

House of Commons
Standing Committee on Finance
2009 Pre-Budget Consultations

Submission by
the Canadian Business Press

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Executive Summary

It has been said that for every industry, profession or business in Canada there is a specialty publication aimed directly at keeping its participants informed about their businesses, about what's new and interesting to them, and what trends they can expect in their respective fields. However, since this type of business media is so carefully targeted to specialized audiences, many people are simply unaware of its existence or of how broad the industry really is.

Doctors, lawyers, teachers, construction companies, oil workers, grocers, benefits professionals, dentists, pharmacists, welders, pilots, hard goods retailers and automobile dealers all have their own publications geared to their particular needs, as does almost every other industry, profession or business in the country.

The Canadian Business Press (CBP) is the industry association for Canada's 740 business, professional and farm publications across Canada. Our publications – known as “B2B publications” - are important sources of information exchange across a wide variety of industries and represent fully 27% of all magazine titles in the country.

The CBP's role is to advocate and inform on issues impacting this important Canadian industry.

In 2009, The Honourable James Moore, Minister of Canadian Heritage and Official Languages announced the creation of the Canada Periodical Fund (“CPF”). The announcement, which stemmed from a Budget 2009 commitment, is set to provide Canada's magazine and community newspapers with a total of \$75.5 million annually to support their publication and to sustain these important means of information and cultural exchange. The CPF is meant to replace two older programs – the Canada Magazine Fund (CMF) and the Publications Assistance Program (PAP) – with a program that is simpler to administer, stimulates innovation and continues to promote Canada's culture.

Unfortunately, the funding formula of the past programs - the CMF and PAP - and the one initially proposed for the CPF fail to fully appreciate the cultural and economic contribution of business-to-business (“B2B”) publications. The formula favours a consumer-publication model that does not apply to B2B publications.

At a time of industry transition - increased foreign competition, transformation to digital media and new business models and a bruising recession impacting readers and advertisers alike - any reductions in government support will no-doubt push many magazine titles out of business.

While the Canadian Business Press applauds the Government of Canada for revisiting the eligibility criteria for its new program, we are concerned that B2B magazines will continue to be underrepresented and that many publications will cease to be viable.

In this submission – the details of which are laid out in the following pages - the Canadian Business Press makes two recommendations to the Committee:

Recommendation #1: The Government of Canada should expand the eligibility of the Canadian Periodical Fund to recognize the unique circumstance of business publishers.

Recommendation #2: The Federal Government increase its funding for the publishing sector and target that funding at ensuring the short-term viability of as many existing titles as possible and to assist the industry in the future through a period of transition.

Introduction

The CBP is pleased to make the following submission to the House of Commons Standing Committee on Finance for the 2009 Pre-Budget Consultations.

Who We Are

It has been said that for every industry, profession or business in Canada there is a specialty publication aimed directly at keeping its participants informed about their businesses, about what's new and interesting to them, and what trends they can expect in their respective fields. However, since this type of business media is so carefully targeted to specialized audiences, many people are simply unaware of its existence or of how broad the industry really is.

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Our members' B2B publications keep readers informed on trends, products, services and items of interest that specifically impact the communities they serve. They are important instruments in the sharing of Canada's business culture and are consistently rated as the number 1 credible source of industry-specific information for business decision makers.

B2B publishers serve every conceivable specialized business in Canada from the Canadian perspective and reflect Canadians' distinct view on issues, opportunities and challenges facing the nation's businesses and professions. Perhaps most importantly, our members produce periodicals that are important to the Canadian economy because they are designed and written for readers who are looking for new ways to improve productivity and to be more competitive in the global marketplace.

B2B publications represent:

- 27% of all magazine titles in Canada;
- 25% of magazine industry revenues;
- 25% of magazine industry expenses;
- 29% of full and part-time employment;
- 30% of remuneration paid to full-time, part-time and freelance magazine employees.

Magazines published by our members include: *CGA Magazine*, published by the Certified General Accountants Association in Burnaby, British Columbia; *Canadian Consulting Engineer*, published by the Business Information Group in Toronto, Ontario; *Journal of the Canadian Dental Association*, published by the Canadian Dental Association in Ottawa, Ontario; *Oilweek*, published by JuneWarren Publishing in Calgary, Alberta; and *Québec habitation*, published by APCHQ in Anjou, Quebec – to name just a few.

One trend that is worth noting is that as many print and broadcast journalists face lay-off especially in community newspapers and local television, many are finding employment – sometimes as freelancers – with B2B publications. Their investigative journalism and work shedding light on important issues is now covered in vertical publications that have the space and sophisticated readership to understand and

dissect important issues affecting Canadians. While the primary mandate of B2B publications will always be the dissemination of industry news, the role of these publications in exposing and debating public policy issues is increasing in importance.

B2B Publishers Face Challenges

High cost to distribute periodicals. Canada Post – the only viable distribution method for printed periodicals – has raised rates in each year for decades. For most B2B publications, the *only cost* that has consistently gone up, even in the recession, is the amount paid to Canada Post. The vast majority of our customers prefer printed and mailed publications, despite the trend to digital media, so the only viable way to get our product to these markets is to utilize this method.

Foreign competition. Foreign specialized B2B periodicals enter the country through the regular mail system at marginal additional cost of production, but these publications lack Canadian content and do not reflect uniquely Canadian business needs. They are not sold on news-stands, and represent an “under-the-radar” threat to Canada’s periodical industry, especially since many of these publications also take ad revenue out of the country.

Limited access to government assistance. Eligibility criteria for the Publications Assistance Program (PAP) and the Canadian Magazine Fund (CRF) – two Canadian Heritage programs to support Canada’s magazine industry that are now being phased out – was based upon a consumer magazine business model which most B2B periodicals cannot meet because they must achieve high levels of penetration in small, vertical communities, rather than broad readership among Canadian consumers. Specifically excluding some publications based on their intended audience seems to run counter to the stated objectives of the program.

Canada Periodical Fund

Under the soon to be phased out Canada Magazine Fund (“CMF”) and Publications Assistance Program (“PAP”), B2B periodicals received less than 8% (or \$4.67M) of eligible funding. Despite representing approximately one quarter of Canada’s magazine industry (by any reasonable measure), B2B periodicals have always received a lower proportion of funds designed to support the magazine industry.

This inequity was always justified in the past by the need to support the extension of Canada’s “culture” through magazines. Yet, a closer examination of the criteria actually supported more successful consumer-oriented magazines indistinguishable from U.S.-based competition rather than important or leading edge publications that emphasized a uniquely Canadian cultural perspective. The most glaring example is that eligibility provisions such as weight were part of the criteria – the heavier the magazine, the more subsidy it received. A glance at your average popular consumer magazine will reveal that much of the magazine’s content, and therefore weight, is comprised of paid advertisements on heavy glossy paper. Therefore, the more ads the publication sells (and therefore the more successful it is) the more the magazines qualified for funds under the program.

To address these issues and to ensure a wider cross-section of publications received assistance, the Government of Canada undertook to revisit the eligibility criteria for its new program, the Canada Periodical Fund (“CPF”). Unfortunately, the first set of rules that were released underscore the Canadian Business Press’ concern that B2B magazines will continue to be grossly underrepresented in the program. Simply put, the new eligibility criteria are too much like the old ones and the old inequities will continue.

Like the old program, the CPF favours broad-based readership rather than narrow vertical market publications with extremely high penetration rates. For some of our publications, they have a nearly 100% market penetration for their industry vertical, yet remain ineligible for funding because they are too small.

The Question of Eligibility – Who Qualifies as a B2B Publication?

The CBP is concerned by statements that “professional association publications will not be eligible” for Canada Periodical Fund assistance (News Release, February 17, 2009). Though it is understood by the CBP that the rule is targeted at specific professionals who are registered not-for-profit associations which already receive aid from the Federal Government, the CBP is concerned that this eligibility barrier could be interpreted to include scores of other business and professional publications.

The Question of Fairness

The CBP is concerned that the rules regarding the Canada Periodical Fund will continue to make unfair and unwarranted distinctions between “request” and “paid” subscription publications.

The difference between the two is a distribution model and not based on content or importance to the Canadian magazine industry. Both are viable business models for magazines. *“Request” is a common model for industry-based B2B magazines and “paid” is a common model for consumer magazines. Both types face exactly the same business challenges – rising postal and distribution rates, foreign competition, the struggle to secure advertisers, the transition to digital media – yet “paid” subscription-based magazines continue to be favoured in the funding formula.*

The Future of B2B: The Role of Digital Media

The Canadian Business Press believes that our ability to overcome the challenges facing our industry are dependent – in large part - on our ability to adapt to new distribution methods and ways to reach our audiences. New media choices provide a great opportunity for B2B periodicals to extend more content to larger audiences, ensure the long-term loyalty of their readers and add new and creative business models.

Furthermore, digital methods offer an alternative to traditional, high-cost distribution models. Editorial content which is ‘born digital’ drives down costs substantially, especially print and distribution costs.

However, as the B2B industry embraces digital media, some concerns are emerging:

- The move to digital represents a high-risk investment of capital with uncertain returns.
- Advertising revenue is lower and advertisers expect on-line and off-line together to be the same price as the print-based publication (i.e. no incremental new revenue from adding digital product).
- Foreign competition is even more intense as large, mostly U.S. based content creators have greater scale. Digital properties cross borders instantaneously.

Canadian Business Press believes the future of our publications will continue to see a mix of print and digital, but that to preserve a uniquely Canadian perspective for many of its publications, it must have equitable access to Federal Government support.

Recommendations

It is clear to the Canadian Business Press and its members that for it to survive in the current economic context and to transition its business to face the challenges of the future, it must continue to have access to the funds the government of Canada has made available in the past to offset rising costs of distribution and content creation. Without these funds, many CBP members will simply not remain viable and many important industry titles will cease.

This loss IS a loss to Canadian culture, and not just to its business culture. The hundreds of writers, graphic artists, illustrators, photographers, printers and others who rely on these publications will be forced out of this important cultural industry – and that would be a shame.

To enhance the viability of this industry, the CBP has two recommendations for the consideration of Government of Canada.

Recommendation #1: The Government of Canada should expand the eligibility of the Canadian Periodical Fund to recognize the unique circumstance of business publishers.

Recognizing that different categories of publications have unique needs, we recommend that the fund be separated into five separate categories, each with unique criteria. The five categories would be: Consumer, B2B (including farm), Community Newspapers, Scientific and Religious. Criteria for each would be unique to the business model of each, but follow the principles of fairness, equity of application and support for Canadian culture – in whatever form the culture manifests itself.

Recommendation #2: The Federal Government increase its funding for the publishing sector and target that funding at ensuring the short-term viability of as many existing titles as possible and to assist the industry in the future through a period of transition.

At present, B2B publications are a leader in the industry at making the conversion to digital media. Studies have shown that our member publications are more able, and more willing to adapt than their consumer counterparts. However, this transition can be costly to publishers as the current economy does fund electronic advertising at the same rate as print advertising. For that, we require transitional assistance.

We support digitization programs for our industry similar to that received by multicultural newspapers in recent announcements. On July 30, 2009, Brian Jean, Parliamentary Secretary to the Minister of Transport, Infrastructure and Communities announced funding for “Connecting Canadians: Canada’s Multicultural Newspapers.” The project will digitize and distribute 20 multicultural newspapers on an open-access basis.

The Canadian Business Press applauds the Government of Canada on this initiative, and believes that this is an applicable precedent for support of the B2B publication industry transition to digital media.