

**THE CANADIAN BOOK INDUSTRY SUPPLY CHAIN INITIATIVE:
THE INCEPTION AND IMPLEMENTATION OF A NEW FUNDING
INITIATIVE FOR THE DEPARTMENT OF CANADIAN HERITAGE**

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**PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF**

MASTER OF PUBLISHING

**In the Faculty of
Communication, Art and Technology**

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SIMON FRASER UNIVERSITY

FALL 2009

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ABSTRACT

During the late 1990s and early 2000s the Canadian book publishing industry was facing many challenges – most notably a crisis in and systemic problem with book returns. In response to entreaties from the book community to Parliament, the parliamentary Standing Committee on Canadian Heritage commissioned research and sought input from the publishing community. It then released a report highlighting the precarious operational climate in the country for the production and sale of books. The report’s recommendations and responses by the Government of Canada led to a new funding initiative – the Canadian Book Industry Supply Chain Initiative (SCI). This research report documents the development and implementation of the SCI between government fiscal years 2002-2003 and 2007-2008; detailing how the new initiative improved and modernized the Canadian book supply chain. It also provides insight into the development, launch, and performance of the book supply chain agency for English-language Canada, BookNet Canada.

Keywords: Department of Canadian Heritage; Book Publishing Industry Development Program; Standing Committee on Canadian Heritage; Canadian Book Industry Supply Chain Initiative; Steering Committee; IT Committee; Bibliographic data; ONIX; Electronic Data Interchange; Point-of-Sale data; Canadian book supply chain agency; BookNet Canada, *Société de gestion de la banque de titres de langue française*

Subject terms: Publishers and publishing – Canada; Book industries and trade – Canada; Book supply chain – Canada; Government of Canada support for the book publishing industry – Canada

ACKNOWLEDGEMENTS

I have many people to thank for their help during the writing of this project report. A special thank you to David Schimpky for being a great boss and industry advisor. Thank you also to Rowland Lorimer, John Maxwell, and the irreplaceable and amazing Jo-Anne Ray.

This work is dedicated:

To my parents, Bill and C.C. MacLean – as always, for your love, support, and guidance. The accomplishments I have achieved and the dreams I have fulfilled are thanks to you both.

To my sisters, Aynsley and Sheila – my best friends and my cheerleaders.

To Andrew (Oni) – for a lifetime of friendship, love, and laughter.

To Kathryn and John – for giving me shelter from the storm, and for being such awesome friends.

To Carolyn – for your constant encouragement and faith in me. You are a light in my life, sweet girl. And I am lucky to be your friend.

To Jenny, and to Turner – for always being there for me, day or night.

And finally, to Brendan – because you carry me; always have. And I will always be grateful.

NOTE: The views or opinions expressed in this report do not necessarily represent the views or opinions of the Department of Canadian Heritage or its staff, nor do they necessarily represent the views or opinions of any entity of, or entity affiliated with, the Department of Canadian Heritage.

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ABBREVIATIONS

ACP	Association of Canadian Publishers
ATP	Aid to Publishers
BTLF	<i>Société de gestion de la banque de titres de langue française</i>
BNC	BookNet Canada
BISAC	Book and Serial Industry Systems Advisory Committee
BPIDP	Book Publishing Industry Development Program
CBA	Canadian Booksellers Association
CBIF	Canadian Book Industry Forum
CBISAC	Canadian Book Industry Systems Advisory Committee
CPC	Canadian Publishers' Council
CTA	Canadian Telebook Agency
EDI	Electronic Data Interchange
GDS	General Distribution Services
ONIX	Online Information eXchange
POS	Point-of-Sale data
SCI	Canadian Book Industry Supply Chain Initiative

INTRODUCTION

This report presents a case study of how, after much interaction between the Standing Committee on Canadian Heritage and representatives of the Canadian book publishing industry, the Department of Canadian Heritage responded to the need for a program to specifically address the book supply chain in Canada.

The late 1990s and early 2000s were a tumultuous time for the Canadian publishing industry. Industry functioning had destabilized as a result of a crisis situation in book returns, the retail market dominance of Chapters Inc., the expansion and bankruptcy of General Publishing Co., the impact of digital technology advancements (including the growth of the online retail sector, the anticipated rise of the e-book market, and issues pertaining to digital rights management), ongoing foreign competition in the Canadian book market, and succession planning into the new millennium.

To address the concerns of the industry, in 2000, the parliamentary Standing Committee on Canadian Heritage undertook an inquiry into the operating conditions in Canada's book industry. The Standing Committee conducted a series of meetings in which members of the book publishing industry were invited to provide testimony on the current state of the industry.

These discussions lead to the development of a report entitled *The Challenge of Change: A Consideration of the Canadian Book Industry* released in 2000. The report presented recommendations from the Standing Committee for dealing with areas of concern and moving the industry forward. The Government of Canada then responded to the recommendations in a subsequent report released in 2001 called *The Government's Response to the Standing Committee on Canadian Heritage's Report: The Challenge of Change: A Consideration of the Canadian Book Industry*. These reports became the impetus for the development and implementation of the Canadian Book Industry Supply Chain Initiative (SCI) in the government's fiscal year 2002-2003, as part of the Book Publishing Industry Development Program in the Department of Canadian Heritage.

This research report focuses on the development and evolution of the SCI, working with the timeframe of 2002-2003 to 2007-2008. It highlights the partnership between the Canadian book publishing industry and the Government of Canada in recognizing a barrier to growth – and perhaps even sustainability – and working together towards a solution.

While we would have had to replace our system [the current book supply chain method] anyway, we could have neither justified nor afforded such a quantum leap without BPIDP assistance. Comparing what we now have compared to what we otherwise might is the systems equivalent to the difference between a Volvo and a Model T Ford.¹ – Nicholas Hoare, President, Nicholas Hoare Ltd.

The New Century Ahead

During the late 1990s, as the new millennium approached, the world was awash in discourse about life propelled into the twenty-first century. In Canadian book publishing circles – for publishers around the world, in fact – the question dominating conversation remained – what would become of print? In an industry already steeped in centuries of tradition, what would this new century bring? Would Canadian book publishers have the ability not only to adopt, but also to embrace digital technology and its many implications successfully, for the future health and longevity of the industry?

Publishing and printing industries are no strangers to the challenges of new technology. However, it would have been unwise during that time not to recognize the fact that the printing and publishing industries were in the throes of enormous technology-driven change. The book industry as a whole would have to prepare to respond to technological challenges, and this response had to be phrased in the context of the “New Economy,” which meant a need for new thinking and new mindsets, as much as new business plans. According to Bill Martin, author of the journal article *Publishing in the New Economy*,

Any industry hoping to survive in the networked economy must ensure that it has an appropriate technology infrastructure capable of providing the kinds and levels of service that that customers want. This requires the building of enterprise information

¹ Canada, Department of Canadian Heritage, *Printed Matters; Book Publishing Policy and Programs; Annual Report 2003-2004* (Ottawa, 2003-2004), 32.

architectures that integrate telecommunications and computing systems, front and back end operations, the supply chain, digital data flows, and enterprise management systems of all kinds.²

Chief among preparations for the new marketplace for books was to ensure that books moved through the Canadian supply chain efficiently and effectively. A fluid book supply chain was necessary to ease congestion and confusion (and problematic returns), and provide a solid foundation for which to build on the Canadian publishing proposition.

The following sections will describe in detail the constraints under which Canadian publishers were operating as they entered the new century. It will also illustrate how the traditional supply chain model, with its systemic problems, was struggling in this new context. It will emphasize how actions undertaken by the Department of Canadian Heritage aided Canadian publishers in addressing the issues they were facing, particularly with regard to the book supply chain – thus ensuring the continued success of Canadian-authored books for readers in Canada and around the world. (While there were important issues for French Canada related to the book supply chain, this research report focuses primarily on English Canada.)

² Bill Martin, “Publishing in the New Economy: A Knowledge-based Perspective,” *Markets for Electronic Book Products*, Edited by Bill Cope & Dean Mason (Victoria, Australia: Common Ground Publishing Pty Ltd., 2002), 208.

PART 1

1.0 The Need for a More Efficient, Technology-Driven Book Supply Chain

In his book, *The Art and Science of Book Publishing*, Herbert S. Bailey Jr. makes note of the fundamental fact that “the function of publishing is to supply books to the world.”³

In order to fulfill that mandate, an effective and efficient supply chain for book publishing must be in place. Book publishing is not just a social and cultural activity; it is also a commercial activity which relies on the physical movement of books through a supply chain. “Books are vehicles of ideas, instruments of education, vessels of literature, and sources of entertainment. But the task of bringing them into existence and of purveying them to their readers is a commercial one requiring...resources and skills...”⁴

Books travel from publisher to reader through many passageways – from publisher to printer, to distributor to book retailer, library, or school, and most often times, back. It is a complicated process of operations, fulfillment, and accounting, further complicated by returns.⁵

Because there are often operational difficulties in the book supply chain, books are not always available, customers are unsure which distributor to order from, accounts are disputed, payments are late, and unsold books are returned to publishers for credit.⁶

The Problem with Returns

Publishing is one of the few industries that sells merchandise on a fully returnable basis. Returns have been part of the North American publishing industry since the mid 1930s, during the time of the Depression. It was a tactic used to overcome booksellers’ wariness

³ Herbert S. Bailey Jr., *The Art & Science of Book Publishing* (Athens, Ohio: Ohio University Press, 1970, 1990), 11.

⁴ John P. Dessauer, *Book Publishing: A Basic Introduction* (New York, New York: The Continuum Publishing Co. 1989), 31.

⁵ Thomas Woll, *Publishing for Profit: Successful Bottom-line Management for Book Publishers* (Chicago, Illinois: Chicago Review Press, Inc. 1998, 2002), 259.

⁶ Canada, Department of Canadian Heritage, *Creating Canada Together: 25 Years of Support for Canadian Books* (Ottawa, 2004), 34.

toward authors who were unfamiliar to them – if customers didn't buy those books, booksellers could return the books for full credit.

This consignment system has many negative business implications, chief among them that returns distract the publisher from its primary business of selling books; returns reduce sales and accounts receivable, and therefore cash flow; returns increase inventory levels and reduce inventory turnover; and finally, returns add more cost to the publishing process, especially to warehousing and fulfillment costs.⁷

The reasons for high returns are many and include publishers overprinting books, publishers overpricing books, lack of promotional and marketing support for a book, poor market research, poor coordination of sales and marketing information, publishers overselling and accounts overbuying, and publishers reprinting too many, too soon.⁸ To some degree, also, returns are inevitable in a system that attempts to have available every one of the 16,000 new titles in any bookstore into which a reader might walk.

Richard Curtis, author of *This Business of Publishing*, called the book distribution system “a ridiculously antiquated one.”⁹ He goes on to state that,

This system is grossly inefficient, wasteful, costly, and risky. In its worst manifestations, however, it is pernicious and very close to fraudulent. Unsold books, under a consignment system, are a form of currency, and like any other form of currency, are subject to manipulation...All bookstore people understand this concept perfectly: When times are tough, stores that don't have cash “spend” their returns, buying new titles with credits on books that aren't moving fast enough in order to keep cash flowing. Publishers, like anybody else, can only live so long on credit – then they start to bleed.¹⁰

⁷ Thomas Woll, *Publishing for Profit: Successful Bottom-line Management for Book Publishers* (Chicago, Illinois: Chicago Review Press, Inc. 1998, 2002), 280.

⁸ Ibid.

⁹ Richard Curtis, *This Business of Publishing: An Insider's View of Current Trends and Tactics* (New York, New York: Allworth Press, 1998), 176.

¹⁰ Ibid., 177, 4.

Returns are inherently a systemic problem which causes much disruption to the book supply chain. Curtis also notes:

The consignment system is the principle cause of hostility between bookstore and publisher, and between publisher and author. Publishers condemn bookstores and chains for their profligate ordering. But why should bookstores restrain themselves? They have, after all, nothing to lose, as they can always invoke the privilege of sending back what they can't sell. To meet the demand of these bloated orders, publishers have no choice but to overprint. Then, when the books fail to move out of the stores, the publishers are compelled to eat huge returns. The only people who prosper from this insane process are the remainder jobbers or the shady characters who illegally sell stripped paperbacks. In their frenzy to keep stores from returning books, publishers are compelled to offer incentives, politely referring to as "slotting allowances," "display fees," and "co-op contributions," that border on institutionalized bribery.¹¹

Returns had been problematic for many decades, the largest reason being that returns create unpredictability and instability in the book publishing business. The task into the year 2000 was to alleviate some of the stress returns had on an already temperamental book supply chain in Canada.

Rethinking the Book Supply Chain into the Millennium

It was during the early years of the new millennium that, according to Marshal L. Fisher in an article in the *Harvard Business Review*,

Never before had so much technology and brainpower been applied to improving supply chain performance. Point-of-sale scanners allow companies to capture the customer's voice. Electronic data interchange lets all stages of the supply chain better hear that voice and react to it by using flexible manufacturing, automated warehousing, and rapid logistics. And new concepts such as efficient consumer response, accurate

¹¹ Ibid., 5.

response, mass customization, and agile manufacturing offer models for applying this new technology.¹²

An efficient supply chain characterized by effective communication and fast delivery between trading partners is key to the success of any industry. Moving products quickly, partnered with the ability to anticipate and fulfill demand results in reduced costs related to storage, shipping, returns, and the destruction of returned goods. As publishing industry consultant Mike Shatzkin noted in a *Quill & Quire* article written in the late 1990s:

Too often, books that *would* sell are not in the store, while far too many copies of other titles soon to become returns, occupy the shelf space...publishers or distributors will have to develop understandings and systems that apply the point-of-sale data to make good stocking decisions, so that they can justify increasing their shelf space by pointing to successful financial results with the space they have. This implies the development of whole new skill sets among publishers and distributors...the technology tools to help are immeasurably better and the stakes, given the current trends of shorter shelf life for each title and increasing return, couldn't be higher.¹³

In a study commissioned by the Department of Canadian Heritage by Turner-Riggs entitled *Book Distribution in Canada's English-language Market*, marketer and business strategist Craig Riggs notes:

Any serious consideration of the supply chain quickly turns to how the logistics and systems of moving books around the country can be made more efficient. Customers at every level in the chain, perhaps the end consumer most of all, expect the books they want to be quickly and readily available...virtually every publisher, distributor, and retailer in the market is on the hunt for improved sales and profitability, and this in a marketplace where overall sales are flat, prices are falling, margins are shrinking, and input costs keep creeping up. Part of the answer to this challenge lies in more efficient management of the supply chain: in ensuring, to the greatest extent possible,

¹² Marshal L. Fisher, "Managing the Value Chain," *Harvard Business Review: On Managing the Value Chain* (Boston, MA: Harvard Business School Publishing, 2000), 127.

¹³ Mike Shatzkin, "Rethinking book distribution," *Quill & Quire*, October 1, 1997, http://www.quillandquire.com/omni/article.cfm?article_id=864

that the right numbers of books are available in the right places when they are needed.¹⁴

An improved supply chain for books in Canada using digital technology would result in increased efficiencies and fewer returns, improved industry viability, and an industry better able to produce, promote, and distribute Canadian-authored books.¹⁵ The challenge would lie in identifying inefficiencies within the current book publishing operational context (itself laden with its own challenges), working with members from the industry in all sectors, researching international best practices, and implementing a new system.

2.0 The Operating Climate for Canadian Publishers in the Late 1990s and into the Millennium – an Overview

The 1990s were an uncertain time for the Canadian publishing industry, and none so much as the turbulent latter half of the decade leading into the new century. The following section illustrates the stressful working environment for Canadian publishers.

Chapters/Indigo

The mid-to-late 1990s may be categorized as the birth of the big-box bookstore in Canada. It was also a time of great worry for publishers, as the consolidation of book retail outlets succeed in drastically condensing their client base.

A retrospective of this decade in the Canadian book publishing industry noted that,

At decade's end, it was the companies that thought big or got big, the ones that looked to the international market, expanded or merged, that had the greatest impact on the Canadian book industry this decade...While the story for publishers in the first half of the 1990s was about recession and downsizing, the second half would concern market

¹⁴ Turner-Riggs, *Book Distribution in Canada's English-language Market* (Report commissioned by the Department of Canadian Heritage, Ottawa, 2009), http://www.pch.gc.ca/pc-ch/org/sectr/ac-ca/pblctns/bk_dstrbtn_lv/dst_eng/index-eng.cfm

¹⁵ Canada, Department of Canadian Heritage, "The Canadian Book Industry Supply Chain Initiative Overview" (Presentation to the National Library of Canada, Ottawa, June 25, 2003).

growth and expansion. The superstore phenomenon drove sales up, but international consolidation left fewer publishers sharing in the profits.¹⁶

In May 1994, Pathfinder Capital (created by Lawrence Stevenson in 1993) and Canadian General Capital (CGC) purchased SmithBooks' 253-store chain for \$21.5 million. In August 1994, Pathfinder and CGC then proposed the purchase of the 181-store Cole's bookstore chain. The purchase and merger would create a 434-store chain owned by Stevenson. Many publishers objected to the merger and made known their concerns about the impact of a dominant chain of book superstores.¹⁷

Despite warnings from the Association of Canadian Publishers and protests from the Canadian Booksellers Association,¹⁸ and after a review by the Competition Bureau, the merger was given approval in the spring of 1995; the official acquisition took place on April 15, 1995. The newly merged chain, comprised of the Book Company, Chapters, Classic Books, Coles, Librarie Smith, SmithBooks, and the World's Biggest Bookstore brands, was named Chapters Inc. Stevenson was appointed CEO of the new book retail corporation.¹⁹ Shortly thereafter, the landscape of book retail in Canada began to change.

The Chapters superstores, at least ten times larger than an average bookstore, began opening in prime retail locations across the country in November 1995.²⁰ The first Chapters superstore, a 20,000-square-foot store in Burlington, Ontario, was soon followed by Chapters Metrotown in Burnaby, British Columbia. Within five years, Chapters would build seventy-one superstores throughout Canada. In 1999, Chapters Inc. had achieved estimated sales of \$648 million, for a total share of 65.4 percent of the English-language market.²¹

¹⁶ Scott Anderson, "The decade ahead," *Quill & Quire*, January 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=1662

¹⁷ Erin Elizabeth Williams, "The Chapters Effect on British Columbia-based Literary Publishers" (Master of Publishing Project Report, Simon Fraser University, 2006), 11.

¹⁸ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 361.

¹⁹ Erin Elizabeth Williams, "The Chapters Effect on British Columbia-based Literary Publishers" (Master of Publishing Project Report, Simon Fraser University, 2006), 12.

²⁰ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 361.

²¹ Evans & Company Retail Consultants Inc. *Retail Market Study: A Review of the Canadian Book Industry* (Prepared for the Association of Canadian Publishers, February 2001), 5.

A number of independent bookstores, in existence for decades, closed their doors – attributing the closings to their inability to compete with the big-box stores. The closing of independent booksellers restricted Canadian publishers’ domestic market. Chapters superstores were effective retail vehicles for creating bestsellers, but selling literary fiction, history, children’s books, or regional titles, remained a specialty of independent bookstores.²² To market those genres effectively requires an ability to marry customers with the right book, known in the book publishing trade as “hand selling.” The hand-selling skill has always been considered the strength of independent booksellers. By 2000, since many independent booksellers had closed, Canadian literary, regional, and children’s publishers had lost significant market share.²³

Domestic publishers had another operational barrier with Chapters – prime placement for their titles. Consumers browsing the chains’ bestseller walls or new releases displayed face-up on tables located in prime retail real estate assume the books had merited that placement because of their popularity or quality.²⁴ Suppliers and publishers, in fact, pay high premiums to have their books placed in those lucrative locations. Unlike foreign multinational publishing houses, most Canadian publishers could not afford the coveted retail space, and thus their titles were placed spine-out, lost among the thousands of other titles on the shelves.²⁵

In May 1999, Chapters converted its warehouse and distribution centre into a wholesale operation called Pegasus. The new wholesaler demanded a discount from publishers of 50 percent-plus, instead of the 45-48 percent publishers had already been giving to Chapters. Publishers reported high returns from Pegasus – between 50-60 percent – whereas the industry average in Canada was between 20-30 percent. Money owed to publishers for paid

²² Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 365.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

inventory was taking much longer than the standard ninety days. These operating conditions were a tremendous strain on publishers across Canada.²⁶

(The French-language market was not immune to consolidation by large conglomerates. One month later, in June 1999, Renaud-Bray acquired the Champigny and Garneau mini-chains in Quebec.²⁷)

During 1999 and 2000, Chapters found itself in a state of economic fragility. The company was having financial difficulty and was in debt.²⁸ After five years of rapid growth, Chapters had expanded too quickly and had to close unprofitable stores.²⁹ Trouble also abounded with the Chapters Online and the Pegasus wholesale operations, both of which were losing millions of dollars.³⁰

Because the company was struggling financially, a business opportunity had presented itself – in November 2000 Trilogy Retail Enterprises (a private limited partnership headed by Heather Reisman and Gerry Schwartz) made an unsolicited takeover bid for Chapters Inc. Reisman started Indigo Books & Music in 1996. In September 1997, the first Indigo book superstore opened in Burlington, Ontario, operating with a similar business strategy as Chapters.³¹ Indigo was the biggest threat to Chapters' market share. By 1998, Indigo had opened stores in Toronto, Richmond Hill, Calgary, and Montreal, with plans to open stores in Vancouver and Edmonton. While other large retailers like Wal-Mart and Costco focused on mass-market bestsellers and remainders, Indigo targeted the same “boutique-buyer” consumer as Chapters.³²

²⁶ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 362.

²⁷ Erin Elizabeth Williams, “The Chapters Effect on British Columbia-based Literary Publishers” (Master of Publishing Project Report, Simon Fraser University, 2006), 49.

²⁸ Robert Fulford, “The Turmoil Over Chapters Book Chain,” *The National Post*, July 29, 2000, <http://www.robertfulford.com/Chapters.html>.

²⁹ Scott Anderson, “2001: What Odyssey?” *Quill & Quire*, February 1, 2001, http://www.quillandquire.com/omni/article.cfm?article_id=1987

³⁰ Scott Anderson, “Reversals of fortune,” *Quill & Quire*, July 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=4693

³¹ Erin Elizabeth Williams, “The Chapters Effect on British Columbia-based Literary Publishers” (Master of Publishing Project Report, Simon Fraser University, 2006), 41.

³² *Ibid.*, 55.

On January 31, 2001, Trilogy Retail Enterprises was successful in its takeover bid of Chapters, with Chapters shareholders accepting a \$122 million deal. On February 1, 2001 Trilogy acquired control of Chapters Inc.³³ The Competition Bureau undertook a review of the proposed new super chain. On April 5, 2001 the Bureau announced it had reached an agreement with Trilogy Enterprises Ltd. regarding Trilogy's acquisition of Chapters and the future merger of Chapters and Indigo. While the deal was approved, the Competition Bureau conceded that the mega-chain would lessen competition, and thus subjected the merger to several provisions agreed to by the parties in the Consent Order.³⁴

As one term stipulated in the agreement, Trilogy agreed to abide by a detailed Code of Conduct setting out fair terms of trade with publishers for a period of five years.³⁵ The five-year agreement placed limits, to be lowered in stages, on the chain's permissible return levels and payment periods.³⁶ To address competition issues in the marketplace, another requirement was the divestiture of nine Chapters and four Indigo superstores, ten small-format mall bookstores, the Indigo distribution centre, and the indigo.ca online store.³⁷ Trilogy officially and legally merged Chapters and Indigo on August 14, 2001, under the corporate name Indigo Books & Music Inc. to form the largest book retailer in Canada. The merger also brought about the demise of the Pegasus wholesaler venture.

At that time, the Indigo Books & Music Inc. chain (Chapters/Indigo) represented ninety-two of the ninety-six Canadian book superstores, 231 small-format bookstores, and two online book retailers.³⁸ Much as they found themselves in the mid-1990s with the advent of Chapters Inc., publishers were uncertain as to how the newest megachain would operate going forward.

³³ Ibid., 77.

³⁴ Ibid., 80.

³⁵ Canada. Competition Bureau Canada. "Competition Bureau Reaches Agreement with Trilogy, Chapters and Indigo" April 5, 2001,

<http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/00492.html>

³⁶ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 365.

³⁷ Erin Elizabeth Williams, "The Chapters Effect on British Columbia-based Literary Publishers" (Master of Publishing Project Report, Simon Fraser University, 2006), 80.

³⁸ Ibid.

The Collapse of General Publishing Co.

The end of the 1990s also signaled the beginning of the end of General Publishing Co. and its distribution arm, General Distribution Services (GDS). General Distribution Services was the heart of the industry's distribution network, but General Publishing Co. was a company in crisis.

General Distribution Services handled the order fulfillment for approximately two hundred publishers (sixty-two of them Canadian) and processed \$87 million in annual sales.³⁹ General Distribution Services had a serious problem processing returns, causing a crisis of confidence in the industry as well as a severe lack of cash flow to GDS clients.⁴⁰ The company withheld payment from publishers while it attempted to clear its backlog of unprocessed returns and resolve disputes regarding return levels.⁴¹ There was insufficient cash flow to run the company and, as many publishers felt, there were insufficient staff to process returns by getting them onto warehouse shelves so that they could be shipped back out to Chapters or other booksellers.⁴²

After a series of unsuccessful business ventures during the late 1990s and into early 2000 (including facility relocations in both Toronto and Vancouver, and computer problems with a system upgrade to prepare for Y2K), General Publishing Co. could not secure refinancing with a Canadian bank. It did find refinancing with an American lender, the Finova Group. However, the Finova Group itself went into bankruptcy protection in the fall of 2001, causing General Publishing Co. to lose access to its credit line.⁴³ In November 2001, the Department of Canadian Heritage approved a loan guarantee from its loan-loss reserve program, backstopping a new line of credit for the company.⁴⁴

³⁹ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 377.

⁴⁰ Erin Elizabeth Williams, "The Chapters Effect on British Columbia-based Literary Publishers" (Master of Publishing Project Report, Simon Fraser University, 2006), 72.

⁴¹ Ibid.

⁴² Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 157.

⁴³ Roy MacSkimming, *The Perilous Trade: Book Publishing in Canada 1946-2006* (Toronto, Ontario: McClelland & Stewart, 2003, 2007), 378.

⁴⁴ Ibid.

Operations seemed to get better for a short period of time until late April 2002, when General Publishing filed for bankruptcy protection.⁴⁵ The company reported debts of \$45.7 million. This included \$16 million due to the first secured creditor, the Bank of Nova Scotia, \$13 million to unsecured GDS clients and agency publishers (of which approximately \$5 million was owed to Canadian firms), and \$1.5 million to authors.⁴⁶

With the collapse of General Publishing Co., and in turn, GDS, hundreds of thousands of books were caught in the bankruptcy proceedings. Despite arguments to the contrary by former clients of GDS, the books were deemed by the courts to be owned by GDS rather than the publishers.⁴⁷ By August 2002 GDS had officially declared bankruptcy, owing publishers millions of dollars and seriously destabilizing the book publishing industry.

The Canada Council for the Arts as well as the Book Publishing Industry Development Program (BPIDP) intervened and offered emergency funding to small publishers affected by the GDS collapse. To qualify, the publishers had to submit financial statements, cash flow projections, publishing schedules, an outline of their new distribution arrangements, and a list of unpaid author royalties.⁴⁸

In the government fiscal year (April 1 – March 31) 2002-2003 \$2.2 million was given from the BPIDP as special assistance to twenty-five client publishers affected by GDS.⁴⁹ The objective of this special funding was to ensure the ongoing production and marketing of Canadian-authored books by publishing companies that were clients of GDS. When asked to describe the impact of the funding, publishers reported that the funding helped them to

⁴⁵ Ibid., 379.

⁴⁶ Ibid.

⁴⁷ Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 157.

⁴⁸ Derek Weiler, "Small-press GDS clients may receive special Canada Council funding," *Quill & Quire*, August 16, 2002,

http://www.quillandquire.com/omni/article.cfm?article_id=3744

⁴⁹ Canada, Department of Canadian Heritage, *The Book Report: Book Publishing Policy and Programs* (Ottawa, 1993-2003), 2.

meet their cash flow requirements during a particularly difficult time, thus lessening the impact of the GDS failure.⁵⁰

The Book Publishing Industry Development Program also provided a special emergency fund for authors through the Writer's Union of Canada for those subject to not receiving royalties on account of the GDS dissolution. According to publishing consultant and author Roy MacSkimming:

The provision of special bridge financing to GDS client publishers through advances on Book Publishing Industry Development Program contributions... did result from a sturdy, time-tested relationship between the Association of Canadian Publishers and the Department of Canadian Heritage. From that relationship, a government commitment has evolved toward maintaining the financial viability of the domestic book publishing industry as a cardinal tenet of Canada's cultural policy.⁵¹

After the GDS collapse in 2002, the Literary Press Group Distribution Collective was established. The collective, called LitDistCo, is the distribution arm of the Literary Press Group (a not-for-profit association of Canadian literary book publishers) and handles the centralized distribution of publishers' titles. The formation of LitDistCo was an important symbolic and financial act of reclaiming power in the wake of the GDS bankruptcy.⁵²

The Rise of Digital Technology in Book Publishing

The proliferation of digital technology was on the forefront of current affairs in the late 1990s. The rise and expansion of digital technological innovations created much uncertainty in the book publishing industry, namely the accession and implications of selling books online, and publishing and distributing e-books. In a *Quill & Quire* magazine article from 2000, Dalia Riback wrote,

⁵⁰ Canada, Department of Canadian Heritage, "Book Publishing Industry Development Program; Publications; Audits and Evaluations; 2004 Summative Evaluation," <http://www.pch.gc.ca/pgm/em-cr/evaltn/2004/index-eng.cfm>

⁵¹ Roy MacSkimming Consulting, *Making Policy for Canadian Publishing: A History of ACP Policy Proposals and Federal Responses, 1970-2002* (Ottawa, October, 2002).

⁵² Nathalie Atkinson, "Picking up the pieces after the Stoddard GDS collapse," *Publisher's Weekly*, February 24, 2003, <http://www.publishersweekly.com/article/CA278372.html>

The main attraction right now may be novelty, but eventually consumers will turn to e-books for convenience. The Internet has created a whole generation of readers and thinkers who rely on the immediate availability of information. E-books will not see mainstream acceptance overnight, but publishers need to be prepared.⁵³

Albert Greco, author of *The Book Publishing Industry*, noted that in regards to the impact of digital technology on the book publishing leading up to the millennium:

Starting in the mid-1990s, and picking up momentum by the late 1990s, most people on the planet seemed immersed in the “wired information world” and electronic publishing technologies and opportunities (sometimes called the “new media”) dominated the popular press. Week after week, articles appeared touting the end of the printed book and the inevitable acceptance of electronic books (e-books) and electronic readers (e-readers). Publishers were warned to convert to electronic products before convergence displaced them and their employees. Indeed, most book industry insiders found it difficult not to be aware of the tremendous enthusiasm electronic publishing engendered.⁵⁴

Publishers had many questions about digital technology, from digital rights management and encryption to e-book pricing, e-book format, and the utilization of print-on-demand technology. At a Book Publishers Professional Association panel discussion about e-books held in Toronto in 2000, publishers were asking, “Can e-books be made secure against piracy? How should an e-book be priced for consumers? What is an appropriate discount for booksellers? How much should the author get? How much should a publisher spend marketing an e-book?”⁵⁵ The answer from panelists at the conference was that publishers

⁵³ Dalia Riback, “E-books pose no threat to publishers,” *Quill & Quire*, September 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=1881

⁵⁴ Albert Greco, *The Book Publishing Industry*, 2nd edition (Mahwah, New Jersey: Lawrence Erlbaum Associates, 2005), 284.

⁵⁵ Scott Anderson, “E-book questions,” *Quill & Quire*, November 24, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=5360

faced a chicken-and-egg scenario with e-books, and to approach the impending e-book force, “as an evolution, not a revolution.”⁵⁶

Digital technology also dominated the conversation at Book Expo America in the spring of 2000. *Quill & Quire* writer Carol Toller noted, “The latest wave in the online revolution – following print-on-demand and e-book developments, which have caused stirs at the last two shows – is clearly electronic rights sales and management.”⁵⁷

Besides the buzz around the digital technology movement, there was also the immediacy of mobilizing the Canadian publishing industry into the new century. This process involved tools as simple as new computer equipment, to as complex and expensive as upgrading to Y2K compatibility, and building more consumer-friendly websites to encourage and promote online book retail. Publishers and booksellers spent thousands of dollars preparing their businesses for Y2K⁵⁸ (which placed demands on many small publishers’ already tight operational budgets).

The Y2K computer system upgrade did, however, force many publishers to assess their internal computer operating systems. The upgrade made for welcome pruning of outdated, unnecessary data and applications.⁵⁹ However, “as several Canadian booksellers discovered, creating a viable e-commerce site required not only a powerful computer, but a massive budget.”⁶⁰

A 2001 report by Divine Whittman-Hart entitled *Canadian Book Industry: Transition to the New Economy* states that during the late 1990s and early 2000s the publishing industry continued to struggle with challenges brought about by market size and conditions, a complicated and costly supply chain, consolidation among retailers and publishers, and lack of access to

⁵⁶ Ibid.

⁵⁷ Carol Toller, “Digital Rights Technology and Canadian Politics dominate a quiet BEA,” *Quill & Quire*, June 6, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=4170

⁵⁸ Derek Weiler, “Slouching towards 2000,” *Quill & Quire*, May 1, 1999, http://www.quillandquire.com/omni/article.cfm?article_id=1403

⁵⁹ Ibid.

⁶⁰ Scott Anderson, “The decade ahead,” *Quill & Quire*, January 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=1662

capital. The report notes that “these constraints have made the industry slow to adopt new technologies which can streamline business processes, leverage economies of scale, and provide valuable market insight by gathering timely data on sales and consumer behavior, exacerbating structural inefficiencies.”⁶¹

Foreign Competition and Ownership in the Canadian Market

The Canadian book industry is saturated with titles published and/or distributed from foreign-owned multinational houses. Foreign imports dominate the domestic market for Canadian books. The importation and distribution of general trade books are done by three foreign-owned multinational companies – Random House, Pearson-Penguin, and HarperCollins.⁶² These companies have become the publishers of many Canadian authors and have great influence on the literary landscape in Canada.

By the end of the 1990s Canadian publishers still published more first books by Canadian authors, and between 70-80 percent of all Canadian titles; however, Random House/Knopf/Doubleday, HarperCollins, and Penguin were beginning to dominate bestseller lists with books they published in Canada.⁶³

According to a Statistics Canada report from 2000, on average, foreign-controlled companies generated more revenue (\$23 million) than Canadian-controlled companies (\$3.8 million) although they accounted for only 8 percent of all book publishers and exclusive agents in Canada (note that this is based on a firm-to-firm comparison).⁶⁴ According to the same report, imports accounted for 41 percent of domestic book sales reported by Canadian-controlled firms, and the percentage increases to 65 percent for foreign-controlled publishers and agents, indicating an even greater reliance by these companies on the sale of imports.⁶⁵

⁶¹ Divine Whittman-Hart, *Canadian Book Industry: Transition to the New Economy* (Report, Ottawa, April 30, 2001), 5.

⁶² Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 153.

⁶³ Scott Anderson, “The decade ahead,” *Quill & Quire*, January 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=1662

⁶⁴ Canada, Statistics Canada, “Canadian Culture in Perspective: A Statistical Overview 2000 Edition,” <http://dsp-psd.pwgsc.gc.ca/Collection-R/Statcan/87-211-XIB/0009987-211-XIB.pdf>

⁶⁵ *Ibid.*, 102.

One of the fundamental challenges in the book publishing industry in Canada is that Canadian publishers bear the production costs of their titles (which is substantial due to inherent diseconomies of scale), but titles are sold at prices determined by foreign imports. The Canadian market operates within the larger North American market – where the average Canadian print run is one-tenth the size of the average print run in the United States and thus the economies of scale are extremely disparate.⁶⁶ For a country as geographically vast as Canada, the size of its population is relatively small. At approximately thirty-two million, the Canadian population is one-tenth that of the United States. For publishers this translates into a small market of potential book-buyers in which to recoup their up-front investment, and high expenses in terms of overhead, production, and marketing.⁶⁷

The foreign-owned triumvirate of Random House, Pearson-Penguin, and HarperCollins is also able to operate at a loss with their Canadian publishing programs because they can cross-subsidize their Canadian publishing with simultaneous publishing of titles originated in the United States combined with importing and distribution.⁶⁸

Finally, because of the proliferation and ubiquity of American media, a book promoted in the United States rapidly speeds its way onto the bestseller list not only in the United States, but in Canada, the United Kingdom and elsewhere.⁶⁹ The scope of the reach and the pervasive marketing power behind its authors allow foreign-owned multinational firms to capture the public's attention through retail shelf space, as well as with advertising through their assets in film, television, magazines, and newspapers. Without the clout, power, and money it takes to achieve such marketing, Canadian publishers have a difficult time competing.

⁶⁶ Evans & Company Retail Consultants Inc., *Retail Market Study: A Review of the Canadian Book Industry* (Prepared for the Association of Canadian Publishers, Toronto, February 2001), 78

⁶⁷ Sarah Dingle, "Canadian books to readers everywhere: An examination of book policy development at the Department of Canadian Heritage" (Master of Publishing Project Report, Simon Fraser University, 2006), 8.

⁶⁸ Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 154.

⁶⁹ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 1.

The Next Generation: the Problem with Succession

As the millennium approached, the generations who founded many of the nation's independent publishing houses in the 1960s and 1970s were preparing to retire. The question remained – who would lead the charge into the next century? In a *Quill & Quire* article printed on January 1, 2000, the question of succession in the Canadian book publishing industry was raised. As Scott Anderson pointed out,

Few [publishing houses] have successors, and finding a buyer in Canada won't be easy. Canadian media giants like Hollinger, Maclean-Hunter, Canwest...have never shown an interest in owning book publishers, and Canadian book publishers simply don't have the cash to buy each other...⁷⁰

The end of the 1990s leading to the new millennium denoted challenges in a cultural industry already fraught with challenging daily operational realities. The operating climate was “a mix of domestic and international forces tied to technological innovations and concurrent shifts in the way books were produced, manufactured, and distributed.”⁷¹ These challenges had the potential to compromise the long-term health and sustainability of the Canadian publishing industry.

3.0 The Involvement of the Standing Committee on Canadian Heritage

For many years, since the Massey Commission report in the early 1950s, the Government of Canada has considered the availability of Canadian books to Canadian readers to be a high priority. Because the outcome of connecting readers to Canadian-authored books produced by Canadian publishers seemed uncertain leading into the new century, the Standing Committee on Canadian Heritage became involved in December 1999.

A Committee is a group of parliamentarians, from either the Senate, the House of Commons, or both, selected to consider matters referred to it by the Senate or the House of Commons. Standing Committees are mandated to examine one or more departments. The

⁷⁰ Scott Anderson, “The decade ahead,” *Quill & Quire*, January 1, 2000, http://www.quillandquire.com/omni/article.cfm?article_id=1662

⁷¹ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 1.

Standing Committee examines relevant legislation, the activities and expenditures of the department, and the effectiveness of the department's policies and programs. Standing Committees are empowered to: examine and inquire into all matters that the House refers to them; report to the House; attach dissenting or supplementary opinions to reports, and retain the services of experts and professionals.⁷²

The mandate of the Standing Committee on Canadian Heritage is to oversee issues and legislation pertaining to the Canadian Heritage portfolio. "With respect to the book industry, the Committee's mandate is to monitor the link between the Government of Canada's support to the book industry and the provision of increased choice of Canadian-authored materials to Canadian readers."⁷³

The Standing Committee on Canadian Heritage (herein referred to as the Standing Committee; for names of the Committee members, please see Appendix A) met during the thirty-sixth Parliament, in the second session which took place from October 12, 1999 to October 22, 2000. Of the forty-four meetings the Standing Committee had, fourteen were dedicated to the topic of Canadian book publishing.⁷⁴

In order to fully understand the Canadian book publishing, the Standing Committee held a series of meetings in order to assess the current publishing operating environment and to learn firsthand, through interviews with representatives of the publishing industry, the operational struggles the industry was facing.

After hearing much testimony from key publishing industry representatives, the Standing Committee concluded that there was sufficient cause for government involvement beyond its traditional support. The subsequent Standing Committee hearings were a catalyst for the

⁷² Canada, House of Commons, "Standing Committee on Canadian Heritage," <http://www2.parl.gc.ca/CommitteeBusiness/CommitteeMeetings.aspx?Cmte=CHER&Language=E&Mode=1&Parl=36&Ses=1>

⁷³ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 4.

⁷⁴ Canada, House of Commons, "Standing Committee on Canadian Heritage," <http://www2.parl.gc.ca/CommitteeBusiness/CommitteeMeetings.aspx?Cmte=CHER&Language=E&Mode=1&Parl=36&Ses=1>

congregation of key stakeholders from all facets of the industry – providing a venue for discussion, and in the end, presenting recommendations to be brought before the Canadian government on behalf of the Canadian publishing industry.

4.0 The Government of Canada – Support for the Canadian Book Publishing Industry

Cultural industries are an intrinsic element of society that make substantial contributions to social cohesion and social capital that pays off nationally and internationally.⁷⁵ Culture is valued by the Canadian federal government as a means of building social cohesion.⁷⁶ As cultural artifacts, Canadian books are an expression of the culture, ideas, and the experience of the nation, and as such, they are valued by the government for their contributions to Canadian life, culture, and national identity.

Canadians, as a population, are devoted readers. The report *Reading and Buying Books for Pleasure: 2005 National Survey*, states that 87 percent of those polled were readers (having read at least one book per year), with 54 percent reading for pleasure every day. Forty-three percent stated they greatly enjoy reading, and 85 percent of respondents reported that “reading is very important to them.” The average number of books read for pleasure is approximately seventeen per year, while 13 percent of the population, considered “heavy readers,” read more than fifty books per year. One half of the Canadian population (the median) reads more than seven books per year. Fifty-nine percent of Anglophones for whom English is the mother tongue stated they regularly read books for pleasure, the same is true for 45 percent of francophones and 44 percent of those whose mother tongue is neither English nor French.⁷⁷

⁷⁵ Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 126.

⁷⁶ Sarah Dingle, “Canadian books to readers everywhere: An examination of book policy development at the Department of Canadian Heritage” (Master of Publishing Project Report, Simon Fraser University, 2006), 4.

⁷⁷ Createc +, *Reading and Buying Books for Pleasure: 2005 National Survey* (Survey was commissioned by the Research, Analysis and Industry Development Directorate of the Publishing Policy and Programs Branch, Department of Canadian Heritage and its partners, Ottawa, March 2005), 5, 8, 9.

Direct financial support programs by all levels of government contribute to the structure of the marketplace for books in Canada.⁷⁸ Financial and operational difficulties encountered by Canadian publishers are the primary reason the federal government provides support to the Canadian book publishing industry.⁷⁹ The federal government's direct support to Canadian publishing is made through the Book Publishing Industry Development Program (BPIDP) within the Department of Canadian Heritage.

The Department of Canadian Heritage is responsible for national policies and programs that promote Canadian content, foster cultural participation, active citizenship and participation in Canada's civic life, and strengthen connections among Canadians.⁸⁰ The growth of Canadian literature over the last thirty years can be attributed, in part, to a strong framework of public policy instruments that have promoted Canadian publishing and nurtured Canadian writing.⁸¹

The Book Publishing Industry Development Program

Established in 1979, the Book Publishing Industry Development Program (BPIDP) provides formula-based funding to publishers across the country. With an annual budget of approximately \$39 million, BPIDP is the federal government's most important and comprehensive instrument for book publishing in Canada and strengthens the capacity of the Canadian-owned book industry.⁸² The principal objective of the program is to ensure access to a diverse range of Canadian-authored books in Canada and abroad. The program's four components – Aid to Publishers, Supply Chain Initiative, Collective Initiatives, and International Marketing Assistance – are designed to foster a strong and viable Canadian industry that publishes and promotes Canadian-authored titles.⁸³ The Book Publishing

⁷⁸Rowland Lorimer, *Ultra Libris: Policy, Technology, and the Creative Economy of Book Publishing in Canada* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2009), 114.

⁷⁹Sarah Dingle, "Canadian books to readers everywhere: An examination of book policy development at the Department of Canadian Heritage" (Master of Publishing Project Report, Simon Fraser University, 2006), 7.

⁸⁰Canada, Department of Canadian Heritage, <http://www.pch.gc.ca/index-eng.cfm>

⁸¹Canada, *The Government's Response to the Standing Committee on Canadian Heritage's Report: The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, May, 2001), 1.

⁸²Canada, Department of Canadian Heritage, "Book Publishing Industry Development Program," <http://www.pch.gc.ca/pgm/padie-bpidp/dem-app/atp/atp2009-eng.cfm>

⁸³Sarah Dingle, "Canadian books to readers everywhere: An examination of book policy development at the Department of Canadian Heritage" (Master of Publishing Project Report, Simon Fraser University, 2006), 19.

Industry Development Program supports over 200 Canadian publishers of both official languages every year.

Program literature describes the Aid to Publishers (ATP) component as the “cornerstone” of the BPIDP program. This main component of BPIDP is designed to support the ongoing production, marketing, and distribution of Canadian-authored books by Canadian owned-and-controlled publishers. Aid to Publishers promotes public access to Canadian content by providing assistance to eligible publishers through financial contributions based on their previous year's sales of eligible books in a variety of genres.⁸⁴

Only book publishing firms are eligible for ATP funding. At the time of application, the publishers must have completed at least thirty-six months of operation as a book publisher. The publisher must also be at least 75 percent Canadian-owned-and-controlled; have its headquarters and at least 75 percent of its employees based in Canada; be a private-sector firm or university press; be financially viable, and have fulfilled all contractual obligations with authors with regards to royalty payments and all other forms of payments. A publisher is not eligible if the net sales of its own titles were \$20 million or greater in the reference year and the average profit margin for the three financial years ending with the reference year was 15 percent or greater.⁸⁵

By the end of its reference year, the publisher must also have published a minimum of fifteen new Canadian-authored trade books or ten new educational or scholarly titles. During the three previous years ending with the reference year, a firm must have published a minimum of twelve new Canadian-authored trade books or six new Canadian-authored educational or scholarly books. During the reference year, it must have published at least one new Canadian-authored book. Normally a firm must have minimum annual sales of its originated titles of \$200,000, or \$130,000 for official-language minority publishers and Aboriginal publishers. A list of ineligible title, besides vanity titles, includes directories, calendars, maps, games, colouring or sticker books, catalogues, books underwritten by a political party, software and musical recordings, books that contain advertising other than

⁸⁴ Canada, Department of Canadian Heritage, “Book Publishing Industry Development Program,” <http://www.pch.gc.ca/pgm/padie-bpidp/dem-app/atp/atp2009-eng.cfm>

⁸⁵ Ibid.

the publishers' promotional material, periodicals, and books that contain content such as hate literature, obscene or pornographic, material that is denigrating to an identifiable group, and excessive and gratuitous violence.⁸⁶

Eligible books must be either written by a Canadian author or adapted or translated by a Canadian; at least forty-eight pages in length, except for children's books, which can be less than forty-eight pages; clearly and publicly attributed to the author(s) or translator(s); the publisher's own title and bear an ISBN assigned to or acquired by the publisher; published under the publisher's imprint or under an imprint for which the publisher has acquired publishing, management and marketing rights, and be printed in Canada, except for co-published books or books with an acceptable justification.⁸⁷

Aid to Publisher contributions must be used to offset spending for activities that support the production, marketing and distribution of eligible books, including editorial, design, printing, author development, author royalty, salary, overhead, promotion, advertising, packaging, shipping, and capital expenditures.⁸⁸

Other support mechanisms for publishers within BPIDP are under Collective Initiatives and include funding for two main areas: the marketing and promotion of Canadian-authored books, and strengthening the infrastructure of the industry. Subcategories of Collective Initiatives include funding for marketing and promotion, professional development, industry research, business planning, and publishing internships.

Funding under International Marketing Assistance is intended to aid in the development of foreign markets and increase export sales of Canadian titles. This funding is primarily for promotional and logistical assistance, and well as for research to gain insight into foreign markets.⁸⁹

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

The funding activities in the Supply Chain Initiative will be described in full detail further into this report; however, a brief synopsis is that supply chain funding provides support for publishers' adoption of innovative publishing, marketing, communication, and data management technologies. The supply chain component was designed to build the industry's capacity to use new information technologies to improve ordering, shipping, inventory control, and sales-tracking processes. From 2002-2003 to 2007-2008, the primary focus of the supply chain funding for publishers was on the development of bibliographic data.

PART 2

5.0 The Hearings of the Standing Committee on Canadian Heritage, 1999-2000

The first meeting the Standing Committee held with regard to the Canadian book distribution industry was on December 7, 1999. Briefings were provided from representatives from BPIDP, the Canadian Booksellers Association (CBA), and two independent booksellers.⁹⁰ Sheryl McKean, executive director of the CBA, said at the time:

Like many other sectors of the economy, Canada's book selling business has undergone tremendous changes in the last ten years. Technological innovation has affected every stage of our business, from writer to reader, including publication, marketing, distribution, and retailing. These changes are significant enough to justify a close examination by parliamentarians of the legislation and regulations in place in order to ensure that they still respond to public policy objectives.⁹¹

Given the concerns in the industry during the late 1990s and early 2000s, the Standing Committee determined there was sufficient reason to undertake a background study of Canada's book industry – particularly on the circumstances of distribution, wholesaling, and retailing.

A background study of the Canadian book publishing industry was conducted between December 1999 and February 2000 by Library of Parliament researchers in collaboration with expert consultants. In order to develop a solid understanding of the Canadian book distribution industry, the research team began its study by contacting government agencies including the Department of Canadian Heritage, the Canada Council for the Arts, Statistics Canada, and key industry stakeholders, including the CBA, for example. The information requested by the researchers included:

⁹⁰ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 2.

⁹¹ Ibid.

- Longitudinal data on federally-funded publishing grants and programs.
- Available information on the outcomes of federal grants on publishing in Canada.
- Longitudinal data on the number of Canadian-authored titles and their sales.
- Publisher viability before and after federal subsidies.
- Information on the current state of wholesaling, distribution, and retailing practices in Canada and elsewhere.
- Relevant data on domestic and international book buying and selling patterns.
- Longitudinal data on independent booksellers.
- Relevant data on electronic commerce and its impact on book distribution.
- Data on the evolving nature of market share in Canada's book selling industry.⁹²

Database and literature searches, as well as telephone interviews and meetings with select industry stakeholders were also conducted.⁹³

Following the results from that fact-finding study, the Standing Committee decided to conduct a more focused review. Four televised roundtable discussions were held in Ottawa on February 24 and 29 and March 2 and 14, 2000. The first roundtable addressed the experiences and concerns of Canada's largest retail booksellers. The second discussed the related concerns of some of Canada's smaller, independent book retailers, while the third brought together some of Canada's publishers and distributors. The final roundtable was a forum for other individuals with a vested interest in Canada's book industry.⁹⁴ (For the questions which were addressed at the roundtable discussions, please see Appendix B). The Standing Committee heard testimony from over fifty-five witnesses representing publishers, writers, wholesalers, retailers, librarians, consumers, industry analysts, government officials, and industry analysts.⁹⁵

⁹² Ibid., 7.

⁹³ Ibid.

⁹⁴ Canada, House of Commons, "Heritage Committee to Hold Roundtable Discussions on the Canadian Book Distribution Industry," news release (Ottawa, February 10, 2000), <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1031326&Language=E&Mode=1&Parl=36&Ses=2>

⁹⁵ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 2.

The discussions were centered on three shifts in book industry practices noted during the late 1990s and into 2000:

- Innovations in information technology, which have fostered the possibility of new types of computer-mediated commerce (e-commerce).
- The arrival of the retail superstore, which is reconfiguring the book retailing and distribution landscape.
- New trends in book wholesaling practices and ownership, representing a threat to the distribution and availability of Canadian-authored materials to Canadians.⁹⁶

During the testimony before the Standing Committee, publishers emphasized the low profitability of the publishing business, their limited access to capital, and how overwhelmed they were at the rapid rise of digital technology and its impact on the marketplace. It was also noted that despite the growth and the national and international acclaim for Canadian writers and writing, the majority of Canadian-owned publishing ventures would simply not be profitable if it were not for support from the Government of Canada. A briefing submitted by The Writer's Union of Canada stated, "There is a desperate need for all government departments to recognize that cultural marketplaces are like no other...in a cultural marketplace, there has to be a measure beyond fiscal concern."⁹⁷

Independent book retailers also commented on the erosion of their livelihoods when faced with the competition of books sold in book super-chains, supermarkets, department stores, and through e-commerce. Peter Woolford, senior vice-president of policy for the Retail Council of Canada testified:

The real challenge for booksellers of all sizes today is that their competition is international...it's even tougher today than it was ten or fifteen years ago, when the independent grocers or the independent pharmacist or the independent hardware store went through this process. They at least did not have to face large multinational companies working from a low cost case in the United States, out of a warehouse in an

⁹⁶ Ibid., 3.

⁹⁷ Ibid.

industrial suburb. These folks do today. They're going head to head with amazon.com every day.⁹⁸

Through the witness testimony and information gathering and assessment, the Standing Committee wrote a final report in June 2000 entitled *The Challenge of Change: A Consideration of the Canadian Book Industry* and the report was presented to the Government of Canada. The report examines the numerous issues and influences bearing on the state of the Canadian publishing industry at the turn of the twenty-first century.

6.0 Recommendations from the Standing Committee on Canadian Heritage to Improve the Book Supply Chain

The Challenge of Change: A Consideration of the Canadian Book Industry documented twenty-five recommendations made by the Standing Committee to the Government of Canada on behalf of the Canadian book publishing industry. These recommendations encompassed a range of issues pertaining to the industry – from data collection, foreign investment, book taxes, author royalties and book tours, to support for the National Library of Canada and literacy programs, the development of Electronic Data Interchange standards, and technological assistance start-up programs.

Of the twenty-five recommendations made by the Standing Committee, the following four are relevant with regards to the Canadian book supply chain: Recommendation 6.1, 6.4, 6.5, and 6.6. (For the purpose of this report, only the recommendations specifically relating to the book supply chain will be discussed.)

These are:

Recommendation 6.1

The Committee recommends that the Department of Canadian Heritage establish a five-year technological transition program to strengthen all segments of the Canadian book industry. This must include authors, publishers, distributors, wholesalers, marketers, retailers, and libraries.⁹⁹

⁹⁸ Ibid.

⁹⁹ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 71.

Recommendation 6.4

The Committee recommends that the Department of Canadian Heritage assist in the development of an industry standard for Electronic Data Interchange within Canada's book industry.¹⁰⁰

Recommendation 6.5

The Committee recommends that the Department of Canadian Heritage co-fund a study with key industry players aimed at developing workable strategies to reduce and eventually eliminate book returns. The outcome of this work should be an agreed upon initiative to reduce returns by a measurable amount for a set number of years.¹⁰¹

Recommendation 6.6

The Committee recommends that the Department of Canadian Heritage introduce a technological assistance start-up program to assist smaller independent, Canadian-owned booksellers and small publishers with electronic commerce initiatives.¹⁰²

Prompted by the report from the Standing Committee, the Government of Canada committed to assisting the publishing industry in its transition to the new economy. A section from the Speech from the Throne on January, 2001 states, "The Government will assist the book publishing...transition to the new economy. It will continue to support the development of digital content for the Internet and other new media in French and English."¹⁰³

The Government of Canada Responses to the Standing Committee on Canadian Heritage

Approximately one year after the Standing Committee's report was published and presented, in May 2001, the Government of Canada responded with *The Government's Response to the Standing Committee on Canadian Heritage's report*. The Government's report addressed the concerns and recommendations presented by the Standing Committee.

The Honorable Sheila Copps was the Minister of Canadian Heritage at the time of the reports. In a letter addressed to the Chairman of the Standing Committee, Clifford Lincoln, Minister Copps notes,

¹⁰⁰ Ibid., 72

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Canada, House of Commons, "Edited Hansard; Speech from the Throne" (Ottawa, January 30, 2001), <http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=37&Ses=1&DocId=1228739#LINK1>

The report [*The Challenges of Change: A Consideration of the Canadian Book Industry*] presents the Government with a very accurate reflection of the state of Canada's book industry, and a thorough examination of the issues facing all sectors of the industry...The Government's framework for support of culture is designed to provide assistance to the cultural continuum, which in the case of the book industry includes authors, publishers, retailers, wholesalers, distributors, and libraries. The Government of Canada accepts the Committee's assessment of the industry's needs, and is working towards identifying appropriate means of addressing them....The Government of Canada believes in that responding to the Standing Committee's report, it can assist the Canadian book industry in its efforts to adapt to the unique challenges and opportunities presented.¹⁰⁴

The following are the government's responses to the recommendations made in the report from the Standing Committee pertaining to the book supply chain:

Response to Recommendation 6.1 and 6.6

The Government recognizes that the book industry is undergoing dramatic transformations as a result of the evolving technological environment, and continues to adjust its support to meet the industry's needs.... In keeping with the 2001 Throne Speech commitment to assist the book publishing sector to make the transition to the new economy, the Government is enhancing and restructuring its existing support to all sectors of the Canadian book industry....Strategic investment in the technological and information infrastructure is needed for the entire industry to achieve the benefits of better supply chain management. The Department is developing a number of initiatives which will help lay the groundwork for the collection system, the adoption of a standardized communications format, and the development of an accurate and up-to-date bibliographic database. The Department will assist publishers, booksellers, distributors, and wholesalers in their adoption of these efficient-creating technologies.¹⁰⁵

¹⁰⁴ Canada, Department of Canadian Heritage, *The Government's Response to the Standing Committee on Canadian Heritage's Report The Challenge of Change: A Consideration of the Canadian Book Industry* (Ottawa, May, 2001), n.p.

¹⁰⁵ *Ibid.*, 11.

Response to 6.4

The government agrees that in order to enhance the capacity, within the Canadian book industry, for fast and efficient exchange of information, a standard for electronic data exchange must be established. Electronic Data Interchange (EDI) standards currently in use by the Canadian book industry are those established by the Book Industry Systems Advisory Committee (BISAC), the American EDI standards body. The Canadian Telebook Agency (CTA) currently acts as a mediator between the BISAC and the Canadian industry, in order to ensure that the standards maintained for the American industry are appropriate for, and can be used by, the Canadian industry. Additional research into the feasibility of encouraging the use of EDI is required. The Department of Canadian Heritage has initiated a study of the industry's current EDI enablement, and will support the industry's efforts toward developing and using a standard, if required.¹⁰⁶

Response to 6.5

The government agrees that problems which have cross-sectoral implications, such as book returns, should be addressed through collective efforts on the part of industry stakeholders and government officials. While publishers depend, to some degree, upon the unlimited returns policy as a means of ensuring shelf space for as many of their books as possible, most witnesses appearing before the Committee agree that the uncertainty as to the number of books that will be returned, and the cost of handling them increased the overall cost of publishing books. The Department of Canadian Heritage has taken steps, within the context of the Canadian Book Industry Forum, to begin the process of facilitating collective solutions to industry issues. The Department of Canadian Heritage, with the support of the Canadian Book Industry Forum, has initiated work on a study of the issue of book returns, the impact of this practice upon the health of the industry, and possible strategies to reduce that impact.¹⁰⁷

The Government of Canada's responses to the recommendations made by the Standing Committee regarding issues related to the supply chain management were the catalyst for the

¹⁰⁶ Ibid., 14.

¹⁰⁷ Ibid., 15.

creation and implementation of a new component of BPIDP – the Canadian Book Industry Supply Chain Initiative.

7.0 Creating a New Book Supply Chain for Canada

The work towards creating the Canadian Book Industry Supply Chain Initiative (herein known as SCI) stemmed from the Government of Canada’s response to the recommendations made by the Standing Committee on behalf of the Canadian book publishing industry. As previously indicated, at that time, the book publishing industry was facing a crisis situation surrounding the issue of book returns, and a long-term strategy for alleviating the problem was necessary. The birth of the SCI began as a partnership between the Publishing Policy and Programs Branch of the Department of Canadian Heritage (at the time, the Heritage branch responsible for book and magazine publishing) and members of the Canadian book publishing industry.

Because the Canadian book industry is international, with books published not only by Canadian publishers, but by publishers from around the world, the Canadian marketplace is saturated with domestic and imported books. The sheer number of titles available for readers makes the Canadian industry vulnerable to the negative effects of an inefficient supply chain. According to Ed Carson, president of Penguin Group Canada at the time,

Bibliographic standards and certification, as well as the accuracy of data shared among publishers, retailers, and wholesalers, is an ongoing challenge for publishers and distributors in Canada. It’s not sexy, but in a country where just about every book in English (and French) from the rest of world is published or distributed, maintaining clean lines of information and rights management is complex and evolving almost daily.¹⁰⁸

To distribute such a wide array of books in a manner that is fast and cost-efficient, the Canadian book industry needed to develop cross-sectoral relationships, gain access to

¹⁰⁸ Josh Kerbel, “Canada market in a word: tight: a flat market and supply-chain issues trouble publishers, but burgeoning alternative markets hold out hope,” *Publisher’s Weekly*, Vol. 254, Issue 19, May 7, 2007, 13.

accurate information about the availability of titles, and adopt a means for fast and effective communication among all industry partners.¹⁰⁹

One of the characteristics of an efficient supply chain is visibility – the ability of publishers and retailers to accurately access the performance of titles in the market. At the time, Canada was the only English-language book market that did not have a sales tracking-and-analysis service. The United Kingdom (UK), the United States, Ireland, Australia, New Zealand, and South Africa all collected data from retail point-of-sale and provided reports and analysis to publishers and booksellers. This market data analysis allowed publishers to make effective printing and reprinting decisions, better manage their marketing budgets, and focus their sales efforts.¹¹⁰

Examining Best Practices in the UK – a Book Supply Chain Model for Canada

The Canadian Book Industry Forum (CBIF) was an industry and governmental group formed by the Department of Canadian Heritage in order to discuss issues of cross-sectoral concern. One of the recommendations (Recommendation 6.2) from *The Challenge of Change: A Consideration of the Canadian Book Industry*, stated:

The Committee recommends that the Department of Canadian Heritage contribute to the creation of an industry-wide forum for Canadian book industry stakeholders to deal with industry (e.g. developing a strategy to reduce book returns. This forum would meet on an annual basis and be co-sponsored by the Department.¹¹¹

The CBIF was established by the Government of Canada as a result of the hearings from the Standing Committee on Canadian Heritage as an advisory group. It represented the interests of each individual sector of the Canadian book industry. Members of the CBIF included directors of the major Canadian publishing associations – the Association of Canadian

¹⁰⁹ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, December, 2001).

¹¹⁰ Canada, Department of Canadian Heritage, *Printed Matters; Book Publishing Policy and Programs; Annual Report 2003-2004* (Ottawa, 2003-2004), 31.

¹¹¹ Canada, Standing Committee on Canadian Heritage, *The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, 2000), 71.

Publishers, the Canadian Publisher's Council, the Canadian Booksellers Association, the Book and Periodical Council, the Association of Canadian Book Wholesalers, The Writers' Union of Canada, the Literary Press Group, as well as a representative from the National Library of Canada.¹¹² By the early spring of 2001 (May), the French and English member of the CBIF had six meetings, worked in conjunction with the Department of Canadian Heritage official in researching a POS data system, and had developed terms of reference for a study of book returns in Canada.¹¹³ Through the CBIF international supply chain models were examined for their applicability to the Canadian marketplace.

The UK employed a high level of technological enablement, the availability of value-added services, and strong cross-sectoral industry relationships. These factors had contributed to an efficient and productive book industry in the UK, providing a good example for the Canadian industry to emulate.¹¹⁴ As a result of this interaction with the UK, the Publishing Policy and Programs Branch in the Department of Canadian Heritage built strong relationships with key UK book supply chain representatives, including UK firms, associations, and service providers.

In the spring of 2001, the Publishing Policy and Programs Branch initiated dialogue between the Canadian book industry and UK supply-chain specialists. (UK return rates were known to be as low as 12 percent, where the return rate in Canada was 30 percent or higher.) Many of the strategies used to solve the problematic supply chain in Canada would be based on examples from the UK book market, as the two markets were similar in size and scope.

In March 2001, Richard Knight of Whitaker BookTrack (Whitaker BookTrack provides market information on sales through UK bookshops, which is supplied to publishers and other businesses) attended meetings in Ottawa hosted by the Department of Canadian

¹¹² Devin Crawley, "Industry committees seek supply chain improvements," *Quill & Quire*, September 18, 2001, http://www.quillandquire.com/omni/article.cfm?article_id=3194

¹¹³Canada, *The Government's Response to the Standing Committee on Canadian Heritage's Report The Challenge of Change: A Consideration of the Canadian Book Industry* (Department of Canadian Heritage, Ottawa, May, 2001), 13.

¹¹⁴ Canada, Department of Canadian Heritage, "Delegation of Canadian Industry Professionals to the UK," internal document (Ottawa, n.d.).

Heritage with French-and-English-language market industry representatives. The discussion centered around point-of-sale data collection and analysis.

Later that spring, in June 2001, the Publishing Policy and Programs Branch organized a delegation of UK supply-chain specialists to Canada. A panel discussion was held at BookExpo Canada with UK supply chain representatives Richard Knight from Whitaker BookTrack, and Peter Kilborn, a publishing consultant from Book Industry Communication (the book industry's independent supply chain organization, committed to improving the efficiency of the trade and library supply chains, reducing costs, and automating processes, based in London). A UK book publisher, a UK book retailer, and Canadian publishing representatives from both official-language markets were also in attendance. Both Knight and Kilborn spoke about the various services available in the UK market which had resulted in the benefits Canadian publishers sought in Canada. The UK publisher and retailer both provided first-hand accounts of how their businesses and the UK industry had benefited from better supply chain management.¹¹⁵

In July 2001, the Publishing Policy and Programs Branch then consulted with members of the Canadian book publishing industry to identify Canadian supply chain issues and areas for improvement. This groundwork was the foundation for the SCI.¹¹⁶

The Formation of Committees to Move the Supply Chain Initiative Forward

Over the summer of 2001, work relating to the SCI was driven by two committees: A Steering Committee (made up of predominately English-language publishing representatives including publishers, retailers, and distributors, and representatives from the Department of Canadian Heritage. For member names and affiliations of the Steering Committee, please see Appendix C), and an Information Technology (IT) Committee (made up of over thirty technology experts from all sectors of the industry, representatives of industry associations, the Department of Canadian Heritage, and the National Library of Canada).

¹¹⁵ Canada, Department of Canadian Heritage, “The Canadian Book Industry Supply Chain Initiative, Government/Industry Partnership” (Presentation to the Association of BC Book Publishers, Ottawa, April 25, 2003).

¹¹⁶ Canada, Department of Canadian Heritage, *Printed Matters; Book Publishing Policy and Programs; Annual Report 2003-2004* (Ottawa, 2003-2004), 18.

The Steering Committee was established to oversee work on supply chain improvements and to act as the initiative's champion. It also aimed to secure total industry participation in practices to improve the supply chain for books. The goal of the IT Committee was to assess the objectives identified by the Steering Committee and develop strategies for their implementation.¹¹⁷ The two committees were set up and overseen by the Department of Canadian Heritage and its advisory group, the CBIF.

A similar SCI project was already underway by members of the Francophone book-publishing market, as they faced many of the same challenges as the Anglophone marketplace. As the two groups moved forward in their efforts, they exchanged ideas and approaches, and coordinated actions where appropriate.¹¹⁸

8.0 The Canadian Book Industry Supply Chain Initiative

Officially formed in September 2001, the mandate of the SCI was to identify inefficiencies in the Canadian book publishing supply chain (the movement of books from one point in the chain to another; from the author to the publisher to the warehouse to the library and bookseller and often times, back), to recommend strategies for improvement, and to implement change in the industry. An improved supply chain for books in Canada would result in increased efficiencies, resilience to change in supply and demand, and improved industry viability.

According to long-time Canadian publisher James Lorimer,

Everyone with computer access will soon be able to find out, in real time, at no cost, whether a book is actually available from its publishers in Canada or not. They'll be able to find out, accurately, who its author is, what its title is, what its price is – and a lot more besides. Publishers will be able to tell the world tomorrow that one of their books went out of stock today – instead of waiting for weeks or months for the

¹¹⁷ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, December, 2001).

¹¹⁸ Ibid.

bibliographic sources of data to catch up with a reality that won't stand still.¹¹⁹

In the fall of 2001, the Steering Committee agreed upon the importance of meeting the following objectives for achieving book supply chain improvements in the Canadian market:

- To realize an improved means of collecting and maintaining bibliographic data, and ensuring access to a clean, complete database for all titles available in Canada.
- To ensure industry-wide access to an efficient and accessible electronic communications platform which adheres to international standards.
- To gain the capacity to collect and share point-of-sale data on the Canadian market for books for the purpose of strategic business planning and the management of returns for all sectors.¹²⁰

9.0 Establishing Book Supply Chain Fundamentals

An improved supply chain meant an examination of and strategies for improvement and implementation of the following three book supply chain fundamentals: bibliographic data, electronic data interchange (EDI), and point-of-sale (POS) data collection.

Bibliographic Data

Having access to up-to-date source and publishing data on Canadian books would result in improved efficiencies in retail ordering and inventory management processes. In addition, accurate bibliographic data is a key component to sales data analysis.¹²¹ It allows for the facilitation of online sales and promotion, and enables retailers to make more informed purchasing decisions.

¹¹⁹ James Lorimer, "The missing links: The supply chain initiative must work for small publishers and retailers too," *Quill & Quire*, October 1, 2002, http://www.quillandquire.com/omni/article.cfm?article_id=2495

¹²⁰ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa December, 2001).

¹²¹ Canada, Department of Canadian Heritage, *The Canadian Book Industry Supply Chain Initiative*, brochure (Ottawa, n.d.).

The challenge in the industry in the early 2000s was that there was a lack of timely and accurate bibliographic data, which was preventing access to information on the availability of titles. This was impeding the implementation of efficiency-improving technologies.

In order to address that issue, dialogue with bibliographic data aggregator RR Bowker was initiated in December 2001 (the English-language industry had been using Bowker's *Books in Print* since 1994).¹²² The company outlined its commitment to improving the level of service to the Canadian industry and detailed a plan for future product innovations and participating in ongoing dialogue with the SCI.¹²³ The model used in Quebec by the *Société de gestion de la banque de titres de langue française* was also reviewed. Also, an assessment of the industry's technological capacity to create and transmit bibliographic records, the benefits to be achieved in pursuing improvements to the data, and the issues related to data collection in the market was undertaken.¹²⁴

Research into international standards for bibliographic data management was also conducted, as was the proposed creation of a bibliographic data utility-and-certification agency.¹²⁵

The Importance of ONIX in Bibliographic Data Management

Established in 1991, the international book industry consortium, EDItEUR, made up of members from seventeen countries, including Canada, the United States, and the UK, was created to coordinate the development of international standards infrastructure for electronic commerce in the book and serials sectors. The company's specialties lie in Electronic Data Interchange and other e-commerce standards for book and serial

¹²² In a survey by SIBYL FREI DeGros Marsh Consulting commissioned by the ACP entitled *Supply Chain Survey* (November 2001 – January 2002), nearly 40% of ACP members provided data directly to RR Bowker, from a low of 25% of the smallest publishers to almost 65% of the largest, 7.

¹²³ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, February, 2002).

¹²⁴ Canada, Department of Canadian Heritage, "The Canadian Book Industry Supply Chain Initiative: Update and Action Items," internal document (Ottawa, February 20, 2002).

¹²⁵ Ibid.

transactions, bibliographic and product information, standards infrastructure for digital publishing, and rights management and trading.¹²⁶

In 2000, EDItEUR partnered with the Association of American Publishers to develop and release ONIX for Books Release 1.0, in order to standardize an electronic system for transmitting universally recognized data among publishers, data aggregators, wholesalers, booksellers, and any other party involved in the sale of books.¹²⁷ ONIX is an international, XML-based markup language used to tag metadata elements, such as ISBN, title, author's name, title description, artwork, subject category, etc. ONIX uses 148 element tags, of which forty-two are considered the minimum bibliographic data required for a book.

ONIX carries both core data about the book, such as title and ISBN, and enhanced metadata, such as book reviews and cover art. XML was considered ideal for the transmission of complex documents between computers, is easily enhanced and modified, and many databases include tools for importing and exporting data between ONIX and other formats.¹²⁸

ONIX 2.0, or Online Information eXchange, was released in 2001 and recommended by the IT Committee as the official bibliographic data transmission standard for use in Canada. Although not in widespread use at the time, ONIX was gaining support throughout the international bookselling community.

With ONIX, when publishers export bibliographic data from their databases (on a weekly or monthly basis), the receiving supply chain partners can receive all of the data via the ONIX message, allowing them to refresh all of the title information in their databases – ensuring

¹²⁶ EDItEUR, "About," <http://www.editeur.org/2/About/>

¹²⁷ Elizabeth Anne Grabham, "The real world of bibliographic data: managing and exchanging marketing data at Arsenal Pulp Press" (Master of Publishing Project Report, Simon Fraser University, 2007), 5.

¹²⁸ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, February, 2002).

that partner databases contain the most accurate title information, direct from the publisher's own database, with every new transmission.¹²⁹

The result of standardized bibliographic data across the Canadian publishing industry would allow for better access to information on availability of book titles and is integral to selling books online. Solid bibliographic data is necessary for building electronic ordering systems and sales data tracking capability.

Publisher compliance with the bibliographic certification process was considered essential for facilitating the movement of bibliographic data through the supply chain.

Electronic Data Interchange (EDI)

Thomas Woll, author of *Publishing for Profit* (2002) states that "it is axiomatic today that anyone providing publishing fulfillment, whether an in-house function, an outside service, or a distributor, must use electronic data interchange."¹³⁰

Increased use of common transactional electronic data interchange (EDI) documents results in faster, more accurate fulfillment of orders and payment of invoices. The use of EDI better informs decision making and helps in cost savings for all industry trading partners. Electronic data interchange allows for the electronic interchange of orders and of accounting information, directly from the buyer's computer system to the publisher's, and vice versa. "Orders and returns can be processed quickly and effectively, without the need to generate hard copy orders, chargeback, and other forms of transaction data that were the norm before computers revolutionized the process."¹³¹

A large issue in achieving common EDI practices was that industry participants were using a range of technologies for order transmission, customer service inquiries, and account resolution, including EDI, Internet-based communication, telephone, fax, and mail.

¹²⁹ Elizabeth Anne Grabham, "The real world of bibliographic data: managing and exchanging marketing data at Arsenal Pulp Press" (Master of Publishing Project Report, Simon Fraser University, 2007), 6.

¹³⁰ Thomas Woll, *Publishing for Profit: Successful Bottom-line Management for Book Publishers* (Chicago, Illinois: Chicago Review Press, Inc. 1998, 2002), 261.

¹³¹ Ibid.

The challenges in implementing EDI were a lack of technological capacity to support EDI documents, and a lack of specific information on the industry's existing level of technological enablement.¹³² This led to the need to identify specific areas for improvement.¹³³

An examination of a set of EDI document specifications currently in use in Canada was undertaken by the SCI Committee. Consensus was reached that the EDI specification to be adopted in the Canadian market would be ANSI X.12 version 4010. X.12 was a well-developed standard in wide use throughout the North American industry. The book industry variants of X.12 are reviewed and maintained by the Book and Serial Industry Systems Advisory Committee (BISAC) in New York and by the Canadian Book Industry Standards Advisory Committee (CBISAC) in Canada (an industry body which had provided a forum for the discussion of industry standards, their formats, specifications, and implementation).¹³⁴

Five EDI documents forming the core of the book industry EDI were identified for adoption in the Canadian book publishing industry. They were revised and certified by CBISAC. The five documents were:

- Purchase Order (850)
- Purchase Order Acknowledgement (855)
- Advance Shipping Notice (856)
- Invoice (810)
- Bill/Ship Notice (857)¹³⁵

¹³² In a survey by SIBYL FREI DeGros Marsh Consulting commissioned by the ACP entitled, *Supply Chain Survey* (November 2001 – January 2002), only 25% of ACP members when surveyed indicated that they know – or think they know – whether their current software applications are XML compliant, 7.

¹³³ Canada, Department of Canadian Heritage, "The Canadian Book Industry Supply Chain Initiative: Update and Action Items," internal document (Ottawa, February 20, 2002).

¹³⁴ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, February, 2002).

¹³⁵ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, December, 2001).

Adopting standardized EDI documents would lead to faster and more accurate fulfillment of orders, better customer service, and timely payment of invoices. This would help reduce costs related to order processing and customer service. The earlier Canada Telebook Agency (CTA; which was an initial attempt at a standardized EDI program for the Canada book trade, but later failed to gain industry acceptance) relied on leased telephone lines for transmission and was therefore relatively expensive. The new EDI system used the Internet for connectivity, so transmission costs were next to zero.¹³⁶

Canadian industry representatives would also be participating in the ongoing evolution of EDI standards through active memberships in international standards organization like EDI⁺TEUR and BISAC.

Point-of-Sale Data Collection (POS)

A lack of access to current and accurate data on book sales results in an inability to track inventory and predict customer demand. Access to point-of-sale (POS) data results in more informed decisions regarding printing, distribution, and marketing, and improved market intelligence leading to more targeted sales and fewer returns. The challenges of implementing a POS system were many: the quality and timeliness of bibliographic data currently available in the Canadian market would not support a POS system; the benefits to Canadian publishers and support of the retail sector were yet to be quantified, and finally, barriers to technological implementation by retailers had to be determined.

To address these challenges dialogue between the SCI Committees with existing POS service providers was undertaken, including John Whitaker and Sons, AC Nielsen, and the Book Manager.¹³⁷

¹³⁶ John W. Maxwell, "PEXOD: The Publishers' Extensible Online Database," Edited by Rowly Lorimer, Jillian Schoichet, and John W. Maxwell, *Book Publishing I* (Vancouver, British Columbia: Canadian Centre for Studies in Publishing, 2005), 330.

¹³⁷ Canada, Department of Canadian Heritage, "The Canadian Book Industry Supply Chain Initiative: Update and Action Items," internal document (Ottawa, February 20, 2002).

PART 3

10.0 The Launch of the Canadian Book Industry Supply Chain Initiative, 2002-2003

In May 2002, the Steering Committee drafted a report presenting recommendations for action in support of supply chain improvements in English-language Canada. The plan focused largely on means of providing access to accurate bibliographic information, providing a common and accessible electronic communications platform, and eventually securing a POS data analysis service for Canada.

Later that month, support for the 2002-2003 SCI component of BPIDP was introduced. The Book Publishing Industry Development Program committed an amount of \$1.2 million in project funding for the SCI, and \$1 million to publishers for improvement to bibliographic databases.

In June 2002, at a book industry summit held at BookExpo Canada in Toronto, three hundred-and-fifty book publishing industry representatives attended a presentation by the Steering Committee, IT Committee, and the Publishing Policy and Programs branch of the Department of Canadian Heritage on supply chain improvement strategies. It was a panel discussion entitled *Making Every Book Count: The Canadian Book Industry Supply Chain Initiative*, and was hosted by the Steering Committee and the Book and Periodical Council, and sponsored by the Department of Canadian Heritage. The Steering Committee unveiled its business plan, and funding priorities from the Department of Canadian Heritage were released at this gathering.¹³⁸

¹³⁸ Canada, Department of Canadian Heritage, *Printed Matters; Book Publishing Policy and Programs; Annual Report 2002-2003* (Ottawa, 2002-2003), 19.

The following priorities for the SCI were made in 2002-2003:

- Publishers – the assistance to create, populate, and maintain high-quality bibliographic databases.
- Distributors and wholesalers – the acquisition of computer hardware and software, and equipment for the implementation of standard EDI documents (including invoices, shipping notices, order confirmation, and receipts).
- Retailers – support for the adoption of a unified electronic communications platform and the improvement and availability of bibliographic data.¹³⁹

Priority for funding supply chain initiatives was given to projects that involve the adoption of functions complementary to the industry’s access to better bibliographic and point-of-sale data, as well as its adoption of EDI. This included investment in computer hardware and software, the acquisition of warehouse infrastructure, the purchase of services, and the acquisition of training.¹⁴⁰

The SCI contribution specifically for book publishers was based on the level of the applicant’s net sales of titles eligible under the ATP component of BPIDP:¹⁴¹

Table 10.1 SCI contribution specifically for book publishers, based on the level of the applicant’s net sales of titles under the ATP component of BPIDP

Publishers net sales of eligible titles	Funding
Level sales between \$0 and \$500,000	\$5,000
Sales between \$500,000 and \$1,000,000	\$7,500
Sales over \$1,000,000	\$10,000

During its first year of funding in 2002-2003, contributions were provided to sixteen industry organizations and one hundred and forty-four publishers.¹⁴²

¹³⁹ Canada, Department of Canadian Heritage, *The Canadian Book Industry Supply Chain Initiative*, brochure (Ottawa, n.d.).

¹⁴⁰ Canada, Department of Canadian Heritage, “The Canadian Book Industry Supply Chain Initiative Overview” (Presentation to the National Library of Canada, Ottawa, June 25, 2003).

¹⁴¹ Canada, Department of Canadian Heritage, *Book Publishing Industry Development Program: Support for the Canadian Book Industry Supply Chain Initiative, Applicant’s Guide, 2002-2003* (Ottawa, 2002-2003), 6.

¹⁴² Canada, Department of Canadian Heritage, “Book Publishing Industry Development Program; Publications; Audits and Evaluations; 2008 Summative Evaluation,” <http://www.pch.gc.ca/pgm/em-cr/evaltn/2008/index-eng.cfm>

11.0 The Canadian Book Industry Supply Chain Initiative – Chronology

The following table illustrates the chronology of the SCI:

Table 11.1 The Canadian Book Industry Supply Chain Initiative Chronology

June 2000	<i>The Challenge of Change: A Consideration of the Canadian Book Publishing Industry</i> report by the Standing Committee on Canadian Heritage.
March 2001	Dept. of Canadian Heritage initiates dialogue between the Canadian book publishing industry and UK book supply chain specialists.
May 2001	<i>The Government's Response to the Standing Committee on Canadian Heritage's Report: The Challenge of Change: A Consideration of the Canadian Book Industry.</i>
June 2001	Dept. of Canadian Heritage organizes UK book supply chain specialists delegation to Canada. There is a panel discussion at BookExpo Canada to discuss supply chain improvements, as well as meetings with French and English-language publishers.
July 2001	Dept. of Canadian Heritage consults with the book publishing industry – identification of supply chain issues for Canada and key areas for improvement are discussed.
Fall 2001	Formation of the Canadian Book Industry Supply Chain Initiative (SCI) and the formation of the Steering and IT Committees.
May 2002	Steering Committee Recommendations are made and BPIDP support for the SCI component was introduced.
June 2002	The Steering Committee business plan and Department of Canadian Heritage funding priorities related to the SCI are released at a book industry summit in Toronto.
Summer 2002	Dissolution of the Steering and IT Committees. A Working Group is formed to oversee the creation of a new not-for-profit supply chain agency.
December 2002	Formation of BookNet Canada.

12.0 The Development of a Canadian Book Supply Chain Agency for English-language Canada

In addition to the BPIDP funding through the SCI for publishers, distributors, and retailers and to meet its supply chain objectives into the future, the Steering Committee had to ensure that full-time resources were available. To have access to full-time resources, the industry had to rely to funding from the Department of Canadian Heritage. (The Department would only provide full funding for projects if the request came from a not-for-profit organization.)

The Steering Committee therefore recommended the creation of a new, not-for-profit agency that would:

- Promote and oversee a strategic approach to supply chain management.
- Provide training and assistance to trading partners during the transition period.
- Choose international bibliographic and EDI standards to be used, and implement a certification process to ensure compliance across the industry.
- Maintain membership in, and participate in, regular meetings of international standards organizations.
- Supervise and approve the work of the Canadian Book Industry Systems Advisory Committee (CBISAC).
- Merge the Canadian Telebook Agency's (CTA) role into its expanded mandate.
- Identify means of achieving new efficiencies for the supply chain on an ongoing basis.¹⁴³

After having looked at models from similar POS data collection systems, including Whitaker Book Track in the UK and BookSpan in the United States, it was agreed that a Canadian version was feasible.

The Steering Committee recommended that the new agency should not be an aggregator, but a facilitator for the transmission of accurate and timely bibliographic data to a preferred aggregator. The new agency would also serve as the industry facilitator for the exchange of electronic documents between trading partners. And lastly, the agency would encourage sales tracking.¹⁴⁴

An Operational Plan for the New Agency

The Steering Committee proposed an operational plan for the establishment of the new agency to oversee the supply chain improvements in Canada. The first step was its creation. This involved merging the CTA into the new agency. This would expand the new agency's mandate to promote and oversee a strategic approach to supply chain improvement. Services provided by the new agency would include training and assistance to trading partners, the selection of international standards and certification of practices, and participation in the

¹⁴³ Marc Laberge, *The Canadian Book Industry Supply Chain Initiative Business Plan: Prepared for the Canadian Book Industry Supply Chain Initiative Steering Committee* (Department of Canadian Heritage, Ottawa, June 2002), 4.

¹⁴⁴ *Ibid.*, 5.

activities of international standard organizations. It would also supervise the work of CBISAC.

Next, a board of directors had to be created. It was proposed that the board of directors be comprised of two representatives from the Canadian Booksellers Association (CBA), two representatives of the Association of Canadian Publishers (ACP), two representatives of the Canadian Publishers Council (CPC), one representative of the Canadian Libraries Association, one representative of the Association of Canadian Book Wholesalers, and one representative of the Book and Periodical Council (for a full list of the BookNet Canada founding board members, please see Appendix E). The board would then elect a chairman, a vice-president, and a secretary-treasurer whose term of office would be two years.

A funding request then needed to be submitted to the Department of Canadian Heritage for the agency's operational budget. Major costs related to the new agency would be salaries, consultants (hired to provide training and assistance, and conduct research for the new agency), and travel expenses (members of the new agency would be traveling to visit members of the industry to promote the new agency's initiatives). After the funding was secured, hiring a managing director for the new agency would be the primary priority.

The Canadian Book Industry Systems Advisory Committee (CBISAC) would continue monitoring ongoing international standard development. (CBISAC was at that time a participant in North American standard development through its membership in EDItEUR.) The new agency would then expand its role in keeping the industry informed of all ongoing standard development.

A survey of booksellers' readiness had to be prepared and conducted by the new agency, as would selecting a preferred bibliographic data aggregator through requests for proposals by potential bibliographic data aggregators for the Canadian market. The new agency would play a role in monitoring the quality of the aggregator's bibliographic products and also in monitoring data collection from publisher and distributors. Following that, the implementation of EDI standards would have to be overseen by the new agency.

Finally, the identification of sales tracking needs and the selection of a preferred sales tracking method would have to be evaluated and adopted by the new agency. The Steering Committee believed that a survey should be conducted to identify what level of information should be made available to the whole industry, and how it would be used. A request for proposal was also to be sent to potential sales tracking partners. The request would have the final objective of integrating the services of a sales data aggregator into the Canadian market.¹⁴⁵

Other priorities for the new agency were to facilitate the adoption of a standard and accessible platform for electronic communication, and to examine options for implementing POS data collection for the Canadian book trade.

It was understood that the new agency would undertake the following activities to achieve its objectives:

- Conduct research related to supply chain improvements.
- Liaise with Canadian stakeholders, share results of research, recommending standards and best practices, lead industry discussions related to supply chain improvement.
- Assist stakeholders in the implementation of recommended supply chain improvements, which include measuring companies' ability to adopt standard practices, and develop bibliographic data and EDI certification processes.
- Liaise with third party service providers to ensure the supply chain needs of the Canadian industry are addressed.
- Represent the Canadian book industry on international book industry and supply-chain related organizations.¹⁴⁶

The new agency would also take on the role of the CTA, which would then be wound down. The agency would assume the CTA's role in promoting EDI usage and standards.¹⁴⁷

¹⁴⁵ Ibid., 8-19.

¹⁴⁶ Canada, Department of Canadian Heritage, "BookNet Canada Inaugural Meeting," news release (Toronto, December 11, 2002).

¹⁴⁷ Ibid.

The timeline for achieving the objectives in the operational plan for the new agency was anticipated to take place from August 1, 2001, and ending April 1, 2003. (For more detail, please see Appendix F.)

In December 2002, the newly-created, not-for-profit agency – called BookNet Canada – was formed. Governed by an industry-appointed board, BookNet Canada’s mandate is to introduce innovation into the supply chain for books in English-speaking Canada.¹⁴⁸

BookNet Canada introduced its plan to the industry at BookExpo Canada in the Spring of 2003. Its immediate priorities were:

- To ensure the industry had access to a cost-effective and efficient electronic communications platform.
- To improve the quality and accessibility of commercial databases available to the Canadian book trade (i.e. RR Bowker’s *Books in Print*).
- To work toward the provision of point-of-sale aggregation services.
- To explore a scheme for group buying of supply chain enhancing products and services.

Once BookNet was created, the Steering Committee and the IT Committee were disbanded. The Department of Canadian Heritage announced \$2.5 million per year in long-term support for BookNet in June 2003.¹⁴⁹ A Working Group consisting of industry members from the ACP, the CPC, and the CBA was formed in order to oversee the development and roll-out of the new agency. (For names and affiliations of the Working Group, please see Appendix D.)

¹⁴⁸ Canada, Department of Canadian Heritage, *Printed Matters; Book Publishing Policy and Programs; Annual Report 2002-2003* (Ottawa, 2002-2003).

¹⁴⁹ Canada, Department of Canadian Heritage, “The Canadian Book Industry Supply Chain Initiative Overview” (Presentation to the National Library of Canada, Ottawa, June 25, 2003).

BookNet Canada and the *Société de gestion de la banque de titres de langue français* – setting a Canadian standard for Bibliographic data certification, EDI, and POS data collection for Canadian publishers

After much research into proven industry supply chain practices, input from the Canadian book publishing industry, and a detailed operational plan tabled by the SCI Steering Committee, BookNet Canada (BookNet) was also developed with the assistance and expertise of its French-language predecessor, *Société de gestion de la banque de titres de langue française* (BTLF). Established in 1996, BTLF had been successfully operating and managing the French-language supply chain requirements in Quebec. A representative from BTLF was on the SCI Steering Committee, providing knowledge and guidance for the formation of BookNet.

Both BookNet and BTLF are agencies providing supply chain solutions across Canada. Both are assisted by BPIDP.

13.0 Bibliographic Data Certification – A Priority

Since its inception in 2002, BookNet's immediate priority was to ensure the industry had access to clean, complete bibliographic data.

BookNet used a three-level approach for meeting bibliographic standards and for moving electronic information around the supply chain: Bronze, Silver, and Gold. Publishers obtained a Bronze certification by using a standard Excel document with the minimum amount of basic bibliographic information required (title, author's name, ISBN, etc). Silver was reached when the same information in the Bronze template is converted into an ONIX file. (BookNet has a converter which publishers can use which takes an Excel template and converts it into an ONIX XML file.) At the Gold level, publishers were expected to supply dense, well formatted, metadata rich ONIX files (additional marketing elements such as title descriptions, author biographies, and images. For detailed BookNet bibliographic data standards, please see Appendix G).

As part of a successfully functioning book supply chain, it is pertinent for publishers to provide information about their books in an ONIX-compatible format in order to reach

their target market. The more metadata fields a publisher fills out in ONIX, the higher their bibliographic certification level, and thus the better chance a reader will find the publisher's book. Titles with as much rich metadata as possible, most notably images, outsell those without rich metadata eight times to one.¹⁵⁰

The *Société de gestion de la banque de titre de langue français* houses over one million bibliographic records for French publishers. Their bibliographic certification standard is ONIX version 2.1, revision 2. The *Société de gestion de la banque de titres de langue française* has two levels of certification: Minimal and Enrichi. Like BookNet, these are based on the number of ONIX fields provided by publishers.¹⁵¹

Besides bibliographic certification, BookNet services also includes Pubnet (an EDI service contracted from RR Bowker), and BNC SalesData (a POS tracking system). These investments represent major steps toward improved gathering, management, and flow of data throughout the supply chain.¹⁵²

14.0 The Canadian Book Industry Supply Chain Initiative: 2002-2003 – 2007-2008 Results

From 2002-2003 to 2007-2008, the SCI provided nearly six million dollars to support over 200 publishers in establishing high-quality nationally-standardized bibliographic data. The SCI has also supported the development of national sales data analysis infrastructure in both official languages, leading to greater knowledge of Canadian book industry trends and improved inventory management for publishers, distributors and retailers. The following information documents quantitative bibliographic data results from the SCI from 2002-2003 to 2008-2009:

¹⁵⁰ Meghan MacDonald (Intern, BookNet Canada, Toronto), email correspondence to the author, August 28, 2009.

¹⁵¹ *Société de gestion de la banque de titres de langue française*, "A propos de la BTLF," <http://www.btlf.qc.ca/>

¹⁵² Turner-Riggs, *Book Distribution in Canada's English-language Market* (Report commissioned by the Department of Canadian Heritage, Ottawa, 2009), http://www.pch.gc.ca/pc-ch/org/sectr/ac-ca/pblctns/bk_dstrbtn_lv/dst_eng/index-eng.cfm

Table 14.1: Supply Chain Initiative Recipients and Funding Provided

YEAR	TOTAL SCI RECIPIENTS (PUBLISHERS)	FUNDING
2002-2003	143	\$1,037,500
2003-2004	133	\$922,500
2004-2005	156	\$1,092,500
2005-2006	160	\$1,120,000
2006-2007	164	\$906,750
2007-2008	181	\$738,500
TOTAL		\$5,817,750

Table 14.2: Bibliographic Certification Results – English-language Publishers*

YEAR	GOLD	SILVER	BRONZE	TOTAL	TOTAL ENGLISH ATP RECIPIENTS	PERCENTAGE OF PUBLISHERS CERTIFIED
2007-2008	52	42	22	116	130	89%
2008-2009	55	50	15	120	130	92%

Table 14.3: Bibliographic Certification Results – French-language Publishers*

YEAR	ENRICHI	MINIMAL	TOTAL	TOTAL FRENCH ATP RECIPIENTS	PERCENTAGE OF PUBLISHERS CERTIFIED
2007-2008	58	24	82	100	82%
2008-2009	79	10	89	105	85%

Table 14.4: Cumulative Certifications (English and French Publishers)

YEAR	NUMBER OF CERTIFICATIONS	NUMBER OF ATP RECIPIENTS	PERCENTAGE OF PUBLISHERS CERTIFIED
2007-2008	198	230	86%
2008-2009	209	235	89%

* Note: a number of BPIDP recipients, most notably those in the educational sector, do not sell to retail outlets. Therefore, they may not see value in obtaining bibliographic certification.

Summative Evaluations from the Department of Canadian Heritage

In order to fulfill Treasury Board reporting requirements, the Department of Canadian Heritage undertakes a summative evaluation of BPIDP every four years. These evaluations

address the issues of program design, effectiveness and efficiency by program relevance, impact, cost-effectiveness, and alternatives.

The summative evaluation undertaken in the government fiscal year 2004 indicate that among publishers who had applied to the SCI, “more than 70 percent believe that the SCI is still needed to ensure the strengthening and modernization of the supply chain for books in Canada.”¹⁵³ Two-thirds of the publishers surveyed said they expect the Canadian book industry to become more efficient in responding to changes in supply and demand as a result of the initiative. And among successful SCI applicants, “70 percent said that the SCI has enabled their firm to make investments in technology that would otherwise have been impossible, and 72 percent expect their firm to become more efficient in responding to changes in supply and demand as a result of these funds.”¹⁵⁴

Several publishers noted that the SCI was an important initiative that will ultimately result in greater efficiency in the supply chain for books in Canada, and that the SCI was successful in orientating the book industry toward the need for technological advances in areas such as EDI, bibliographic data, and POS data.¹⁵⁵

The last summative evaluation took place between January and July 2008 and covered the years of BPIDP program activities from the government fiscal years of 2003-2004 through 2006-2007. The evaluation focused on three major issues: relevance, success in achieving program outcomes, and whether the program delivers good value for Canadian taxpayers.¹⁵⁶

The 2008 summative evaluation indicated the following percentages of publishers reporting some or considerable positive impact of the SCI on aspects of their business:

Creating and exporting ONIX – 67%
Improved access to large retail chains – 73%
Management of bibliographic data – 82%

¹⁵³ Canada, Department of Canadian Heritage, “Book Publishing Industry Development Program; Publications; Audits and Evaluations; 2004 Summative Evaluation” (Ottawa, June 23, 2004), 31.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid., 42

¹⁵⁶ Canada, Department of Canadian Heritage, “Book Publishing Industry Development Program; Publications; Audits and Evaluations; 2008 Summative Evaluation,” <http://www.pch.gc.ca/pgm/em-cr/evaltn/2008/index-eng.cfm>

Developing efficiencies – 96%¹⁵⁷

With regards to the SCI, the summative evaluation concludes that:

There is ample anecdotal evidence from publishers who reported that SCI had some or considerable positive impact in several areas of their business. These include their capacity to produce, transfer and manage electronic bibliographic data, digitize business processes, improve access to large retail chains, and develop efficiencies overall.¹⁵⁸

In terms of the relevance of the SCI, the 2008 evaluation notes that, “The SCI is relevant given the changes in the Canadian book industry supply chain requiring that publishers use new technologies to create efficiencies and savings.”¹⁵⁹

The SCI was deemed successful in that it,

Has contributed to industry-wide efficiencies and has assisted publishers to more effectively interact with customers through collective projects and by providing funding directly to publishing firms... Publishers indicated that the SCI has helped improve the strategic orientation and competitiveness of the Canadian-owned publishing industry as a whole.¹⁶⁰

15.0 The Ongoing Function of the Canadian Book Industry Supply Chain Initiative

For the first six years, from the government fiscal years of 2002-2003 to 2007-2008, priority funding from the SCI was provided in order for Canadian publishers to attain bibliographic data certification, to capitalize on the advances they had made and progress beyond their bibliographic data certification level, as well as for projects delivering an impact to the industry’s technological infrastructure. After six years, the SCI funding structure changed.

In 2008-2009, after a successful six-year investment in bibliographic data improvements through the SCI, BPIDP reoriented its support for new technology initiatives. This was based on the findings from several industry studies conducted by BPIDP which identified the need for increased training and professional development in the area of new technology,

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

including information sharing, print-on-demand publishing, content digitization, and issues concerning digital rights management.¹⁶¹

The new SCI funding support is designed to enable publishers to develop the knowledge and skills necessary to take full advantage of the opportunities offered by technological advancements in the publishing, distribution, and marketing of books.¹⁶²

The Book Publishing Industry Development Program currently funds up to 75 percent of eligible expenses for business planning projects with a strong emphasis on innovative technology. Publishers may also receive funding to offset the salary of an intern hired to work primarily on projects related to technology. Technology-focused professional development projects for publisher associations are also eligible for the same level of support. This assistance is not a permanent measure, but rather a limited initiative to help the industry build the foundation for the effective application of new technologies. BookNet and BTLF continue to receive support through BPIDP.¹⁶³

16.0 Conclusion

Over the past ten years – since the initial examination by the Standing Committee on Canadian Heritage of the book publishing industry began in 1999 – much has changed. During a time of immense apprehension and strain, the Government of Canada and the Canadian book publishing industry worked together to address constraints and concerns and lay the foundation for building not only an efficient book supply chain in Canada, but building sustainable industry capacity.

The Canadian Book Industry Supply Chain Initiative is evidence of this collaboration. All evidence points to the SCI having succeeded in meeting its objective of supporting the Canadian book industry's adoption of innovative technologies. Along with sound bibliographic data, EDI, and POS data, the industry now has the capacity to use information

¹⁶¹ Ian Wallace (Manager, Book Policy, Book Publishing Industry Development Program, Department of Canadian Heritage, Ottawa), correspondence with the author, August 25, 2009.

¹⁶² Ibid.

¹⁶³ Ibid.

and communications technologies to improve and accelerate its ordering, shipping, inventory control, and sales-tracking processes.

As noted by Diane Ouellet with the *Société de gestion de la banque de titres de langue française*:

The emergence of new information and communications technologies has radically transformed how information is managed in the book supply chain. The increase in editorial production, rising consumer demand, and the pressure to obtain more fully developed data on titles and updates in real time represent a significant challenge to all database administrators. Interventions by BPIDP through support for the Supply Chain Initiative program have assisted in the implementation of a centralized communications and electronic exchange infrastructure.¹⁶⁴

From its beginnings in collecting and distributing bibliographic data, BookNet has evolved into a multifunctional supply chain management agency. Along with its core focus on bibliographic data, support for EDI (through a contract with RR Bowker's subsidiary Pubnet), sales data analysis, and international standards to enhance supply chain efficiencies, BookNet also performs market research and manages BNC SalesData – the national book sales reporting and analysis service. BookNet estimates that its BNC SalesData tracks 75 percent of all Canadian book sales.¹⁶⁵

BookNet Canada is a testament to the labour and commitment made to improving the English-language book supply chain from all members involved in book publishing in Canada, and remains an integral part of the publishing industry into the future.

The Canadian Book Industry Supply Chain Initiative has helped the book publishing industry in Canada become more efficient, viable, and resilient to changing technological standards and practices. By improving the industry's capacity to take advantage of the opportunities offered by technology, and vastly improving the book supply chain

¹⁶⁴ Canada, Department of Canadian Heritage, *Creating Canada Together: 25 Years of Support for Canadian Books* (Ottawa, 2004), 33.

¹⁶⁵ BookNet Canada, "About BookNet Canada," <http://www.booknetcanada.ca>

distribution infrastructure, book publishers in Canada continue to be able to produce, market, and distribute Canadian books for readers at home and around the world.

David Black
Kevin Burns

APPENDIX B:

Six Key Questions from the Roundtable Discussions

As part of a study of Canada's book distribution industry, the Standing Committee on Canadian Heritage held four televised roundtable discussions with book publishing and distribution associations, book publishers, retailers and distributors, book industry analysts, writers associations, retail and consumer associations and library associations. These roundtables were held in Ottawa on February 24 and 29, and March 2 and 14, 2000.

The Committee was specifically interested in the impact of electronic commerce, the concentration of bookstore ownership, and the ways in which books are distributed to Canada's booksellers. The Committee also wished to understand how these factors were affecting the availability of Canadian-authored materials. As such, the roundtable participants were invited to address six key questions.

These were:

1. Based on the available evidence, what can be said about the state of book publishing, distribution and retailing in Canada?
2. Based on the available evidence, what information is lacking regarding the state of book publishing, distribution and retailing in Canada?
3. What are your views on current industry trends and challenges (e.g., new technologies, electronic commerce) and their potential impact(s)?
4. What industry trends and challenges do we need to better understand and monitor?
5. What kind of relationship do you see between your organization/association and other industry players?
6. What role can the Government of Canada play to best serve the interests of the Canadian book publishing and distribution industry?¹⁶⁷

¹⁶⁷ Canada, House of Commons, "Heritage Committee to Hold Roundtable Discussions on the Canadian Book Distribution Industry," news release (Ottawa, February 10, 2000), <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1031326&Language=E&Mode=1&Parl=36&Ses=2>

APPENDIX C:

Names of the Supply Chain Initiative Steering Committee and Affiliations¹⁶⁸

John Dill	McGraw Hill Ryerson
Nicholas Hoare	Nicholas Hoare Booksellers
Valerie Hussey	Kids Can Press
Marc Laberge	Éditions du Trécarré
Kim McArthur	McArthur & Company
John Neale	Random House Canada
Heather Reisman	Indigo Books & Music
Kevin Williams	Raincoast Books

Support members:

Annie Carruthers	Department of Canadian Heritage
Allan Clarke	Department of Canadian Heritage

¹⁶⁸ Canada, Department of Canadian Heritage, *Signatures: Newsletter of the Canadian Book Industry Supply Chain Initiative* (Ottawa, December, 2001).

APPENDIX D:

The Supply Chain Initiative Working Group for BookNet Canada

The Working Group was created at a meeting held by the Department of Canadian Heritage on July 18, 2002. The Working Group met on five occasions – from July 26 to September 9, 2002. The Working Group reviewed the report prepared by Marc Laberge from the Steering Committee and reviewed three issues with respect to the formation of the new supply chain entity: governance, the role of the entity, and roll-out.¹⁶⁹

Members of the Supply Chain Working Group:

ACP (Association of Canadian Publishers)	Jim Lorimer, Kevin Williams, Monique Smith
CPC (Canadian Publishers' Council)	John Dill, Harold Fenn, Jackie Hushion
CBA Canadian Booksellers Association)	Todd Anderson, Susanne Brooks, Susan Dayus

(Also invited were **Hamish Cameron, Doug Minett, and Brad Fenn**)

¹⁶⁹ Canada, Department of Canadian Heritage, "Report of the Working Group on the Supply Chain Initiative Agency," internal document (Ottawa, September, 2002).

APPENDIX E:

Founding BookNet Canada Member Organizations and Founding Board of Directors¹⁷⁰

Member Organizations:

Association of Canadian Publishers

Canadian Publishers' Council

Canadian Booksellers Association

Association of Canadian Book Wholesalers

The Department of Canadian Heritage

BookNet Canada Board of Directors:

Kevin Williams (Raincoast Books)

Jim Lorimer (Formac Publishing)

John Dill (McGraw Hill Ryerson)

David Clarke (Scholastic Canada Ltd)

Todd Anderson (University of Alberta Bookstore)

Doug Minett (The Bookshelf)

Peter Waldock (North 49 Books)

Victor DiRisio (Indigo Books & Music)

Allan Clarke (Department of Canadian Heritage)

¹⁷⁰ Canada, Department of Canadian Heritage, "BookNet Canada Inaugural Meeting," news release (Toronto, December 11, 2002).

APPENDIX F:

Gantt Chart of the BookNet Canada Timeline (Set Up To Completion)¹⁷¹

Annex 3

	2 0 0 2							2 0 0 3											
	J	July	A	S	October	N	D	January	F	M	April	M	J	July	A	S	October	N	D
Creation of the Agency	■	■																	
Grant Request																			
Hiring			■	■	■														
Adoption of Standards					■														
Identify Needs for Bibliographical Information	■	■	■	■	■														
Survey Booksellers' Readiness																			
Selecting a Preferred Data Aggregator								■	■	■									
EDI Standards																			
Identify Sales Tracking Needs																			
Sales Tracking Method																			

¹⁷¹ Marc Laberge, *Canadian Book Industry Supply Chain Initiative Business Plan: Prepared for the Canadian Book Industry Supply Chain Initiative Steering Committee* (Department of Canadian Heritage, Ottawa, June 2002), 24.

APPENDIX G:

Current Bibliographic Certification Standards for BookNet Canada¹⁷²

BRONZE – contains the minimum mandatory data required to trade in the supply chain to ensure that titles are listed accurately by key bibliographic databases like Indigo, BookManager, and Bowker Books-in-Print.

Bronze Level:

ISBN-10
EAN-13
Product Form Code
Title Text
Subtitle
Publisher Name
Imprint
Replaced by (ISBN)
Publication Date
On Sale Date
Weight
Dimensions (height, width)
Availability Status Code
Price Amount
Currency Code
Pack or Carton Quantity
Returns Conditions Code
Supplier Name
Terms of Trade
Discount Percentage
Territorial Rights and Sales
Restrictions
Contributor Role
Contributor Name (last name)
Contributor Name (first name)
Corporate Contributor Name

SILVER – contains the same data elements found at the Bronze level, but is transmitted through ONIX 2.1. Data elements included in the Silver level of the standard represent a minimum amount of bibliographic data publishers and distributors need to store and transfer when trading in ONIX.

¹⁷² Meghan MacDonald (Intern, BookNet Canada, Toronto), email correspondence to the author, August 28, 2009.

Silver Level:

Bronze level identifiers, plus:

Product Form Detail

Language

Country Code

BISAC Subject

GOLD – contains all Silver requirements plus additional marketing information such as cover image, set and edition details, number of pages and reviews or descriptive text.

Gold Level:

Silver level identifiers, plus:

UPC

Barcode Indicator

Number within Series

Series Title of indicator

Year of Annual

Dimension (spine thickness)

Biographical Note

Number of Volumes

Number within a Set

Edition Number

Edition Statement

Number of Illustrations

Illustrations and Other Contents

Note

Number of Pages

Audience Code

Audience Restriction Note

Cover Image

Text Type Code

Text Format

Main Text

APPENDIX H:

Publisher Opinion of the Impact of the Supply Chain Initiative, 2004

The Supply Chain Initiative (SCI) was implemented in 2002-2003 with the objective of “encouraging the industry’s participation in the strengthening and modernization of the supply chain for books in Canada by facilitating the adoption of technologies and practices related to supply chain management.” In its first year, SCI funding was provided to sixteen industry organizations and 144 publishers.

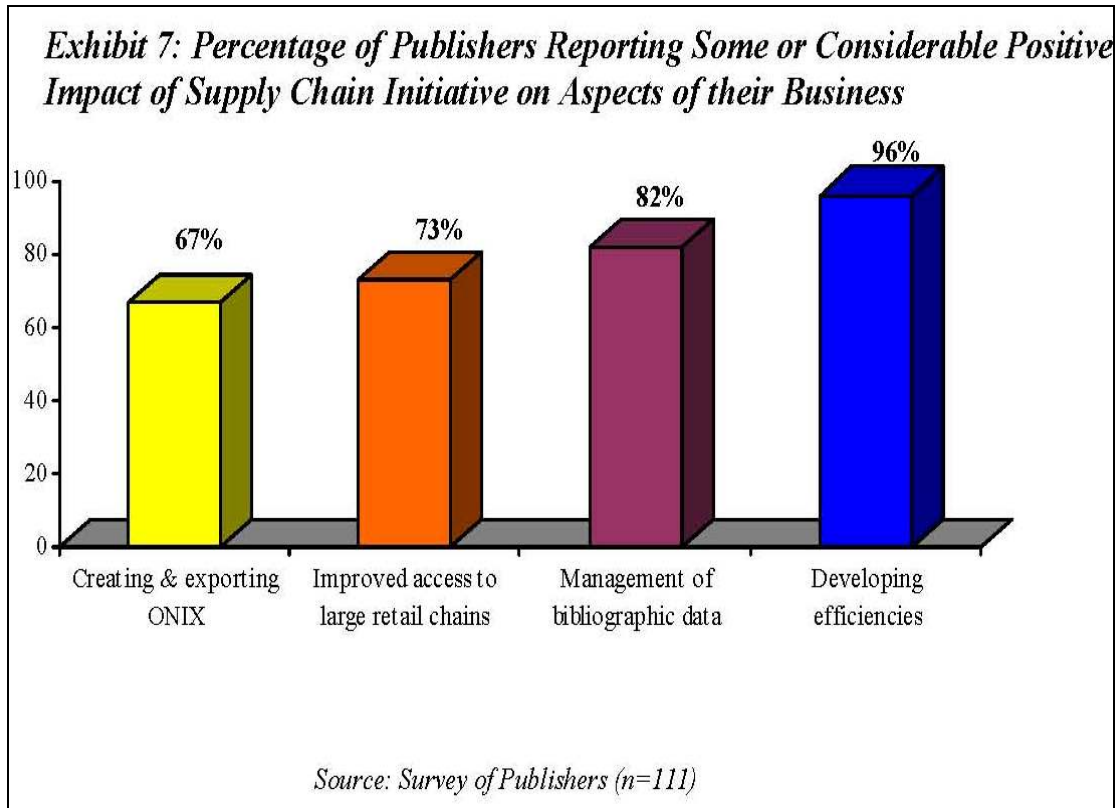
The chart below illustrates the opinions of publishers with regard to the impact of SCI¹⁷³:

PUBLISHER OPINION ON SCI IMPACT				
	AGREE	NEUTRAL	DISAGREE	DON'T KNOW NO RESPONSE
ALL SCI APPLICANTS (n=106)				
The SCI is still needed to ensure the strengthening and modernization of the supply chain for books in Canada.	71%	19%	6%	4%
I expect the Canadian book industry in general to become more efficient in responding to changes in supply and demand as a result of the SCI.	67%	17%	9%	7%
I expect industry collaboration and cooperation to improve as a result of the SCI.	61%	25%	8%	7%
SCI RECIPIENTS ONLY (n=96)				
The SCI has enabled my firm to make investments in technology that would otherwise have been impossible	70%	17%	11%	2%
I expect my firm to become more efficient in responding to changes in supply and demand as a result of the SCI.	72%	19%	8%	1%

¹⁷³ Canada, Department of Canadian Heritage, “Summative Evaluation of the Book Publishing Industry Development Program (BPIDP) Final Report” (Ottawa, June 23, 2004), 31.

APPENDIX I:

Publisher Opinion of the Impact of the Supply Chain Initiative, 2008¹⁷⁴



¹⁷⁴ Canada, Department of Canadian Heritage, “Book Publishing Industry Development Program; Publications; Audits and Evaluations; 2008 Summative Evaluation,” <http://www.pch.gc.ca/pgm/em-cr/evaltn/2008/index-eng.cfm>

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<http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/00492.html> (Accessed October 3, 2009).
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<http://www.pch.gc.ca/pgm/padie-bpidp/dem-app/atp/atp2009-eng.cfm> (Accessed August 28, 2009).
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