

## **An Open Letter to all sectors of the Canadian book trade**

**June 28, 2000**

Yesterday's front page of "Canada's National Newspaper," THE GLOBE AND MAIL, carried an article on the decision by Avie Bennett, chairman and president of McClelland & Stewart, to "donate" 75% of the shares in M&S to The University of Toronto Press, and to sell the remaining 25% to Random House Canada, a division of Random House USA, itself a division of the German based Bertelsmann AG, the largest publishing empire in the world. What does this mean for Canadian literature, identity and sovereignty?

In order to begin to understand what this means, it is instructive to return to an historic visit, in the late 1970s, by a delegation of the then fledgling nationalist Australian publishers' organization to the offices of the Association of Canadian Publishers (then the Independent [i.e. Canadian owned] Publishers' Association of Canada). The Australian delegation wanted to know how the Canadian owned publishers had managed to attract government funding to Canadian owned publishing companies for their rapidly growing post-colonial Canadian authored publishing programs, and to limit that funding only to publishers that were at least 75% Canadian owned. In Australia, the delegation said, the writers' organization was lobbying the government to provide funding to any publisher willing to publish Australian authors - in other words, to accord any Australian-based book publisher, regardless of ownership, "national treatment" with respect to government subsidy for books written by Australian authors.

In the end, Australia opted for the "national treatment" model, and the fledgling Australian owned book publishing industry collapsed in the 1980s. So thoroughly did the "national treatment" funding model destroy the Australian owned book publishing industry, that Australian literature, except for its handful of stars published by the foreign owned multinationals, became not a vital and vibrant element in the evolution of a post-colonial Australian culture and identity, but an academic oddity outside of the increasingly globalized mainstream of Australian life. Literary publishing and literary authors unable to find a multinational publisher became, in the truest sense, an academic phenomenon - the largest literary publisher in Australia today is The University of Queensland Press. Welcome to down, under.

"National Treatment" is a technical term used by economists. It is rooted in the lexicon of the World Bank and the International Monetary Fund, and is the basis of all current international trade agreements like the FTA and the NAFTA, the former GATT, the current TRIPS (Trade-Related Aspects of Intellectual Property Rights), and the recently postponed (but not defeated) MAI, (the Multilateral Agreement on Investment), sponsored by the World Trade Organization.

At least at the level of appearance and public statement, Canada, to date, like France, has been a world leader in the fight against the automatic tendency of these multinational business (investment) concerns to undermine national culture, identity and sovereignty. That's why we don't yet have "national treatment" and we do have, instead, the CRTC, a national broadcasting organization, ownership rules, subsidies and tax laws that benefit Canadian owned cultural industries, and a cultural industries exemption in our two trade agreements, the FTA and the NAFTA, with our major trading partner, the U.S.A.

There have been very clear signs over the past five years that, notwithstanding the ongoing international announcements by Canadian officials to the contrary, Canada is moving behind closed doors at the PMO toward the national treatment model of cultural industries. Canadian content rules at the CRTC have been bent out of shape, funding to our national broadcasting network has been cut year over year, and at least one cultural industry, book publishing, was reclassified by Paul Martin in 1995 as primarily an industrial activity, not a cultural one, in order for its federal funding to be captured by his promise to cut "government funding of Canadian industry" by 60%. Similarly, protectionist measures in Canadian magazine publishing have been severely eroded in this same period, in direct response to the American view that the cultural industries exemptions in the FTA and the NAFTA remain a "major irritant" to good trading relations between Canada and the U.S.A.

Contrary to the opinion expressed by Allan MacDougall of Raincoast Books quoted in yesterday's GLOBE AND MAIL article, that Bennett's announcement was "a bolt out of the blue," it comes as no surprise to anyone who hasn't been asleep for the last five years that this deal, "a tightly guarded secret," has been "mull'd over for five years," and was "negotiated with the assistance of the federal government."

Could it be that in extracting the legally requisite "undertakings" from Bertelsmann last spring to insure that its acquisition of Random, Knopf and Doubleday in Canada was to the "net benefit of the Canadian book trade," Investment Canada, the federal industrial review agency responsible for approving these foreign acquisitions, got a commitment, by Random House, to "save" M&S in the manner announced this morning? And will such an act, whether extracted by the Investment Canada review process of the earlier Bertelsmann takeover or not, ultimately be of "net benefit to Canada?"

That same federal government released, only last week, the report of its Parliamentary Standing Committee on Canadian Heritage, which has been investigating the rapidly changing nature of the Canadian book trade over the past five years, and contains not a single recommendation on the effect of the growing Chapters / Pegasus monopoly in the trade, but does contain, in one of its recommendations, the first ever attempt to provide "national treatment" to federally funded book publishing industry players. Recommendation 6.7 of the report says:

“The Committee recommends that the Department of Heritage fund a program to digitize selected Canadian-authored titles (backlist and out of print). This support should be available to all Canadian publishers, **regardless of ownership.**” [emphasis added]

Much has been made in this GLOBE AND MAIL article and today’s editorial afterthought of the so-called “succession issue” in Canadian owned publishing, and that this deal, as currently structured, will keep both the M&S list intact, and its current staff of editors and management employed in their endeavors on behalf of Canadian letters. Despite the pious trumpeting by the likes of Atwood and Berton, who abandoned M&S years ago for the greener pastures of the multinationals, this deal isn’t about saving a venerable, hundred-year-old Canadian cultural institution at all. Instead, it’s about two things: paying Avie Bennett’s much touted 2.5 million dollar average annual personal subsidy to M&S back by letting him write it off twice with the tax benefit now derived from his 10 to 20 million dollar “donation” of 75% of the shares of M&S to the University of Toronto, (and getting the rest of his stake back by the sale of 25% of the company for an “undisclosed sum” to Random House Canada); and, in order to pay Random House back for paying Avie Bennett back, providing Random House access to Canadian government subsidies for the Canadian authored portion of their publishing program in Canada, access now newly afforded them by the fact that they are only a minority shareholder in the newly restructured M&S. Welcome to provisional, interim, “national treatment” in the “Canadian” book publishing industry.

The fact that the deal has been structured for only three years gives everyone a very clear idea of the timetable for the current federal government’s introduction of the national treatment model in Canadian cultural industries. It will be a reality by 2003.

None of these issues were addressed by any of the publishers’ associations in the article of June 27, or in today’s follow-up editorial, which is strange, given the 30-year history of the Association of Canadian Publishers in fighting this national treatment model for the benefit of Canadian authors and literature. Certainly, they have not fought this battle for a generation out of self interest. If that were true, one would have to be able to point to a single Canadian owner who has made any real money in the Canadian book trade over those same 30 years. I challenge anyone to find even one such investor. Instead, while maintaining the facade of continuing to support Canadian ownership rules in public funding of the literary arts in this country, the overwhelming pressures of Chapters’ monopoly in the book market in Canada (protected by Canadian ownership rules in the book trade from foreign competition from the likes of Ingram, Barnes & Noble and Borders), and the inability to find Canadian investors to whom they can sell their companies, the “succession issue” dominates all current policy discussions in the publishers’ associations, and has afforded the possibility of foreign ownership a real credibility for the first time in these associations’ history.

Most pathetic of all, however, is the failure of THE GLOBE AND MAIL to solicit the response of the Canadian writers' associations to this announcement, in an accompanying article in the June 27 issue, under the title: *Deal will not affect Canadian literature, writers say* which quotes only Margaret Atwood, Pierre Berton, and Bruce Westwood, whose agency represents 48 M&S authors, on this positivist, "I'm all right, Jack" sentiment [pun intended]. Today's issue again contains no statement from any writers' organization. We have heard, publicly, only from the stars, published by the multinationals. This is a harbinger of things to come. This is the "new reality."

Over the past five years, my ongoing attempts to point to these trends in the Canadian book trade have been branded "alarmist, hyper-nationalist, too radical, negative, confrontational, and certainly out of step with the growing global reality." As a result, I have been shunned and otherwise shut out of most of the professional associations in the book trade in Canada. In those rare cases where I have found a soap box to allow me to bring these issues to the table, like my recent testimony to the Parliamentary Standing Committee on behalf of the Literary Press Group, portions of my remarks have been seized upon by various sectors of the trade and used to further their own ends, at the expense of the other players in the trade. Nothing has dismayed me more than the CBA finding in my testimony solely a championing of their cause "against the chain;" or the WUC advising their members to refuse to sign contracts in which the royalty calculation shifts to a percentage of net receipts after deep discounts designed for book sales into non-traditional markets.

Is any Canadian writer "lucky enough" to get a publishing contract from any of the Bertelsmann subsidiaries really withholding **any** rights from that contract? If so, are they doing this because they honestly believe that they can, on their own, exploit the world rights to "non-traditional" book markets better than they could in a partnership with Bertelsmann AG? If they are not withholding those rights in their Random House contracts, why is their "Union" suggesting that they withhold those rights from other publishers, Random's competitors, including Canadian owned ones?

The history of Canadian associations in the book trade has been one where each sector is pitted against the other, and every problem faced by each association and its members is addressed by attempting to acquire more from the associations representing the other players in the infrastructure of the Canadian owned book trade. We are killing each other. That old colonial technique of divide and conquer is alive and well in the Canadian book trade, and it's benefiting no-one but the branch plants.

It is time for all sectors and associations in the Canadian book trade to get together and address the future of Canadian letters. The authors, the publishers, the booksellers (yes, the independents **and** the chain), the wholesalers, the distributors, the public institutions and libraries and government policy makers, and finally Canadian readers must get together and find a way to keep the Canadian owned sector of the book trade healthy and in business. If we fail to come up with such a co-operative, made in Canada solution to our

problems, Canadian publishing, and Canadian literature as we have come to know it, love it, and take it for granted, will be a one-generation phenomenon. We will return to the “good old days” prior to 1970, when we had “national treatment” and where the only publishers’ association in Canada was the association of Canadian branch plants, with no publishing industry of our own to create and foster a national discourse. Just like in Australia, Canada’s largest literary publisher will be a university press, and whether we have a literature of our own will be an “academic” question at best.

Clearly, today’ GLOBE AND MAIL editorial sees nothing wrong with this scenario. It calls Canadian ownership rules in the book trade, “the state of progressive thinking 30 years ago;” a “market fantasy” today. I’m sorry, but I beg to differ. “Canadian-culture-for-Canadian-culture’s-sake” was a lofty dream 30 years ago, and for some of us it remains as valid an aspiration today as it was then. Any dream, no matter how noble, will be debased to the level of “fantasy” if and when market forces, and only market forces, become the sole arbiter of what is “real.” That’s precisely what this issue is all about.

And we have three years to come up with a made in Canada solution to this issue.

When Chapters was created by the merger of Coles and Smithbooks five years ago, the Competition Bureau of Canada approved the merger conditionally, for a three year period. Despite some very accurate predictions as to what this would do to the Canadian book trade, and, in particular, despite my pleas for the Association of Canadian Publishers to take action on these issues within the three year period permitted all of us to get together as an industry and do something about the emerging trends we are now all stuck with, nobody did anything.

We have now all been warned that “national treatment” under federal cultural industries policies is barely three years away. If we sit on our hands for another three years, there is some question in my mind whether the Canadian owned sector of the book trade deserves to survive. As the saying goes, the people inevitably get the kind of government (and the kind of literature) they deserve.

To bring the Australia story full circle, it is fascinating to note that Mel Gibson, whose acting career was catapulted onto the international stage through the surprise hit of an underground Australian movie called “Road Warrior,” is starring in this summer’s pre-ordained American blockbuster, “The Patriot.” That’s “national treatment” in action. And “national treatment” always means, and has always meant, throughout colonial history, the removal of all impediments and boundaries, physical, intellectual, national, social and political, to the interests of the dominant colonial power(s).

Best personal regards, and good luck to us all,

Karl H. Siegler

President  
Talon Books Ltd.