, 2019, 24, <https://www.booknetcanada.ca/whats-in-store>.

73 "Canada Book Fund," Government of Canada, October 2, 2020, <https://www.canada.ca/en/canadian-heritage/services/funding/book-fund.html>.

74 "Support for Organizations – Canada Book Fund," Government of Canada, April 12, 2021, <https://www.canada.ca/en/canadian-heritage/services/funding/book-fund/support-organizations.html>.

75 "Canada Book Fund," Government of Canada, October 2, 2020, <https://www.canada.ca/en/canadian-heritage/services/funding/book-fund.html>.

programs, the government shows it is committed to supporting the industry, and though these programs, are imperative in the development and dissemination of Canadian culture both within the country and internationally, bookselling continues to be a competitive industry with a low profit margin.

### *ONLINE COMPETITION*

Canadian booksellers were slow to enter the online book market, credited to be created by Amazon, one of the five biggest American companies in the information technology industry. Amazon built an extremely strong online presence that continues to rise in popularity each year, therefore booksellers attempting to sell online, must compete with Amazon as well as other bookstores like Chapters Indigo and Archambault, that have existing online stores. Chapters Indigo, the leading bookstore in Canada for in-store book sales, has utilized e-commerce sales since 2001.

Even prior to Covid-19, Chapters Indigo, like all booksellers, struggled to compete with Amazon's control of the online market. Amazon is one of the most rapidly growing companies over the last decade<sup>76</sup>, in 2014, Amazon sales accounted for approximately 60 to 65% of all book sales sold in North America.<sup>77</sup> Amazon's success in the book market comes from its co-competition-based business model defined as a "simultaneously collaborative and competitive relationship, which takes place between

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76 Brett Dennis and Stefan Nonnenmann, "Amazon: Is Profitability a Possibility?" *Expert Journal of Business and Management* 2, no.1 (June 2014): 13, [https://sfu-primo.hosted.exlibrisgroup.com/permalink/f/1u29dis/TN\\_cdi\\_doaj\\_primary\\_oai\\_doaj\\_org\\_article\\_e563aef3a6024d3bb08efe1dfccca022](https://sfu-primo.hosted.exlibrisgroup.com/permalink/f/1u29dis/TN_cdi_doaj_primary_oai_doaj_org_article_e563aef3a6024d3bb08efe1dfccca022)

77 Thomas Woll and Dominique Raccach, *Publishing for Profit: Successful Bottom-Line Management for Book Publishers*, (Chicago: Chicago Review Press, 2014), 190.

two or more firms within the same value chain position.”<sup>78</sup> In Amazon’s case their coopetition-based business model meant Amazon began “collaborating with the bookstores by providing them with the infrastructure and technical means to market and sell their products online.”<sup>79</sup> This coopetition allowed booksellers to sell books online through Amazon’s highly-trafficked web pages.<sup>80</sup> This new arrangement, however, would also place booksellers and Amazon “in a head-to-head price competition to win customer orders.”<sup>81</sup> Booksellers were forced to sell through their largest competitor or create their own e-commerce site and compete with Amazon’s unprofitable discounts.

Additionally, Amazon’s business model through which growth is the main goal, over profitability, is achieved by focusing on customers in the long term. Amazon’s business model of high volume and low margin sales challenges competitors in every market they have entered—the book industry included. Amazon’s “commitment to low margins and low prices has allowed [them] to become viable [and] this has been backed up by the loyalty of Amazon’s customer base as well as their investors.”<sup>82</sup> While this business model works for Amazon due to its scale, the same cannot be said for many booksellers who could not survive on such low margins. As a result of Amazon’s low

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78 Pavoo Ritala, Arash Golnam, and Alain Wegmann, “Coopetition-Based Business Models: The Case of Amazon.com,” *Industrial Marketing Management* 43, no. 2 (2014): 247, <https://doi.org/10.1016/j.indmarman.2013.11.005>. 241.

79 Pavoo Ritala, Arash Golnam, and Alain Wegmann, “Coopetition-Based Business Models” 242, <https://doi.org/10.1016/j.indmarman.2013.11.005>. 241.

80 Pavoo Ritala, Arash Golnam, and Alain Wegmann, “Coopetition-Based Business Models” 242, <https://doi.org/10.1016/j.indmarman.2013.11.005>. 241.

81 Pavoo Ritala, Arash Golnam, and Alain Wegmann, “Coopetition-Based Business Models” 243, <https://doi.org/10.1016/j.indmarman.2013.11.005>. 241.

82 Brett Dennis and Stefan Nonnenmann, “Amazon: Is Profitability a Possibility?” *Expert Journal of Business and Management* 2, no.1 (June 2014): 10, [https://sfu-primo.hosted.exlibrisgroup.com/permalink/f/1u29dis/TN\\_cdi\\_doaj\\_primary\\_oai\\_doaj\\_org\\_article\\_e563aef3a6024d3bb08efe1dfccca022](https://sfu-primo.hosted.exlibrisgroup.com/permalink/f/1u29dis/TN_cdi_doaj_primary_oai_doaj_org_article_e563aef3a6024d3bb08efe1dfccca022)

profit margins and Amazon's control over a large chunk of the online market, booksellers are at a huge disadvantage.

Although the growth of e-commerce creates more opportunity for booksellers to reach their customers, it also creates many challenges. While booksellers are seeing an increase in online sales, they are forced to compete with established competitors in the online market. These challenges are reaffirmed and intensified in 2020 due to Covid-19 and its health and safety measures. The increase in online sales and the related distribution costs have renewed lobbying from booksellers for long-term assistance with postage fees.

## CHAPTER 4 – COVID-19 & THE BOOK INDUSTRY

### *COVID-19'S IMMEDIATE EFFECTS*

On March 11th 2020, the World Health Organization (WHO) declared Covid-19 a global pandemic. Within months, Covid-19, a virus that spread as easily as a common cold, reached nearly every country in the world.<sup>83</sup> With over 132 million cases and 2.86 million deaths within the first year, Covid-19 was an unprecedented event.<sup>84</sup> Canadian provincial governments enacted many measures to stop the spread of the virus, including province-wide lockdowns, store closures, and mandatory mask advisories. The book industry feared that Covid-19, and the measures put in place to reduce the virus' impact on the world would bankrupt the industry, and initially it appeared it would. Booksellers across Canada including those in Quebec and Ontario, the largest contributors to the French and English book markets, were forced to close their doors in an attempt to reduce the spread of Covid.

In response to the pandemic, the Canadian government implemented loans and subsidies for small businesses, such as the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA). In a written submission, the ACP mentions that “publishers are grateful for the Government of Canada’s rapid

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83 “Advice for the Public On Covid-19,” World Health Organization, July 1, 2021,

<https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public>.

84 “Coronavirus (Covid-19),” *Google News*, Accessed April 9, 2021, <https://news.google.com/covid19/map?hl=en-CA&mid=%2Fm%2F02j71&gl=CA&ceid=CA%3Aen>.

response to COVID-19.”<sup>85</sup> According to the submission, 48% of ACP members benefitted from CEWS and 53% from CEBA.<sup>86</sup> Although the government set up many emergency programs to help businesses throughout Canada, the book industry, like many other industries, still faced many challenges during the pandemic.

Covid-19 quickly became “a perfect storm for the publishing industry in Canada,”<sup>87</sup> as most of Canada underwent strict lockdown protocols. In-store shopping had almost entirely been replaced with online shopping. According to BookNet Canada, “purchases made in March 2020 began to move more online, [...] [by] the end of 2020 in December, online purchases rose to 65%, a 24% increase from the fourth quarter in 2019.”<sup>88</sup> While an increase in sales is positive, online sales are not as simple or as cost effective as in-store sales. When assessing online sales, it is crucial to consider the additional distribution costs associated with e-commerce, such as mailing costs. “Overall in 2020, 64% of purchases were made online”<sup>89</sup> and “75% of purchases were print books,”<sup>90</sup> numbers that indicate a large increase in mailing demands for booksellers during the pandemic.

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85 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, August, 2020, 2, <https://publishers.ca/wp-content/uploads/2020/08/2021-ACP-PreBudgetConsultation-Final.pdf>.

86 “Resilience, Agility & Innovation” Association of Canadian Publishers, August, 2020, 2, <https://publishers.ca/wp-content/uploads/2020/08/2021-ACP-PreBudgetConsultation-Final.pdf>.

87 Deborah Dundas, “Dark Chapter for Canada’s Book Industry; New Business Model Needed after Battling Amazon, Pandemic and a Painful Loss in Court,” *Toronto Star*, May 23, 2020, <http://proxy.lib.sfu.ca/login?url=https://www-proquest-com.proxy.lib.sfu.ca/newspapers/dark-chapter-canadas-book-industry/docview/2405826059/se-2?accountid=13800>.

88 “Canadian Book Consumer Study 2020,” BookNet Canada, 2021, 4, <https://www.booknetcanada.ca/canadian-book-consumer-2020>.

89 “Canadian Book Consumer Study 2020,” BookNet Canada, 2021, 4, <https://www.booknetcanada.ca/canadian-book-consumer-2020>.

90 “Canadian Book Consumer Study 2020,” BookNet Canada, 2021, 4, <https://www.booknetcanada.ca/canadian-book-consumer-2020>.



Although the increase in online sales appeared to be a saviour for many booksellers during store closures, the costs related to online sales—more specifically inventory, packing, and mailing costs—made the new demands of online commerce hard to manage. The book industry was not prepared for the increase in online sales brought on by Covid-19 and its health and safety measures. For many independent booksellers and publishers, store-closures forced them to build or update their e-commerce website in order to stay afloat. Online sales were a challenge for booksellers of all sizes. According to Heather Reisman, CEO of Chapters Indigo, “[Indigo has] been very happy with online book sales even though it’s not profitable.”<sup>91</sup> These comments were echoed by many members of the book industry, the ACP asked for help with the “new costs—particularly consumer shipping and other parts of the supply chain.”<sup>92</sup>

In addition to the costs associated with online sales, booksellers were in direct competition with more established e-commerce stores. Not only did booksellers have to deal with increasing their online presence and the associated costs of mailing books, they also had to compete with the discounts and free shipping made available by sites like Amazon. According to BookNet Canada’s report *The Canadian Book Market 2020*, and as seen in Figure 3, participants in the survey chose the location of their purchases based on good price, offer, or promo, convenience, cheap or free delivery, and loyalty card or subscription.<sup>93</sup>

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91 Deborah Dundas, “Dark Chapter for Canada’s Book Industry; New Business Model Needed after Battling Amazon, Pandemic and a Painful Loss in Court,” *Toronto Star*, May 23, 2020, <http://proxy.lib.sfu.ca/login?url=https://www-proquest-com.proxy.lib.sfu.ca/newspapers/dark-chapter-canadas-book-industry/docview/2405826059/se-2?accountid=13800>.

92 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, August, 2020, <https://publishers.ca/wp-content/uploads/2020/08/2021-ACP-PreBudgetConsultation-Final.pdf>.

93 “The Canadian Book Market 2020,” BookNet Canada, 2021, 10.

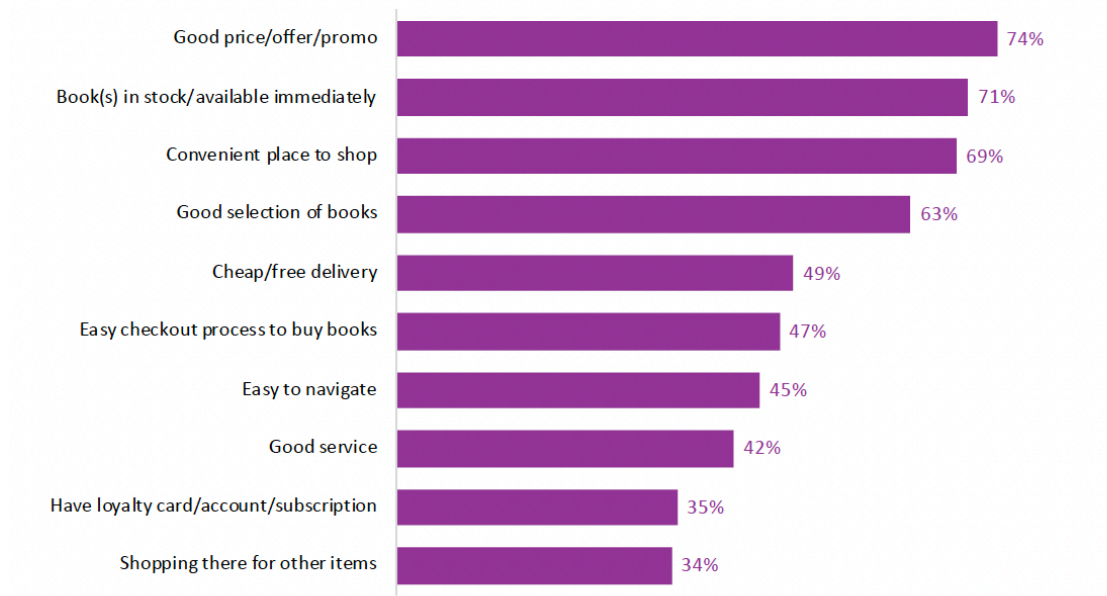


Figure 3. Graph indicating factors for purchasing preferences 2020. BookNet Canada, The Canadian Book Market 2020, (2021). <https://www.booknetcanada.ca/canadian-book-market>.

Compared to the results from BookNet Canada’s 2018 survey with the same question, “good price” went up from 25% to 74%, “convenience” went up from 26% to 69% and “cheap/free delivery” also went up from 16% to 49%. This indicates that the price related factors that previously drew customers to online shopping have increased in overall importance for customers within the last two years.

In light of the challenges brought on by the store-closures, CBF also implemented the Support for Distribution (SFD) program to “support the Canadian book industry by helping Canadian book distributors to maintain their operations and support the sale of Canadian books.”<sup>94</sup> This emergency fund was created to help distributors to “continue meeting their financial obligations toward Canadian publishers for the sale of their books [and] offer flexibility to Canadian book retailers with respect to terms of

<sup>94</sup> “Support for Distribution – Canada Book Fund,” Government of Canada, September 15, 2020, <https://www.canada.ca/en/canadian-heritage/services/funding/book-fund/support-distribution.html>.

payment and provide other financial advantages in support of the sale of Canadian books.”<sup>95</sup> The SFD component was praised for how it “put \$4 million into the English-Canadian publisher-distributor supply chain, and resulted in publishers receiving \$3.6 million in payment for sales sooner than would have otherwise been the case.”<sup>96</sup> As a result, the “cash flow assisted these companies in maintaining their publishing capacity, and in carrying on their editorial, production, distribution and marketing operations.”<sup>97</sup> These temporary funding measures were extremely important for the survival and growth of the Canadian book industry during the pandemic.

#### *AMAZON’S HOLD ON E-COMMERCE*

While the pandemic was challenging for many industries, the pandemic has increased Amazon’s sales in many markets. During the pandemic Amazon has become one of the most popular online stores for all kinds of products. Though Amazon has been booksellers’ largest competitor on the online market since the early 2000s, due to the pandemic and its health and safety measures, this has intensified. It is said that “consumer spending on Amazon between May and July [2020] was up 60% from the same time [the previous year].”<sup>98</sup> Additionally, Amazon Prime has evolved over the past 15 years into one of the most convenient ways to shop online. Launched in 2005,

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95 “Support for Distribution – Canada Book Fund.” Government of Canada.

96 “Assessment of the Support for Distribution Program, Canada Book Fund: A Report by the More Canada Steering Committee.” More Canada Steering Committee, Canada: More Canada, March 16, 2021, <https://morecanada.ca/2021/03/16/assessment-of-the-support-for-distribution-program-canada-book-fund-a-report-by-the-more-canada-steering-committee/>

97 “Assessment of the Support for Distribution Program,” More Canada Steering Committee, <https://morecanada.ca/2021/03/16/assessment-of-the-support-for-distribution-program-canada-book-fund-a-report-by-the-more-canada-steering-committee/>

98 Alana Semuels, “Many Companies Won’t Survive the Pandemic. Amazon Will Emerge Stronger Than Ever,” *Time*, July 28, 2020, <https://time.com/5870826/amazon-coronavirus-jeff-bezos-congress/>

Amazon Prime has become a convenient delivery option for buyers over the years, with the intention of “two-day shipping becom[ing] an everyday experience rather than an occasional indulgence.”<sup>99</sup> With the introduction of Amazon Prime subscriptions, Amazon offered “unlimited two-day delivery on over one million in-stock items (or as they announced it, an ‘all-you-can-eat express shipping’) for only \$79 per year.”<sup>100</sup> This additional incentive and low price points makes competing almost impossible for many industries, including small brick and mortar booksellers.

In order to compete with Amazon, which holds “38% of the e-commerce market, trailed by Walmart with 6%,”<sup>101</sup> all retailers are forced to offer reduced pricing, or, at the very least, free and speedy delivery on all orders—book sellers being no exception. Amazon’s free shipping offers, allows cheaper and quicker delivery than most other online stores are capable of. Additionally, booksellers are forced to compete with Amazon’s low book prices. For example, an individual wanting to order a paperback of Delia Owen’s New York Times Best Seller *Where the Crawdad’s Sing*, with the recommended retail price of \$24.00 has the following price and mailing breakdown:

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99 “Amazon.com Announces Record Free Cash Flow Fueled by Lower Prices and Free Shipping; Introduces New Express Shipping Program -- Amazon Prime,” Amazon.com, Inc, Press Room, Amazon, February 2, 2005, <https://press.aboutamazon.com/news-releases/news-release-details/amazoncom-announces-record-free-cash-flow-fueled-lower-prices-1>.

100 George Hatch, “Amazon Prime: A Timeline from 2005 to 2020,” *Worldwide Ecommerce Business Solutions*, August 20, 2020, <https://pattern.com/blog/amazon-prime-a-timeline-from-2005-to-2020/>

101 Alana Semuels, “Many Companies Won’t Survive the Pandemic. Amazon Will Emerge Stronger Than Ever,” *Time*, July 28, 2020, <https://time.com/5870826/amazon-coronavirus-jeff-bezos-congress/>

<b>Book Seller</b>	<b>Book Price</b>	<b>Estimated Shipping Cost</b>	<b>Total Cost</b>
Chapters Indigo	\$24.00	\$7.24	<b>\$31.24</b>
Amazon	\$16.19	\$5.73*	<b>\$21.92</b>
Perfect Books (Independent)	\$24.00	\$10.00	<b>\$34.00</b>
* Free with Amazon Prime membership			

Figure 4. Price and mailing breakdown for paperback sold through various booksellers.

The above breakdown indicates that while Chapters Indigo and many if not all independent booksellers, sells their titles at the suggested retail price, Amazon chooses to lower these prices, as seen in the 33% drop in price of the above example. Chapters Indigo CEO Heather Reisman stated that “from the day Amazon started, they made the decision to sell books well below the suggested retail price [...] not just bestsellers ... they have set prices for all books that are anywhere from 20 to 50 per cent below the retail price that is suggested.”<sup>102</sup> The above example also indicates that purchasing a book from independent booksellers would cost the buyer more in shipping than if they bought from Amazon. Booksellers are not equipped to compete with Amazon’s low prices in addition to their Prime membership program. While the increase in online sales appears to be positive, it brings forth many challenges for booksellers during this already-difficult pandemic.

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102 Deborah Dundas, “Dark Chapter for Canada’s Book Industry; New Business Model Needed after Battling Amazon, Pandemic and a Painful Loss in Court,” *Toronto Star*, May 23, 2020, <http://proxy.lib.sfu.ca/login?url=https://www-proquest-com.proxy.lib.sfu.ca/newspapers/dark-chapter-canadas-book-industry/docview/2405826059/se-2?accountid=13800>.

During the pandemic, members of the Canadian book industry relaunched lobbying for a postal subsidy to support the industry. In two separate submissions to the Canadian Heritage, the ACP requested “to extend Canada Post’s Library Materials Rate to [the book industry] to improve competitiveness and support fulfilment of increased online orders.”<sup>103</sup> Four months later, in February 2021, the ACP submitted a new request for “\$1M to introduce a temporary postal subsidy to offset pandemic-related postage and shipping costs for Canadian-owned publishers.”<sup>104</sup> The ACP represents over 100 publishers who are concerned that “consumers have become accustomed to free shipping. The cost of mailing these titles, however, is prohibitive and often exceeds the margin a publisher would earn on sales.”<sup>105</sup> Thus in order for publishers to make online sales profitable on their end, they need a solution for high distribution costs.

While the book industry was once equipped to deal with the challenges it faced, it is now unable to handle the increased pressure the pandemic caused. The increased demand, for not only mailing but more competitive delivery time frames and costs, is too much for the industry to handle even with existing government support. The pandemic has underscored that “the demand is there, the content is valuable and useful, it’s just finding the model that will allow for payment and making the investment.”<sup>106</sup> A postal subsidy would help booksellers fairly compete with large online competitors such

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103 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, November 2020, 7, <https://publishers.ca/wp-content/uploads/2020/11/201118-COVID19-RecoveryPlan-ACP-updatedNov2020.pdf>

104 “Resilience, Agility & Innovation: Canadian Publishers and COVID-19 Recovery,” Association of Canadian Publishers, February, 2021, 1, <https://publishers.ca/wp-content/uploads/2021/02/210219-Finance-PreBudget-2021.pdf>

105 “Resilience, Agility & Innovation,” Association of Canadian Publishers, February, 2021, 10, <https://publishers.ca/wp-content/uploads/2021/02/210219-Finance-PreBudget-2021.pdf>

106 Deborah Dundas, “Dark Chapter for Canada’s Book Industry; New Business Model Needed after Battling Amazon, Pandemic and a Painful Loss in Court,” *Toronto Star*, May 23, 2020, <http://proxy.lib.sfu.ca/login?url=https://www-proquest-com.proxy.lib.sfu.ca/newspapers/dark-chapter-canadas-book-industry/docview/2405826059/se-2?accountid=13800>

as Amazon. More importantly, it would allow Canadian book sellers to profit from the increase in online sales brought on by the pandemic.

Although the government has implemented many funding programs both before and during the pandemic, the cost of postage is still a large challenge for many members of the Canadian book selling sector. Doug Minett, the Executive Director of the Canadian Independent Booksellers Association (CIBA) expressed the unprofitable and unrealistic nature of mailing books: “trying to ship books at 9 to 10 bucks a book is not really viable.”<sup>107</sup> In a comparison between the cost of regular postage and the cost of postage with a book rate, “it’s \$9 to \$10 versus \$1.50.”<sup>108</sup> With the increase in online sales, the high price of mailing single books becomes unprofitable for booksellers. ACP President Melissa Pitts explains that “companies large and small have [already] implemented online infrastructure[s] as a complement to their bricks-and-mortar business, and [...] for some book buyers online will remain a primary channel for book discovery and purchase.”<sup>109</sup> While the CBF’s programs are essential for the industry to make it through the pandemic, a postal subsidy would help the Canadian book industry’s overall success. A postal subsidy would not only be a temporary solution, but one that could help build the industry for years to come.

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107 Ainsley Sparkes, “Podcast: All about The Canadian Independent Booksellers Association,” BookNet Canada, November 22, 2021, <https://www.booknetcanada.ca/blog/2021/3/29/podcast-all-about-the-canadian-independent-booksellers-association>.

108 Ainsley Sparkes, “Podcast: All about The Canadian Independent Booksellers Association,” BookNet Canada, November 22, 2021, <https://www.booknetcanada.ca/blog/2021/3/29/podcast-all-about-the-canadian-independent-booksellers-association>.

109 “ACP Welcomes Budget 2021 Commitments and Seeks Targeted Support for Book Publishers in Its Implementation,” Association of Canadian Publishers, April 20, 2021, <https://publishers.ca/wp-content/uploads/2021/04/210420-PressRelease-Budget2021.pdf>.

## *THE INDUSTRY MOVING FORWARD*

A year and a half into the pandemic, the increase in online sales has stabilized. While the industry is no longer fearing bankruptcy and booksellers have received much needed support from their surrounding communities, the industry is still struggling with costs related to e-commerce. The shift to online “cement[ed] the loyalty of long-time customers while reaching new ones, and succeeding in taking back dollars that were previously lost to online competitors.”<sup>110</sup>

In addition to the increase in community support, the 2021 federal budget provided “\$39.3 million over two years, starting in 2021-22”<sup>111</sup> to be distributed to the Canadian book industry through the CBF. This new budgeted amount “includes \$32.1 million over two years, [...] to help bookstores increase online sales and \$7.2 million [...] to promote Canada’s book industry at the Frankfurt Book Fair.”<sup>112</sup> In a press release following the 2021 budget announcement, the ACP thanked the government for “acknowledge[ing] the essential role Canadian publishers play in bringing [Canadian] stories to readers across Canada and around the world [and] is keen to learn more about the budget’s investment in support for Canadian bookstores to increase online sales of Canadian books.”<sup>113</sup>

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110 Alex Green, “Indie Bookstores Embrace E-Commerce...and It Pays Off,” *Publishers Weekly*, February 5, 2021, 4, <https://www.publishersweekly.com/pw/by-topic/industry-news/bookselling/article/85522-indie-bookstores-embrace-e-commerce-and-it-pays-off.html>.

111 Department of Finance of the Government of Canada, *Budget 2021 - A Recovery Plan for Jobs, Growth, and Resilience*, Canada: Government of Canada, April 19, 2021, 205, <https://www.budget.gc.ca/2021/pdf/budget-2021-en.pdf>.

112 Department of Finance of the Government of Canada, *Budget*, 205, <https://www.budget.gc.ca/2021/pdf/budget-2021-en.pdf>.

113 “ACP Welcomes Budget 2021 Commitments and Seeks Targeted Support for Book Publishers in Its Implementation,” Association of Canadian Publishers, April 20, 2021, <https://publishers.ca/wp-content/uploads/2021/04/210420-PressRelease-Budget2021.pdf>.



Although the new government funding could easily be seen as the solution to the postage problem the industry is facing, this funding will not help nearly enough of the industry. The new budget amount is a temporary assistance for members of the industry distributed over a two-year period as a Covid-19 funding initiative.<sup>114</sup> Bookstores are concerned that “the true costs of online shopping and shipping will become apparent in 2021 and beyond. There was so much government support [...] in 2020, that many of those costs were offset.”<sup>115</sup> The larger concern surrounding postage costs is that once all emergency funding and additional Covid-19 support ends, “profitability will [continue to] be a real issue”<sup>116</sup> for the book industry. While emergency government funding is helpful to the industry, the postage challenges facing the industry have been around long before Covid-19 and the industry’s struggles will only increase post Covid-19.<sup>117</sup>

As the pandemic begins to recede and support comes to an end, the book industry is looking for more long-term assistance from the government. A postal subsidy would answer the calls from booksellers to direct money towards supporting a cheaper postage rate in order to assist in increasing customer base and overall profit in the coming years.<sup>118</sup> The industry is no longer looking for temporary support to make it through the pandemic, it instead needs long-term support that will help moving forward.

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114 Department of Finance of the Government of Canada, *Budget 2021 - A Recovery Plan for Jobs, Growth, and Resilience*, Canada: Government of Canada, April 19, 2021, 205, <https://www.budget.gc.ca/2021/pdf/budget-2021-en.pdf>.

115 “The State of Independent Bookselling in Canada 2020,” BookNet Canada, 2021, 26, <https://www.booknetcanada.ca/the-state-of-independent-bookselling-in-canada-2020>.

116 “The State of Independent Bookselling in Canada 2020,” BookNet Canada, 2021, 26, <https://www.booknetcanada.ca/the-state-of-independent-bookselling-in-canada-2020>.

117 “The State of Independent Bookselling in Canada 2020,” BookNet Canada, 2021, 26, <https://www.booknetcanada.ca/the-state-of-independent-bookselling-in-canada-2020>.

118 “The State of Independent Bookselling in Canada 2020,” BookNet Canada, 2021, 26, <https://www.booknetcanada.ca/the-state-of-independent-bookselling-in-canada-2020>.

## CONCLUSION

Through analyzing past postal subsidies and current funding methods, as well as the state of the Canadian book industry pre Covid-19 and the challenges exacerbated by the pandemic, this report supports the industry's lobbying for long-term financial support in the form of postal subsidy. With the first Canadian postal subsidy predating the Canadian Confederacy, it begs the question why postal subsidies have been unavailable to the book industry for over two decades and whether a postal subsidy could help the industry moving forward. Postal subsidies such as the PDAP and PAP, and current indirect subsidy programs such as the Publication Mail and Library Materials programs reflect the feasibility and benefits of a postal subsidy for the Canadian book industry.

Distribution costs have been a challenge facing the book industry in Canada for the past decade and was enhanced by the Covid-19 pandemic and the subsequent rise of online sales as a result. Although the current CBF funding initiatives have been crucial to the survival of the industry during Covid-19, they are not the long-term solutions. Once the temporary Covid-relief initiatives disappear, the high postage rates and low profitability of e-commerce will have a significant impact on the industry. Moving forward the book industry needs a funding method that will aid in its continued growth. In the past postal subsidies have been praised for strengthening the capacity for Canadian industries to achieve excellence and compete in a challenging and changing

economy.<sup>119</sup> These accomplishments made by past postal subsidies are the necessary improvements currently needed by the book industry.

### *RECOMMENDATIONS*

Postal subsidies in Canada have taken many forms throughout the years, however, the one constant is the benefits a postal subsidy has for an industry. Past postal subsidies have encouraged a more financially healthy Canadian publishing industry by increasing its competitiveness both nationally and internationally.<sup>120</sup> At this time the book industry is actively seeking a form of financial support that will aid in the industry's ability to adapt to new technologies and do so profitably. Past postal subsidies and current indirect subsidies suggest that a future subsidy for the book industry could take one of three forms; a CBF-run program, a new indirect subsidy agreement between the book industry and Canada Post, or an expansion of the current Library Materials program to include the book industry.

If the government were to agree to a postal subsidy for the book industry, a CBF-run program could be an option. The CBF has been crucial in the implementation and administration of many programs and funding initiatives for the Canadian book industry both pre and during Covid-19. A postal subsidy program could be created and administered through the CBF resembling the CBF's current formula-based funding program such as the Publishing Support (SFP) component. The SFP component, which

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119 Publishing Policy and Programs, "Publications Assistance Program (PAP): 1999-2000 Activity Report," Canada: Government of Canada, 5.

120 Department of Communications Program Evaluation Division, *Evaluation Assessment of the Postal Subsidies Program*, Canada: Government of Canada, 1984, 1.

provides financial assistance to Canadian-owned book publishers, is distributed through a sales-based funding formula that rewards publishers' success in delivering content to consumers.<sup>121</sup> A CBF-run subsidy program would need to be eligible to all members of the book industry that sell books online (publishers and bookstores) and would require a yearly application process. Although such a method is feasible, it would be less straightforward than a subsidy administered by the Canada Post similarly to the Publication Mail and Library Materials programs.

Another option would be for the Canadian government to create a new postal subsidy for the book industry, as an indirect subsidy agreement between booksellers and the Canada Post. Indirect subsidies align clearly with the General Agreement on Tariffs and Trade,<sup>122</sup> and could resemble either The Publication Mail program or the Library Materials program. For example, a postal subsidy program for the book industry resembling The Publication Mail program, which currently allows periodical publishers to save over 50% on postage,<sup>123</sup> is estimated to reduce postage rates for booksellers from the estimated \$10 rate per book to an estimated \$1.50 per book.<sup>124</sup> While the current state of The Publication Mail program would help the book industry it would need to be entirely revised to accommodate the book industry. The program currently funds mail

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121 Evaluation Services Directorate, "Evaluation of the Canada Book Fund 2012-13 to 2017-18," Canada: Government of Canada, July 31, 2019, <https://www.canada.ca/content/dam/pch/documents/corporate/publications/evaluations/CBF-Evaluation-Final-Report-en.pdf>.

122 Publishing Policy and Programs, "Publications Assistance Program (PAP): 1998-1999 Activity Report," Canada: Government of Canada, December 1999, 4.

123 "PART I: Getting Publications Mail," *Canadian Printer* 112, no. 7 (Oct, 2004), <http://proxy.lib.sfu.ca/login?url=https://www.proquest.com/trade-journals/part-i-getting-publications-mail/docview/274806734/se-2?accountid=13800>.

124 Ainsley Sparkes, "Podcast: All about The Canadian Independent Booksellers Association," BookNet Canada, November 22, 2021, <https://www.booknetcanada.ca/blog/2021/3/29/podcast-all-about-the-canadian-independent-booksellers-association>.

with a maximum ratio of 70% advertising to 30% news and editorial, the low pricing is maintained through machinable mail, and is processed through bundle mailing.<sup>125</sup> In order to make a similar program for books not only would the program's eligibility need to be changed but the way in which the low pricing is maintained and the mail is processed would need to be as well. Books being generally larger and more rigid than publication mail as well as not being distributed in bundles but rather through individual orders makes creating a new postal subsidy based off of the Publication Mail program, a complex undertaking if it were to move forward.

Alternatively, the Canadian government could choose to expand the current Library Materials program to booksellers. The ACP made the recommendation to extend the Library Materials program to the book industry in a 2020 submission, as the program already deals with books as one of its materials. If the government chose to do so, the current Library Materials program's criteria allowing access to public libraries, university libraries, and libraries maintained by non-profit organizations for use by the general public would need to be revised to encompass all members of the book industry that sell books online. The current program mandates that libraries apply and be authorized by the Canadian Urban Libraries Council (CULC), therefore, a similar process would need to be established for booksellers, whether that be through the CBF or a third party. The Library Materials program sets a precedent for the benefits and success of a subsidy including books, thus, adapting the program to include booksellers could extend these benefits to the struggling book industry.

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<sup>125</sup> "Send Publications," Canada Post Corporation, Accessed June 25, 2021, <https://www.canadapost-postescanada.ca/cpc/en/business/postal-services/mailing/send-publications.page>

The addition of a postal subsidy for the book industry would not only facilitate the distribution of Canadian content both in Canada and internationally, it would also improve the overall health of the book industry both during the pandemic and in years to come. If the Canadian government chose to use a postal subsidy as a funding measure to help the book industry moving forward the three previously mentioned methods would all be feasible. While having the CBF run a subsidy program is logical as they are the main support mechanism for the Canadian-owned book publishing industry and a new indirect subsidy agreement between the book industry and Canada Post is feasible, the expansion of the current Library Materials program to include the book industry is the most straightforward and sensible option.

Although any of the three options have the potential to significantly help the book industry, expanding the Library Materials program would not only be the fastest option but it would also be the simplest option. As the Library Materials program is already a functioning program and deals with the proper materials it would need fewer changes to be adjusted to include booksellers. In light of the shifting retail landscape and rising postal costs, the Canadian book industry would benefit from a postal subsidy, in addition to the long term CBF funding, for the future growth and development of a more technologically-advanced industry.

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