between analytical bibliography and *histoire du livre*, between the Old and New Worlds, and between the metropolis and the frontier.

CARL SPADONI

McMaster University Library

The Challenge of Change: A Consideration of the Canadian Book Industry / Le défi du changement: Étude de l'industrie canadienne du livre. Ottawa: Standing Committee on Canadian Heritage, 2000. 109 pp.; \$32.00 (paper). ISBN 0-660-61326-3.

The mandate of the Standing Committee 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. (4)

The Challenge of Change is a timely investigation by the Standing Committee of new trends in wholesale distribution and ownership, namely, the arrival of the retail superstore and innovations in information technology, especially online publishing and bookselling. These key shifts are of recent origin, merely the latest of many transformations in the book industry throughout the last half-century. Among those changes were government funding to creators and publishers, the compilation of industry statistics, the arrival of major wholesalers and of multinational firms, a number of casualties among long-established Toronto publishing houses, the rise and near decline of regional literary presses, and the international popularity of Canadian writers. An exciting era, certainly, but many of the fundamental problems that have plagued publishing and bookselling for the last century have simply turned up in a new guise.

The retail landscape was again transformed in 1995 when Larry Stevenson created Chapters as part of his empire that includes the SmithBooks and Coles chain of 240 stores (2000 figures). Chapters is a super-bookstore chain along the lines of Borders and Barnes & Noble in the United States. Two years later his arch-rival (that's what the chattering classes say) Heather Reisman created her own superstore empire, Indigo Books and Music. Each had attempted to link up with one of the American superstores, but Ottawa's rules on

foreign ownership vetoed both plans. New customers, especially in Canada's mall-land, were enticed by the well-stocked shelves, comfortable reading areas, the in-store cafes, and the discounts on best sellers. Although Indigo remains a private company whose profits are a matter of speculation, Chapters went public, and its shares did well briefly, but its online division did not show a profit. Chapters' aggressive marketing and its own wholesale unit, Pegasus (1998), which demanded larger wholesale discounts from publishers than the customary 40-48%, endeared them to the business columnists of *The Globe and Mail* and the *National Post*, but alarmed independent retailers and publishers. Some publishers risked large print runs on the basis of advance orders from Chapters, but the peculiar trade custom of returning unsold books meant that Chapters, having placed a large order, might return thousands of unsold copies five months later, having in the meantime withheld payment for the copies actually sold. By 2000 Chapters had 77 stores and Indigo, 15. Witnesses told the Committee that Chapters' and Indigo's share of the retail market was anywhere from 25% to 70% (25).

The occasion for this latest inquiry was a claim by the Canadian Booksellers Association that Chapters and Pegasus posed a threat to authors, publishers, and independent retailers, but in November 1999 the Competition Bureau of Industry Canada announced that neither company had contravened the Competition Act but that their business would be monitored.

Under its chairman Clifford Lincoln, the Committee began work in December 1999 with briefings from the Heritage Department, the CBA, and two independent booksellers. After receiving in February a background study from Library of Parliament researchers, the Committee then heard from 55 witnesses who represented government departments, the industry (French and English-language publishers, wholesalers and retailers), writers' organizations, copyright law experts, and such individuals as Peter Newman and Jack Rabinovitch. In more than 20 meetings, including a fascinating site visit on 8 May to the Pegasus warehouse (almost entirely automated) in Brampton, Ontario, the Committee was told about the fragility of the publishing industry, the retailers' competition from a variety of new retail outlets, their own narrow profit margins, and varying scales of discounts from wholesalers. Most witnesses were critical of the superstores: Michael Harrison of Broadview Press, representing the Association of Canadian Publishers, said that Chapters hurt his business by dictating terms. But Christopher Moore of the Writers'

Union of Canada declared that Chapters and Indigo were not all that bad. Stevenson himself asserted that his biggest competition was Amazon.com, and indeed many witnesses claimed that the real competition was from international sources. There was general agreement on the inefficiency of the distribution network.

Of the six chapters, the first one is an introduction and background, and explains the Committee's methodology. The second one surveys the recent production of Canadian books, and lays out the kinds of government support to the book industry, in the form of information provided by Statistics Canada, and funding by the Book Publishing Industry Development Program (BPIDP) and the Canada Council. Chapter Three describes how Chapters transformed wholesale and retail distribution, noting that computerized ordering, billing, and inventory control facilitates big-box marketing. The Committee recognized the threat posed by the Chapters-Pegasus market dominance, and made Recommendations (Nos. 3.1, 3.2) regarding the Competition Act but perceived it was overstepping its authority. Most witnesses urged the removal of the GST on books (No. 3.4) and a tax credit to promote investments in the book industry. In Chapter Four's discussion of writers and creators, I note that Canada has been slower than the United States to react to the protection of copyright works in on-line publishing, and this relates to two of the most important Recommendations (Nos. 4.5 and 4.6), which were first set forth in *A Sense of Place, A Sense of Being* (Ninth Report of the Standing Committee on Canadian Heritage, June 1999). Chapter Five expresses concern over the lack of statistics on the number of public, school, and institutional libraries in Canada, and recommends (No. 5.3) the federal government provide financial support for the AMICUS database so that library holdings across the country may be accessed for free. The subject of Quebec's requirement that library purchases be made through local bookstores was not judged appropriate for other parts of the country. Chapter Six lays out considerations for the future, and sees more technological innovations for publishing and storing information (CD-ROMs, DVDs, etc.), and recommends start-up money to improve shared information among publishers, booksellers, libraries, and creators (Nos. 6.2, 6.3, 6.4). The Committee advises a resolution of the book-return problem. The Report concludes that since 1950, Ottawa's contribution has helped the cultural industries but the "goal of developing a financially stable industry has been less successful" (66). Perhaps this is an unobtainable goal for an industry in a constant state of crisis.

There are eleven appendices containing the lists of witnesses, statistics, a flow chart of how books are distributed in Canada, the Pegasus site visit report, tables on federal support, and publisher-wholesaler discounts, a supplementary opinion from the Bloc Québécois, and a dissenting opinion from Wendy Lill, who rightly claims that the Pegasus problem is side-stepped. To support its twenty-five Recommendations, the Committee proposes spending \$25 million over five years (p. 68) on specific problems to improve efficiency in the distribution system.

Although not intended as a survey of all aspects of authorship, publishing, and distribution, the Committee's researches and findings make for a readable account and a useful source for recent statistics on distribution. I found no errors, but I question the assumption that publishing and wholesaling have only been around since 1945. Standing committees frequently issue timely and considered discussions, but as usual other challenges remain. Will the government adopt any of these recommendations? Do politicians understand that the cultural market place is not like other market places? Neither big box domination nor online distribution is going to disappear soon, and in fact both will continue to generate larger revenues at the expense of traditional retailers. Will big box profits go to Canadian firms and to authors?

And what about the fate of Chapters and Indigo? As I write this review the investment company Trilogy, owned by Heather Reisman and her husband Gerald Schwartz, made a hostile takeover bid for Chapters in late November 2000; and in late January 2001 Chapters arranged a friendly takeover by Future Shop, a bid immediately countered by Trilogy. When Future Shop refused to change its bid, the Chapters board reluctantly accepted Trilogy's offer on 31 January. More than adequately compensated, Stevenson departed immediately; and Reisman took over Chapters, reorganizing and downsizing, and repairing relations with publishers. Once more the independents and the Competition Bureau questioned if one large superstore would constitute a monopoly. Whatever the outcome, these strategies show that books are secondary to profits, market positioning, especially in anticipation of the possible arrival of American big-box booksellers. We can be certain that Industry Canada and the Department of Heritage have more challenges to deal with.

GEORGE L. PARKER
Kingston