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Summative Evaluation of the Book Publishing Industry Development Program

Office of the Chief Audit and Evaluation Executive
Evaluation Services Directorate

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Acronyms and Abbreviations

AECB	Association for the Export of Canadian Books
ANEL	Association nationale des éditeurs de livres
ATP	Aid to Publishers
BTLF	Banque des Titres de langue française
BPIDP	Book Publishing Industry Development Program
CCA	Canada Council for the Arts
CI	Collective Initiatives
EDI	Electronic Data Interchange
EEDF	Export Expertise Development Fund
EFLMC	English/French Linguistic Minority Community
EMAP	Export Marketing Assistance Program
ESD	Evaluation Services Directorate
EWG	Evaluation Working Group
FRMAP	Foreign Rights Marketing Assistance Program
FTE	Full Time Equivalent
Gs&Cs	Grants and Contributions
GGI	Goss Gilroy Inc.
IMA	International Marketing Assistance
NMDF	New Market Development Fund
PCH	Department of Canadian Heritage
OLM	Official Language Minority
OMDC	Ontario Media Development Corporation
ONIX	ONline Information eXchange
SCI	Supply Chain Initiative
SODEC	Société de développement des entreprises culturelles
TBS	Treasury Board Secretariat



Executive Summary

This document presents the findings and recommendations from the summative evaluation of the Department of Canadian Heritage's Book Publishing Industry Development Program (BPIDP). The Department of Canadian Heritage (PCH) mandated Goss Gilroy Inc. (GGI) to undertake the evaluation. The evaluation, which took place between January and July 2008, covers four years of BPIDP program activities from 2003-04 through 2006-07.¹ This evaluation is required to assist PCH in reporting to Cabinet on its arts and culture programs in fall 2008 (see p. 4). The evaluation focused on three major issues: the continued relevance of the program, the program's success in achieving results, and value for money.

Methodology

The evaluation employed a multi-method approach to address the evaluation issues and ensure triangulation of information. The evaluation incorporated both qualitative and quantitative methods, including key informant interviews, two focus groups, a literature review, a file review, a review of program documents, an online survey of book publishers and their associations, and an analysis of BPIDP administrative data.

Program Profile

The Book Publishing Industry Development Program constitutes the Department's most important and comprehensive funding instrument for book publishing. With an annual budget of approximately Cdn \$39 million, BPIDP seeks to sustain and strengthen the capacity of Canadian-owned publishers and their industry organizations to serve cultural policy goals by encouraging publishers to develop Canadian writers, and to publish and disseminate their books effectively in Canada and abroad. The ultimate program outcome is *"Increased access to a diverse range of Canadian-authored books in Canada and abroad"*.

The program targets its financial support to recipients through four distinct funding components: Aid to Publishers (ATP), Collective Initiatives (CI), Supply Chain Initiative (SCI), and International Marketing Assistance (IMA).

Considered the cornerstone of the program, the *Aid to Publishers* component supports the creation of Canadian content reflecting the country's linguistic duality and cultural diversity. This component's sales-based formula is designed to reward success in connecting Canadian-authored titles with readers. Publishers allocate ATP funding at their discretion within broad eligible expenditure categories set out by the program.

The *Supply Chain Initiative* component is designed to build the publishing industry's capacity to use information and communications technologies to improve and accelerate the ordering, shipping, inventory control and sales tracking processes. This component supports collective projects and provides funding to publishers to invest in maintaining sound bibliographic data and electronic data interchange with customers.

¹ Since the last summative evaluation of BPIDP, undertaken in 2004, did not include 2003-04 data, the evaluation team agreed to include the administrative data for 2003-04 to avoid information gaps.

The *Collective Initiatives* component supports a broad range of activities to strengthen the industry's strategic orientation (e.g. business and succession planning). CI also supports marketing and promotion projects and research studies on issues of concern to the industry. Much of the component's funding is directed to industry associations.

The *International Marketing Assistance* component seeks to increase sales of Canadian-authored books abroad, in the form of physical exports and foreign rights sales. IMA is delivered through the Association for the Export of Canadian Books (AECB) on PCH's behalf. The AECB provides funding to publishers through four sub-components: the Export Marketing Assistance Program (EMAP), Foreign Rights Marketing Assistance Program (FRMAP), New Market Development Fund (NMDF)² and Export Expertise Development Fund (EEDF). The AECB also operates the Canada Stand at international book fairs and offers export development services to publishers.

Limitations

There were several challenges encountered in the evaluation, which are summarized here.

Attribution

Given that recipients of BPIDP support access to multiple sources of funding to undertake their activities, and that many external as well as internal factors influence the success of individual publishers, it was not possible to attribute program outcomes solely to BPIDP. However, where possible, we have qualified the level of contribution from the program to the achievement of outcomes. Another challenge was to attribute outcomes solely to particular components. A component may contribute explicitly to more than one outcome. Similarly, the evaluation found that several components may contribute to the same outcome. It was also difficult to measure certain outcomes such as "awareness" and "access", as data to measure these types of outcomes was not available. Proxy indicators were used to overcome this challenge.

Administrative Data Analysis

There were some discrepancies between the evaluation indicators and data collected from BPIDP. While BPIDP collects information on the number and range of titles published by recipients in order to measure the breadth of titles created, a comparable breakdown of information on the breadth of titles consumed is not available. Recipients provide BPIDP with dollar sales only, rather than number of titles or copies sold. Where appropriate, we substituted sales data for titles or copies sold.

The fiscal years used by applicants do not necessarily correspond with the federal government's fiscal year. To maintain some consistency, we used the government fiscal year of the application in tables. Also, the application form for ATP and the types of data collected changed slightly over the period being evaluated. As a result, for some tables the data presented covers a period shorter than the four-year span covered by the evaluation.

² Due to lack of funding, this component has been dormant.

Value for Money

While it was possible to assess the program's economy and efficiency, programs such as BPIDP do not lend themselves easily to cost-analysis. As noted above, BPIDP is just one of several funding sources for publishers, and since the success of publishers depends on a plethora of internal and external factors, it is impossible to quantify, measure or directly attribute outcomes to the efforts of one program alone.

Findings

Relevance

BPIDP objectives and anticipated outcomes are aligned with the Departmental strategic outcome of allowing *Canadians to express and share their diverse cultural experiences with each other and the world*.

The evaluation found that all BPIDP components are relevant to meet program goals and in addressing the persistent industry challenges that Canadian-owned publishers face. Stakeholders and publishers consider ATP as the most vital component, since it offers the most flexibility in allocating resources for making business decisions. IMA is also highly relevant, particularly since export is essential for increasing Canadian-owned publishers' revenues at a time when domestic sales are not increasing rapidly. SCI is relevant given the changes in the retail sector requiring publishers to use new technologies to create efficiencies and savings. CI is relevant because it facilitates regional or sector-based projects that individual publishers could not undertake alone.

The program has shown responsiveness to the industry by holding consultations with publishers to improve programming, by commissioning useful research in areas of interest to publishers, and by addressing recommendations of the previous evaluation. There is a large consensus among publishers that the AECB has also been responsive to their needs. Publishers value having direct input into the planning and operation of the IMA component through their associations' representation on the AECB Board.

Success

Overall, BPIDP has been successful in achieving planned outcomes. It has contributed to the viability and continued presence of a diverse group of publishers, including Official Language Minority and Aboriginal publishers, in every region of Canada. With the support of BPIDP, publishers have succeeded in increasing the number of French- and English-language Canadian-authored titles by an aggregate 7% in each of the three main BPIDP categories – scholarly, educational and trade – during the evaluation period. BPIDP support has been crucial for small and medium-sized publishers, who are the main contributors to cultural diversity in terms of developing new Canadian authors. The program also contributed to increased sales of Canadian-authored books in Canada between 2003-04 and 2006-07.

By supporting collective projects and providing small amounts of money to individual publishers through the Supply Chain Initiative, BPIDP has contributed significantly to industry-wide improvements in the domestic supply chain for books. This support has helped to elevate bibliographic data standards across the industry and has aided the conversion of bibliographic files to electronic formats, thus creating efficiencies (e.g. reduced transmission times and costs) and assisting publishers to communicate more effectively with their customers.

Other BPIDP-funded activities, such as strategic business planning, professional development initiatives, professional internships, and attendance at book fairs, particularly international fairs, have helped to enhance publishers' professional skills, industry knowledge and use of market intelligence. Stakeholders and publishers broadly indicated that this support has improved the strategic orientation and competitiveness of the Canadian-owned publishing industry as a whole, a prerequisite to achieve program goals of putting more Canadian-authored books in the hands of readers in Canada and abroad.

The extent to which the program has led to increased public awareness of and access to Canadian books is difficult to measure. The absence of public polling data on these questions makes it impossible to measure these outcomes empirically. However, by using proxy indicators such as numbers of new Canadian-authored titles published, sales of Canadian-authored titles, and Canadian publishers' presence in various markets at home and abroad, the evaluation concluded that BPIDP contributed to increased public awareness and access, both domestically and internationally. Improvements in the supply chain also contributed to this outcome.

Value for Money

Within the public sector, value-for-money principles are increasingly being espoused as a means of assessing activities and programs in which government invests. The evaluation considered the mix of resources that BPIDP utilizes (Economy), and the extent to which the program optimizes outputs (Efficiency), to evaluate the extent to which the program demonstrates cost-effectiveness.

Program Economy

The evaluation found that BPIDP expends 95% of its budget in the form of grants and contributions (Gs&Cs), while the remaining 5% is directed toward administrative expenses, the majority of which are salaries and benefits. The percentage of budget spent on administrative expenses is lowest for formula-based components such as ATP and highest for components such as CI and SCI that are project-based and require greater administrative oversight by PCH. Overall, the evaluation found that the percentage of BPIDP budget directed toward Gs&Cs (95%) was relatively high, and consistent with other PCH programs with such as Cultural Spaces (98%), Arts Presentation Canada (93%), and Fathers of Confederation Building (98%).

The evaluation found that the AECP devoted a relatively small amount of human resources (1.24 FTEs on average) to administering the EMAP, FRMAP, and EEDF over the last three years. The majority of AECP administrative expenditures were directed toward providing

export services, operating the Canada Stand at international book fairs, and paying for general overhead costs such as office rent, travel, and annual reporting. These expenses are approved and itemized within a detailed contribution agreement between AECEB and PCH.

Program Efficiency

Although the evaluation found that BPIDP spends, on average, just five cents to administer a dollar of Gs&Cs, the program has been less efficient in terms of processing applications and releasing funding to recipients. One of the key inefficiencies of BPIDP is the requirement for publishers to submit one application to PCH for the ATP, and another to AECEB for EMAP, both of which contain essentially the same information. While the program has shown some responsiveness to recipients by easing some requirements (e.g. raising the revenue threshold at which recipients are asked to provide audited financial statements) and adjusting deadlines for project applications, further efficiencies can be made by streamlining the application and reporting requirements and processes. This would help to lessen the administrative burden on recipients and provide funding in a more timely fashion.

The evaluation found also some duplication between the ATP and IMA, particularly in the formula used to support publishers. Transferring all export calculations to the ATP component could eliminate the duplication. Despite these issues, the majority of recipients are largely satisfied with the services and overall treatment they have received from both BPIDP and AECEB staff.

Program Cost Effectiveness

Measuring the cost effectiveness of BPIDP requires identifying the program outcomes, placing a dollar value on those outcomes, and comparing their value with the cost of the program (approximately \$160M) over the evaluation period. This is extremely challenging due to the design of the program and the nature of the publishing business.

First, the program is designed to provide most of its Gs&Cs through a funding formula. While this approach is administratively efficient, its key drawbacks are a limited accountability and performance reporting. Correspondingly, performance data is not available to observe the direct link between ATP, EMAP and the outcomes desired by PCH. This link is somewhat easier to observe for project-based components such as SCI and CI, where applicants must describe how they will use and benefit from the funding. The drawback of the project-based approach of SCI and CI, of course, is that it is less administratively efficient.

Compounding the difficulty evaluators faced in determining the cost effectiveness of BPIDP is the nature of the publishing industry. Innumerable factors influence the performance of publishers, the range of authors they promote, and the books they publish. These factors include publishers' domestic and foreign competition, the willingness of retailers to carry their books, and their ability to attract successful authors and retain highly skilled staff in key roles such as editorial and marketing, to name just a few. In addition, there are several other federal and provincial funding programs available to publishers. Because of these factors, it was not possible for evaluators to precisely quantify the

contribution made by BPIDP toward the outcomes desired by PCH.

Nevertheless, two program outcomes are relatively clear. Over time, BPIDP has contributed to the number and diversity of Canadian-owned publishers, and to the quantity and diversity of Canadian-authored titles sold in Canada and abroad. About one-quarter of publisher recipients reported losing money in at least two of the last four years in each province, including about half of Official Language Minority (OLM) publishers. Without BPIDP support, it is possible that some of these publishers may have gone out of business or resorted to more commercially lucrative, but less culturally significant content, thus reducing the diversity of titles offered to Canadians across the country. BPIDP also encouraged firms to undertake activities they could not have otherwise (e.g. pursuing export activities, adopting new technologies), which has helped them improve their competitiveness. Suggestions for better assessing the impact of the BPIDP on publishers are provided in section 5.

Summary of Results by Component

Aid to Publishers (ATP)

While it is difficult to attribute program success solely to BPIDP, the evaluation data indicates that the profit margins of several Canadian-owned book publishers would be negative without BPIDP funding, most of which is delivered through ATP. While there has been little change in the number of publishers receiving ATP during the period being evaluated, ATP has contributed to a modest increase in the overall number of publishers in various regions, as well as the overall financial stability of publishers. BPIDP also contributed to increases of approximately 7% in the number of titles produced and 7% in Canadian sales, thus contributing to the diversity of Canadian-authored books available to the reading public.

Supply Chain Initiative (SCI)

The adoption of new technologies has significantly helped publishing firms in several areas. These include increasing their capacity to produce and transfer electronic bibliographic data, to digitize business processes, which in turn contributed to increased efficiency and savings for Canadian-owned publishers. Qualitative data provided anecdotal evidence that SCI activities contributed significantly to enhanced professional skills among Canadian-owned book publishers in recent years, which also translated for many into savings and sales/revenue increases that offset the costs of adopting new technologies.

Collective Initiatives (CI)

CI has allowed book publishers and industry associations to undertake a wide range of promotional and marketing activities, such as participation in book fairs, author tours, group catalogues, collective promotional campaigns and related materials, marketing studies, etc.

Approximately one-quarter of BPIDP recipients received CI funding to hire an intern during the evaluation period. Though not principally the objective of the program, the evaluation yielded evidence that hiring interns provided benefits for publishers, including the ability to conduct operations on a more efficient and timely basis. It was reported, for example, that interns contributed to expanding marketing efforts and developing export

markets. The main challenge reported was being unable to retain the intern after the internship due to the firm's inability to offer a competitive salary.

Of the firms receiving CI funding for strategic business planning (5% of overall BPIDP recipients), a few reported significant benefits. These included: implementing a successful succession strategy; developing a clearer marketing strategy; and introducing improvements to management functions.

International Marketing Assistance (IMA)

In terms of export activities, the IMA component allowed publishers to participate in international book fairs and trade shows, in order to meet with distributors and bookstores abroad and sell foreign rights. For a majority of publishers (55%) who received IMA assistance during the time period covered by the evaluation, the IMA component has likely contributed to increased export sales. The large majority of publishers who attended international book fairs reported their attendance as having a considerable positive impact on their knowledge of the global industry.

Recommendations

For BPIDP to continue fulfilling its objectives and to reach its ultimate outcome of *increased access to a diverse range of Canadian-authored books in Canada and abroad*, the evaluation team makes a small number of recommendations based on the findings of this evaluation.

Recommendation #1

Consider developing harmonized strategies for adoption of new technologies and growing export activities. Building on the successful approach used to improve the supply chain, BPIDP should, in consultation with the book publishing industry, consider devising harmonized strategies for assisting Canadian-owned publishers to adopt new technologies and grow their export activities, being mindful of the impact that using new technologies may have on the export strategy, and vice-versa. This initiative could include commissioning research to learn more about the successful export strategies used by other countries, such as France, the UK and Australia.

Management Response: Accepted.

Some comparative research on international mechanisms in support of the book industry has been undertaken and, in combination with this recommendation, will help to inform the program's approach to export and emerging technology support. Specifically, the program will engage in discussions on this issue with stakeholders, including the Association for the Export of Canadian Books (AECB), and will review international practices. Following this work, the program will amend BPIDP application guidelines to better articulate and emphasize support for collective projects that link export and new technology strategies.

Implementation Schedule:

1. Discussion with stakeholders: February 2009

2. Review of international practices: Summer 2009
3. Amendment to application guidelines: March 2010

Recommendation #2

Continue to provide support to BookNet and BTLF to ensure progress towards self-sufficiency is continued and comparable supply chain services are available for French-language and English-language publishers. In terms of the supply chain, while BookNet has made considerable progress towards becoming self-sufficient and should continue to receive targeted support from BPIDP, additional support to the BTLF is still required to assist that organization to implement mechanisms and processes that will provide services to French-language publishers at a level comparable to those that BookNet offers to English-language publishers.

Management Response: Accepted.

BPIDP's approach to date has been to support the establishment of a French-language sales data analysis infrastructure comparable to the one available to English-language publishers. The program has also encouraged the sharing of best practices between the two organizations involved in sales data analysis. The support to organizations active in supply chain improvements has been commensurate with their respective priorities and capacity. The program will continue to consider funding based on available resources, an assessment of the relative needs of the two language markets, and the progress of applicants in achieving greater self-sufficiency.

Implementation Schedule:

Implementation of a French-language sales data analysis infrastructure by March 2010.

Recommendation #3

Examine the extent to which the administrative practice of “doubly rewarding” export sales of publishers (counting in the formula for ATP funding and IMA funding) is in accordance with the overall goals and outcomes for BPIDP. The program should consider whether the current “double-counting” of publishers' export sales (including them both in the formula for ATP assistance and IMA assistance) is in line with the overall goals and objectives of BPIDP. If this practice is judged by the program to be in keeping with the programs goals and intentions, then the practice could continue (although perhaps in a more coordinated effort with respect to application forms). If this is not the intention and not in keeping with the goals of the program, then the formulas for one or both components should be modified accordingly.

Management Response: Accepted.

BPIDP is currently undergoing a program renewal exercise in light of the fact that part of the program's funds are sunsetting in March 2010. As part of this exercise, the program is examining the issues noted above. While the current approach recognizes the unique and typically elevated costs of export sales activities, the program acknowledges the double

counting of export sales in the existing design of ATP and IMA formula funding streams. Our objective in program renewal is to strike a balance between export and domestic support in order to best deliver on program objectives. In addition, it is important to structure program administration in a way that reflects the recommendation of the Blue Ribbon Panel on Grants and Contributions.

Implementation Schedule:

Implementation of modifications: March 2010

Recommendation #4

Systematically review the application and approval processes for the various components to determine where there may be additional efficiencies available. A review of the application and approval processes would likely be beneficial to determine whether there could be streamlining and simplification. The aim would be to reduce the amount of time required to release funding to recipients and to ease the administrative burden experienced by some applicants. Any change toward greater efficiency would need to be balanced with the accountability and performance measurement needs of the program. Some potential areas for examination could include a more in-depth review of the IMA component, in particular the examination of overlap between ATP and EMAP applications, harmonizing data collection with other federal and provincial programs requiring similar types of information, or a movement towards updating of information rather than annual requests for the same pieces of information that are unlikely to have changed.

Management Response: Accepted.

BPIDP has implemented a number of measures to reduce internal and applicant administrative burden in all components, including new application deadlines for the Collective Initiatives and Aid to Publishers components as well as modified financial statement requirements. The program will monitor application turn-around times to track annual year-over-year changes. Particularly in light of the evaluation and Blue Ribbon Panel recommendations, the program will implement further administrative refinements, including streamlined report forms for the Aid to Publishers and Collective Initiatives components, improved funding alignment through a Memorandum of Understanding with the Canada Council for the Arts and increased multi-year funding, where applicable. All changes are designed to ensure an appropriate balance between efficiency, accountability and performance measurement needs.

BPIDP examined the feasibility of harmonizing federal and provincial program information requirements in the wake of its 2004 summative evaluation and identified a number of barriers to effective implementation at that time, including costs and the fact that not all funders require exactly the same information. The program will revisit these findings and monitor the implementation of CADAC (a joint database being established by provincial and federal arts councils) to determine whether these same implementation barriers persist. The program will identify potential harmonization opportunities before the end of 2009-10 for implementation in 2010-11.

Implementation Schedule:

1. Opportunities identified: March 2010
2. Implementation of all actions: September 2010

Recommendation #5

Review and update of the BPIDP program logic model and develop relevant performance measures. The program logic model as it is currently designed could be improved. A re-examination of program activities, a clearer depiction of likely cause-and-effect flows, and overall clarification are warranted. In conjunction with the revisions of the program logic model, it would be useful to develop refined quantitative indicators and measures of key outcomes for which information could be collected periodically from recipients (potentially integrated with current efforts in this area), and monitored on an ongoing basis to assist with performance measurement and evaluations of the program. Of particular note would be to ensure that the measures are more clearly and directly linked with funding received from BPIDP.

Management Response: Accepted.

BPIDP has already taken steps to improve data collection and reporting, including revised application and final report forms and expanded program database capacity. As well, the Cultural Industries branch plans to initiate some research on how to better attribute outcomes to public funding in 2009-10, which may help to better assess the impact of BPIDP in the future.

The program is currently undergoing a program renewal exercise in light of the fact that part of its funds are sunsetting in March 2010. The program's logic model will be revised as part of this exercise. While quantitative measures are present in the current Performance Measurement Framework, the program will look closely at potential revision and/or expansion of these and make the proper adjustments in order to ensure effective performance reporting.

Implementation Schedule:

1. Logic Model revised: March 2010
2. Adjustments to Performance Measurement Framework: March 2010

1. Introduction

This document presents the findings, conclusions and recommendations from the summative evaluation of the Department of Canadian Heritage's Book Publishing Industry Development Program.

The report is organized as follows:

- **Section 1.** provides an overview of the BPIDP and the evaluation context;
- **Section 2.** outlines the approach and data collection methods used for the evaluation, including the constraints and limitations identified;
- **Section 3.** presents key findings by evaluation issue and lessons learned;
- **Section 4.** presents key conclusions; and
- **Section 5.** provides recommendations to improve the delivery of the program.

1.1 Program Profile

Federal cultural policies have helped sustain Canada's writers and publishers since the 1970s. As in other cultural industries, the Department of Canadian Heritage has designed and implemented an industry strategy for the book publishing industry that has the ultimate outcome of *"increased access to a diverse range of Canadian-authored books in Canada and abroad"*. This contributes to the Departmental strategic outcome: *"Canadians express and share their diverse cultural experiences with each other and the world."*³

While the Department's policies address the full domestic publishing industry, including foreign-owned entities, the creation, production, distribution and marketing of Canadian-authored books for readers in Canada and abroad is supported by programs that focus on the Canadian-owned industry. This overall strategy includes direct funding to publishers, as well as legislative and regulatory measures in the areas of copyright, book importation and foreign investment. The Book Publishing Industry Development Program constitutes the Department's most important and comprehensive funding instrument for book publishing. Established in 1979⁴, BPIDP has evolved over the years to respond to changing industry conditions and industry and government priorities.

With an annual budget of approximately Cdn \$39 million, BPIDP seeks to increase access to a diverse range of Canadian-authored books in Canada and abroad by strengthening the capacity of the Canadian-owned book industry.

³ Prior to 2006, this cultural objective was phrased as *"to ensure choice of and access to Canadian-authored books that reflect Canada's cultural diversity and linguistic duality."* Given that the evaluation covers periods both prior to the objective's renewal and post-renewal, the evaluation attempted to collect information on the extent to which either or both objectives have been met.

⁴ In 1979, the Government of Canada introduced the Canadian Book Publishing Development Program (CBPDP) as a means of supporting the industry; the program was renamed the Book Publishing Industry Development Program (BPIDP) in 1986.

1.1.1 Program Overview

BPIDP targets its financial support to recipients through four distinct funding components: Aid to Publishers (ATP), Collective Initiatives (CI), Supply Chain Initiative (SCI) and International Marketing Assistance (IMA). The program logic model and a detailed description of the program are provided in Appendix 1. Table 1 provides the average annual expenditures by component for the fiscal years 2004/05 to 2006/07.

Table 1 – Average Annual Program Expenditures by Component
(2004/05-2006/07 – three-year averages)

<i>Component</i>	Gs&Cs	FTEs	PCH Salaries & Benefits	PCH Operating Costs	Third party Admin. & Operating Costs
Aid to Publishers	\$26,479,474	6.7	\$505,846	\$129,528	
Collective Initiatives	\$3,407,465	7.7	\$388,937	*	
Supply Chain Initiative ⁵	\$3,033,018	2.3	\$159,375	*	
International Marketing Assistance PCH	\$4,142,821	0.5	\$41,587	N/A	\$686,263
International Marketing Assistance AECB		6.3			
Overall	\$37,062,778	17.1	\$1,095,745	\$261,205	\$686,263

PCH cost centres do not allow operating costs to be precisely assigned to these components.

Source: BPIDP Administrative Data

The largest portion of BPIDP funding is disbursed directly to publishers through the *Aid to Publishers (ATP)* component. Considered the cornerstone of the program, Aid to Publishers aims to support the creation of Canadian content.⁶ It promotes public access to that 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. This sales-based formula is designed to reward success in reaching readers. Publishers allocate funding at their discretion, within broad eligible expense categories set out by the program.

The *Supply Chain Initiative (SCI)* component is designed to build broad-based industry capacity to use new information technologies to improve ordering, shipping, inventory control and sales tracking processes. During the evaluation period, the SCI funded collective industry projects, including the activities of two key non-profit organizations, BookNet Canada and La Société de gestion de la banque de titres de langue française (BTLF). These organizations oversee the development and adjudication of national bibliographic data standards, under which publishers are certified for the quality of data they provide to their customers. BookNet also provides publishers with sales tracking data. In addition, during the period under review, the SCI component funded publishers to invest in upgrades and maintain sound bibliographic data and electronic data interchange with

⁵ Support for publishers' activities in developing high-quality bibliographic data ended in 2007-2008 as planned. The recent Strategic Review of all program spending of the Department concluded that since the objectives for this funding have been met, \$1M will be reallocated starting in 2008-2009.

⁶ Prior to 2006, this cultural objective was phrased as "to ensure choice of and access to Canadian-authored books that reflect Canada's cultural diversity and linguistic duality". Given the evaluation scope covers both period, prior to the renewal and post-renewal, the evaluation assessed the extent to which either or both objectives have been met.

their customers.

The *Collective Initiatives (CI)* component supports a broad range of projects to strengthen industry infrastructure in key areas, including marketing and promotion efforts. While much of the funding is directed to book publishing industry associations and other organizations to offer professional development to publishers and for marketing and promotional activities (e.g. *salons du livre*, literary festivals, promotional catalogues, etc.), a portion of the funding is used to support book industry research and to support publishers to undertake strategic planning and hire interns.

The *International Marketing Assistance (IMA)* component seeks to increase the accessibility and export sales of Canadian books abroad, and is delivered through the Association for the Export of Canadian Books (AECB). This non-profit organization, dedicated to supporting export development by Canadian publishers, is governed by a board of directors composed of representatives of book publishers' associations with representatives from the Department of Canadian Heritage (PCH) and the Department of Foreign Affairs and International Trade (DFAIT) acting as observers. During the period under review, through IMA, the AECB provided support to publishers through three sub-components: Export Marketing Assistance Program (EMAP), Foreign Rights Marketing Assistance Program (FRMAP) and New Market Development Fund (NMDF).⁷ Through the IMA, the AECB provides a range of services to eligible publishers, including support for attending major international book fairs, as well as access to promotional tools, market intelligence, mentoring, and professional development. The AECB also operates the Canada Stand, which represents and provides logistical support for Canadian publishers at international fairs.

1.1.2 Program Governance

The two principal stakeholders in the management of BPIDP are the Book Publishing Policy and Programs Directorate of the Department of Canadian Heritage (the Directorate) and the Association for the Export of Canadian Books (AECB).

The Directorate is accountable to the Minister of Canadian Heritage for the overall design, management and results of the BPIDP. The Department's contribution agreements with the AECB reflect the provisions set out in the Treasury Board Policy on Transfer Payments. The AECB is accountable for the activities related to PCH support and must report to BPIDP per the terms of the agreement.

1.2 Evaluation Context

PCH's Evaluation Services Directorate (ESD) mandated Goss Gilroy Inc. to undertake a summative evaluation of BPIDP. This evaluation is part of the regularly scheduled evaluation cycle for this program. The evaluation, which took place between January and July 2008, covers four years of BPIDP program activities from 2003-04 through 2006-07.

⁷ A fourth component the Export Expertise Development Fund (EEDF) is currently inactive.

The evaluation focused on three major issues: relevance, success in achieving program outcomes, and whether the program delivers good value for Canadian taxpayers (value for money). A set of evaluation questions, indicators and methodologies was developed for each of the issues (the evaluation matrix is presented in Appendix 3). The evaluation included in its scope the four BPIDP components: Aid to Publishers, Collective Initiatives, Supply Chain Initiative and International Marketing Assistance. As described in the previous section, there were some changes and developments that occurred during the period covered by the evaluation. Some of these encompassed a slight shift in objectives; others were program process changes. Where possible, the evaluation took into account these slight changes over time. Findings according to component are presented in Appendix 2. The evaluation generated lessons learned and provides recommendations for future phases of the program.

2. Evaluation Framework

This section presents the approach used to conduct this evaluation, including the evaluation questions, the data collection methods and their limitations.

2.1 Evaluation Questions

The evaluation focused on the following issues and questions:

Rationale and Relevance

1. What are the key challenges facing Canadian-owned publishers?
2. Is the program's rationale still valid in light of the current context of the Canadian-owned book publishing industry?
3. Is the BPIDP aligned with federal government priorities and policies for the cultural industries?

Success

Immediate Outcomes

4. Has the program contributed to a strong, diverse population of Canadian-owned publishers across all regions of Canada?
5. Has the program contributed to enhanced professional skills and industry knowledge?
6. Has the adoption of new technologies resulted in a more effective and efficient Canadian book supply chain?
7. Has the program provided collective and individual promotional opportunities for Canadian-authored books and authors in Canada and abroad?

Intermediate Outcomes

8. Has the program supported the production of a diverse range of Canadian-authored titles?
9. Is there a more diverse range of Canadian-authored books and authors in Canada and overseas in the last five years? Is there increased access to a diverse range of Canadian-authored books in Canada and abroad as a result of the Program?
10. Has the Canadian-owned book publishing industry become more competitive, strategic and informed?

Longer-Term Outcome

11. Has the program increased public awareness of Canadian-authored books in Canada and abroad?

Official Languages

12. Does the BPIDP meet the Federal Government's commitment to English/French linguistic minority communities (EFLMC) in Canada?

Unanticipated Impacts

13. Did the program have any unanticipated impacts?

Value for Money

14. How much is spent? What is it spent on? What are the overhead costs as percentage of program costs? How many FTEs are there to deliver the program?
15. Are the overhead costs of the BPIDP similar to comparable programs?
16. To what extent is the program cost-effective?
17. Are there book publishing support programs in other jurisdictions that demonstrate better value for money?
18. Could certain aspects/components of the program be transferred to other levels of government or other organizations?

Lessons Learned

19. What lessons can be learned from the delivery of the program?

2.2 Methodology

The evaluation employed a multi-method approach to address the evaluation issues and ensure multiple lines of evidence were employed for all key findings. The evaluation included both qualitative and quantitative data collection methods, described below. Qualitative methods included key informant interviews, focus groups, a literature review, a file review and a document review. The quantitative methods included an online survey of program recipients (publishers and publishers' associations, as well as unsuccessful applicants), a review of administrative data, and other sources such as Statistics Canada and public opinion research.

2.2.1 Key Informant Interviews

In total, 46 key informant interviews were conducted using an interview guide adapted for each of the key informant groups. The types of key informants were PCH (BPIDP) staff (n=7), book publishing stakeholders such as booksellers and authors' associations, other funding agencies and industry experts (n=8), academics (n=2), and BPIDP recipients (n=29). The interview guide was adapted for each key informant group.

2.2.2 Focus Groups

Two focus groups were conducted with BPIDP-funded publishers who had participated in both ATP and IMA. One group was held in Montreal (in French) with eight participants; the other in Toronto (in English) with 10 participants⁸. The participation of focus group members according to each BPIDP component was: ATP (n=18), IMA (n=18), SCI (n=16), and CI (n=4).

2.2.3 Literature Review

The literature review was designed to provide a brief historical overview of the federal government's role in relation to Canadian book publishing; examine Canada's current book publishing environment in terms of strengths, challenges, threats and opportunities; and compare policies and programs for book publishing adopted by other countries of direct relevance to Canada. The countries selected for comparison were France, the UK (including Scotland) and Australia, based on similarities and complementarities with the Canadian context. The bibliography for the literature review is located in Appendix 6.

2.2.4 File Review

The results for many of the program's activities funded under the IMA, SCI and CI components were contained in hardcopy files. As a result, the evaluation team undertook a review of these files to obtain a more complete view of program outcomes. Files for review were selected randomly using a stratified approach (program component and language) from a database of all BPIDP projects (n=1,405 contributions), spanning the period covered by this evaluation (2004-05 to 2006-07).⁹ In total, 30 files (SCI: 5 files; CI: 15 files; IMA: 10 files) were reviewed using a standardized review template based on relevant evaluation questions and indicators.

2.2.5 Document Review

The evaluation team undertook a structured review of key Departmental documents and reports related to BPIDP. These included annual reports, policy documents and general information about the program (see Appendix 6 for a complete list of the documents reviewed for the evaluation). The documents were reviewed according to relevant evaluation questions and indicators.

⁸ While it would have been desirable to hold focus groups in various regions of Canada, given the costs associated with holding focus groups, the budget available for the evaluation and the fact that the majority of publishers are located in Toronto and Montreal, it was decided to hold focus groups in those two cities. However, the publishers' survey and key informant interviews included the views of a range of publishers and other industry stakeholders across Canada.

⁹ As noted earlier, as the previous evaluation did not cover the 2003-04 fiscal year, where possible data from that year was included to provide continuity over time.

2.2.6 Survey of Publishers and Associations

The target populations for online surveys were: publishers and book publishing industry associations participating in BPIDP during the evaluation period. In addition, a small survey of publishers who had applied to BPIDP but had not received funding was conducted. Potential respondents received a hardcopy letter from PCH notifying them about the evaluation and survey. This was followed by an email invitation with an embedded link to an online survey. The response rate of the survey of publishers was 60%. A similar rate was achieved for the survey of associations (61%). Only four of ten non-funded publishers responded to the survey.

Respondent Type	Invitations	Completed surveys	Response rate
BPIDP publishers	245	148	60%
Associations	84	44	61%
Non-BPIDP publishers	10	4	40%

2.2.7 Administrative Data Analysis

Administrative databases maintained by PCH's Book Publishing Policy and Programs Directorate and the Association for the Export of Canadian Books were the main data sources from which the evaluation team analyzed extractions (for 2003-04 through 2006-07 inclusive). In some cases, data were extracted from reports conducted for the previous evaluation, and compiled with the most recent four years to demonstrate longer-term trends.

2.3 Constraints and Limitations

As with any evaluation method, there are several challenges and limitations of which the reader should be aware when reviewing the findings. These are briefly outlined below.

2.3.1 Overall

Given that recipients of BPIDP funding rely on multiple sources of funding and work within various contexts and environments in undertaking their activities, there are many potential factors that influence the success of individual publishers, and ultimately some of the outcomes important to BPIDP. While the evaluation was able to qualitatively assess outcomes that BPIDP has likely contributed to, it was not able to directly measure program attribution in a quantitative manner, which means that the evaluation was also unable to directly assess incremental impacts that are attributable to the program. In order to assess incremental impacts of the program, a comparison group would have been required for the evaluation design. Given the nature of ATP funding (nearly all publishers who apply to ATP are eligible to receive funding) and the high proportion of industry coverage by the program, the development of an adequate comparison group was determined to be not feasible during the design phase of the evaluation. As a result, there is a limitation on the extent to which outcomes assessed by the evaluation can be directly attributed to the program per se. In some instances, the evaluation has been able to collect perceptions and opinions of participants and stakeholders as to the perceived impacts attributable to the program, but these, while informative, are perceptions and opinions, and have not been demonstrated in a methodologically rigorous manner by the evaluation.

The evaluation design included the examination of outcomes both at the program level and by component. The challenge encountered was that in some instances, it was not possible to separate the contribution made by each component to associated outcomes. For example, the evaluation found that all BPDIP components, to varying degrees, contribute to the strategic orientation of the industry. Another example is that Aid to Publishers (ATP) can contribute to most outcomes, as publishers can use the funding at their discretion within broad program parameters.

Also, certain program outcomes could not be directly measured during the evaluation, as the data required for this type of assessment were limited. For example, in order to measure indicators such as “*Increased Awareness*” and “*Increased Access*”, the evaluation has used proxy indicators such as “sales”, “number of titles published”, “number of publishers by region”, and “number of international fairs attended” to infer increased awareness and access. (See section 3.2.6.). The challenge with using proxy indicators such as these is that increased sales do not necessarily translate directly to increased awareness or access. However, an increase in sales does strongly suggest an increase in copies sold and this, in turn, means that more content is being accessed by readers (increased breadth of access). The fundamental, underlying issue is the interpretation of the principal meaning of “access”. If interpreting “having access” (a measure of availability) as a means to the expected end of “accessing” (a measure of consumption), the use of such proxies is justified to a certain extent. While there were some data available from readership surveys, these did not directly address the indicators and so were treated as additional information to add to proxy indicators, where appropriate.

Another area that presented a challenge was the calculation of financial savings resulting from the adoption of new technologies. Given the types and level of data available for the evaluation, this assessment was not possible, although the evaluation collected anecdotal evidence to support findings in that area.

2.3.2 Literature Review

In the case of international comparisons, it would have been desirable to access detailed financial data (e.g. investments by type of activity) or relevant program evaluations conducted by the governments or agencies in question, but the information was not readily available.

2.3.3 Surveys of Publishers and Associations

The surveys of publishers and associations had reasonable response rates of 60-61%.¹⁰ While the surveys captured the opinions and viewpoints of the majority of publishers and associations who participated in BPIDP, the reasons for non-response among the 39-40% of publishers who chose not to complete the survey are unknown. As a result, there is some uncertainty about the extent to which the survey results can be considered representative of all publishers and associations that participated in BPIDP.

¹⁰ The 60% - 61% response rate was considered to be reasonable, given the time of year at which the survey was conducted (coinciding with the period during which publishers are working on BPIDP and other funding applications) and that publishers participated in industry consultations in 2007 and an evaluation in 2008 commissioned by the AECB.

A small survey of publishers (n=17) who had unsuccessfully applied for BPIDP funding during the four years under review was also conducted. The total number of responses was quite small (n=4), so the results were not analysed in a quantitative fashion. However, where appropriate the evaluation included some of these results analysed qualitatively.

2.3.4 Administrative Data Analysis

In some instances, the indicators for evaluation issues were phrased as “number of titles” to address issues of creation or diversity. While PCH collects some information on number of titles, much of the available data is reported as sales revenue rather than number of titles or copies sold (e.g., Canadian vs. foreign-authored titles), which provides a clearer indicator of consumption. Where appropriate, the evaluation has substituted sales data for titles or copies sold.

Publishers applying to ATP, IMA and SCI are asked to complete the application form according to their own fiscal year upon which all their financial information is based, which does not necessarily correspond with the federal government’s fiscal year. As a result, an extended period was covered with varying degrees of depth according to the varied fiscal year ends. In order to maintain some consistency, the evaluation used the government fiscal year of the application in tables. In many instances, this actually included data from some portion of the prior government fiscal year.

The application form for ATP/SCI for publishers and the resulting types of data collected changed slightly over the period being evaluated. As a result, for some tables, the data presented cover a period shorter than the three-year scope covered by the evaluation.¹¹

2.3.5 Value for Money

The data collected during the course of the evaluation assisted in assessing the relevance and overall performance of BPIDP. However, there were some limitations in determining its performance within a value-for-money framework. While the economy and efficiency of BPIDP could be assessed by examining its expenditures (and comparing them with other PCH programs), the program’s cost effectiveness could not be determined, given the limitations of the data.

Determining the cost effectiveness of a program begins with the fundamental understanding of what constitutes program cost effectiveness. According to Treasury Board, cost effectiveness is defined as the cost to produce one unit of outcome.

Given the wide range of government programs, determining cost effectiveness is not a simple task. Some programs, by the nature of their activities, objectives, and recipients, lend themselves to the assessment of cost effectiveness better than others. For example, assessing the cost effectiveness of programs to reduce social assistance and employment

¹¹ The scope for the evaluation was three years: 2004-05 to 2006-07 inclusive. The previous summative evaluation analysed administrative data up to and including fiscal year 2002-03. Given the gap of one year between the scopes of the two evaluations with respect to analysis of administrative data, it was agreed to include the administrative data of 2003-04 in the current set of analyses.

insurance rolls is relatively straightforward. The desired program outcomes (retrained people, reduced social assistance rolls, etc.) are easily observed and quantifiable. The cost effectiveness of the program can be measured by simply comparing the cost of delivering the program against the number of people who graduated from the program, found employment, and stopped collecting social assistance (e.g., \$1,000 per person removed from social assistance rolls).

In many government programs, however, some specific outcomes are very difficult to quantify, measure, or directly attribute to the efforts of the program. BPIDP falls into this category. The complexity of the book publishing industry prevents measuring precisely the impact of BPIDP on its recipients. There are several factors affecting the performance of Canadian book publishers (e.g. the types of books published, their ability to sell into Canadian and international markets, etc.). Internal forces come into play – a publisher may lose key authors or employees who perform critical functions such as editorial, sales or marketing. External market forces are also powerful factors. A key competitor in a given category or geographical market may decide to abandon that market, allowing other publishers to obtain market share. A large retailer who stocked a publisher's books for years may decide to halt that activity. These and many other factors over time influence the choice, accessibility and diversity of Canadian books for domestic and foreign readers. In addition, publishers receive funding from various sources to support their activities. Although BPIDP plays a major role in contributing to the success and diversity of the Canadian publishing industry (impact on profit margins and viability are discussed in section 3.1.1), it became apparent through interviews and surveys of publishers that the impacts of the program on their revenues, exports, markets, and range and diversity of titles could not be easily disaggregated, or precisely quantified.

Obtaining cost effectiveness information from other programs with similar objectives within Canada or abroad was equally challenging. In general, managers of these programs face the same limitations as BPIDP in measuring cost effectiveness. Furthermore, programs that appear to be quite similar are often unsuitable for meaningful comparison, once the complexities and subtle differences of these programs are more closely examined.

Accordingly, the evaluation presents anecdotal evidence, based on interviews, focus groups and surveys of publishers, in order to illustrate the manner in which and extent to which the money that BPIDP invests in Canadian publishers represents good value for Canadians.

3. Key Findings

The following sections present the findings of the summative evaluation by main evaluation issue.

3.1 Program Relevance

The evaluation concluded that the program remains relevant in light of the multiple and persistent challenges Canadian-owned book publishers encounter. The program remains consistent with Departmental and federal government priorities and policies for the cultural industry.

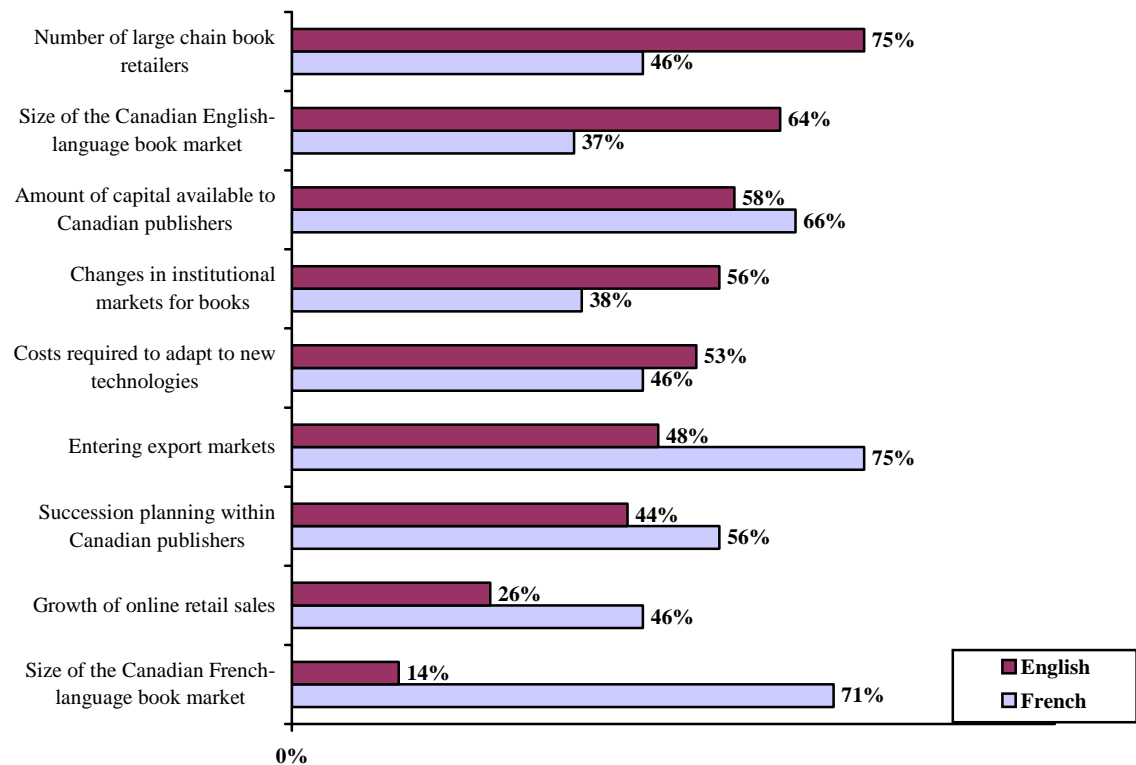
3.1.1 Key Challenges Faced by Canadian-owned Book Publishers

The challenges that Canadian-owned publishers face are enduring. Numerous analyses since the Ontario Royal Commission on Book Publishing (1973) have emphasized structural economic constraints on publishers who originate books for Canada's relatively small English- and French-language markets. Similarly, the report of the Standing Committee on Canadian Heritage (2000) noted that "increased consolidation among retailers and foreign publishers and the lack of access to capital make it difficult for Canadian firms to compete in the changing environment".

Publishers surveyed for the evaluation confirmed that these structural factors constitute their most important challenges today. Other realities, such as competition from multinational firms, the cost of entering the export market, and the cost of adapting new technologies, are also important challenges for Canadian-owned publishers. Changes in institutional markets (e.g. educational and library markets) and succession planning represent further significant challenges with which publishers must contend. Exhibit 1 provides an overview of the key challenges English and French language Canadian-owned publishers surveyed in the context of this evaluation face.

When comparing English- and French-language book publishers (Exhibit 1), retail concentration is reportedly the most important issue for English-language publishers (75%), with the size of the Canadian English-language book market being the second most important challenge (64%). The third most important challenge for English-language publishers is accessing capital (58%). For French-language publishers, entering the export market is the single most important issue (75%), followed by the size of the Canadian French-language market (71%), and accessing capital (66%).

Exhibit 1 - Key challenges for English and French language Canadian-owned Publishers (large challenge)



Source: Survey of Publishers (English n =80; French n=68)

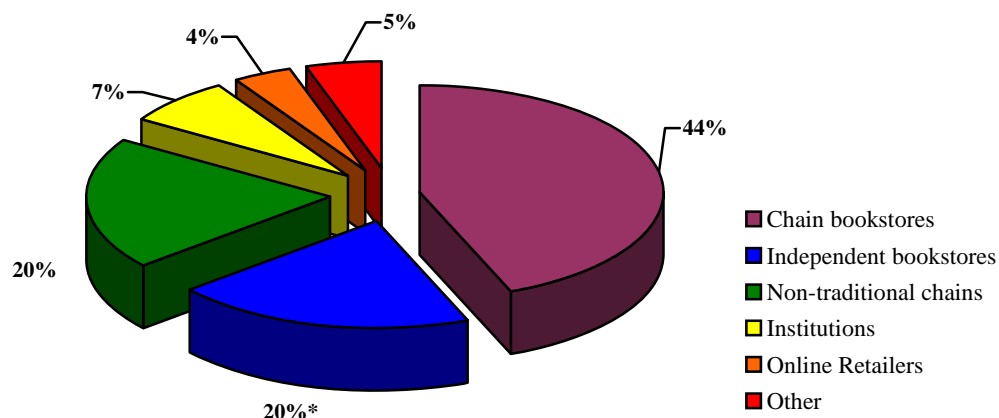
The fragmentation of the French-language market was also mentioned by several key informants in interviews.¹² These results are consistent with those obtained in both key informant interviews and focus groups. (See Table 1 and 2 in Appendix 4 for a breakdown of survey results.)

Challenge: Concentration in the Retail Market

In the English-Canadian market, where in 1985 there were three national bookstore chains, there is now only one, Chapters/Indigo. In the smaller Quebec market, two chains, Archambault and Renaud-Bray, hold between them a market share comparable to that of Chapters/Indigo outside of Quebec (44%). A 2007 PCH study¹³ on the Canadian book retail market estimated the market share in retail bookselling throughout Canada (excluding sales of educational texts) as shown in Exhibit 2.

¹² Where appropriate, for qualitative analysis, the evaluation reports on the frequency of a particular response using the following quantitative adjectives to indicate the relative weight of the responses for each respondent group, as follows: "All/almost All" – 90% or more of respondents; "Large Majority" – at least 75% but less than 90% of respondents; "Majority/most" – at least 50% but less than 75% of respondents; "Several" – at least 25% but less than 50% of respondents; and "A few" – at least two respondents but less than 25% of respondents.

¹³ Department of Canadian Heritage (PCH), *The Book Retail Sector in Canada*, 2007.

Exhibit 2: Canadian Market Share-by Book Retail Channel

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Source: The Book Retail Sector in Canada, PCH (2007)

* 20% - Independent bookstores: includes two major Quebec retailers (Renaud Bray and Archambault) that hold a 44% market share in that province.

The impact of retail concentration on book publishing is double-edged. On one hand, the expansion of chain and non-traditional sectors can be seen as an opportunity for publishers, because those retailers have enlarged the national retail space for books and have attracted new customers for books. On the other hand, as the study notes, deep discounts offered by chains, discount stores and online retailers such as Amazon, and other in-store promotions by the big-box retailers, have contributed to a decline in number of independent booksellers over the past decade. The independents often represent key accounts for smaller publishers, particularly publishers of specialized literary, regional or children's books, accounting for 27% of sales for publishing firms with revenues of \$449,999 or less, compared to 15% for firms with revenues of \$3 million or more¹⁴.

The PCH study notes that warehouse clubs such as Costco typically stock a relatively narrow range of books (500-600 titles) and move high volumes of books at a discounted list price, estimated at 30%. They also can return high volumes of unsold copies¹⁵, with the overall effect of concentrating a large number of sales among a small number of bestselling titles. In addition to aggressive price discounting, the study describes how other industry practices, such as handling of returns, co-op promotions, whereby publishers pay booksellers to promote specific titles, price conventions for different types of trade titles, and list prices of comparable imported titles, particularly from the US and France, affect customers' expectations and leave little flexibility to publishers on pricing. In addition, the steady strength of the Canadian dollar against the American dollar since 2006 created parity between the currencies toward the end of 2007. One result was a public controversy over book prices, featuring strong public pressure to reduce cover prices on American books imported into Canada. As American cover prices came down, pressure increased on their Canadian competition to be priced accordingly, further diminishing profit margins on

¹⁴ Source: BPIDP administrative data.

¹⁵ While the return of unsold copies is a common practice in the industry and in fact one of the challenges publishers face in terms of the supply chain, the volume of books that large retailers can order and return to publishers exacerbates the problem.

Canadian-authored titles.¹⁶

Challenge: Competition from Multinationals

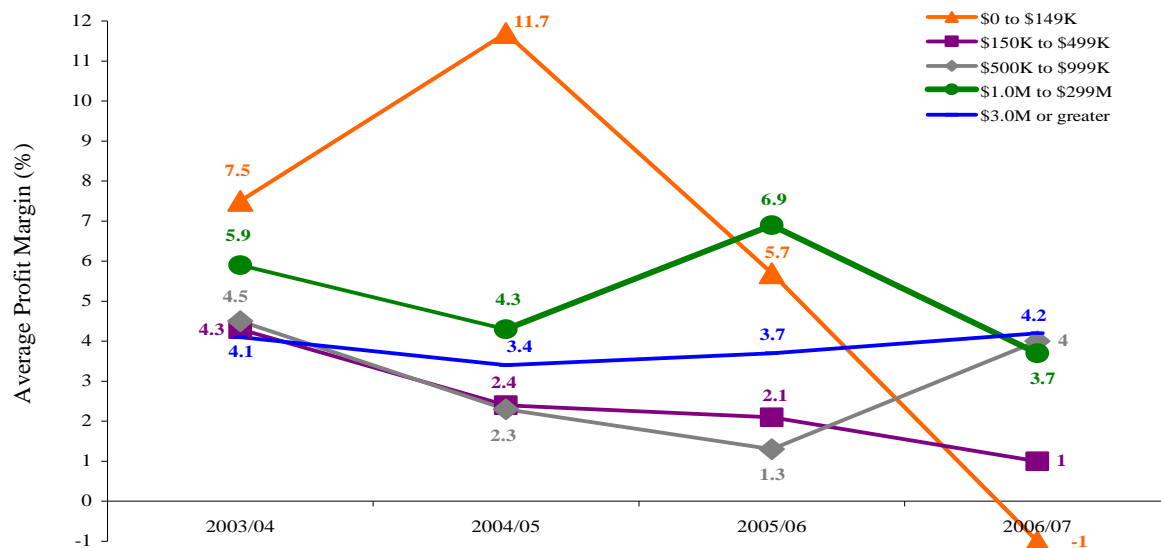
In addition to direct competition from imported books, competition from large, foreign-controlled multinational publishers with subsidiaries in Canada is an important challenge for Canadian-owned publishers. These firms located here primarily to sell their parent companies' products. Subsidiary publishers benefit from economies of scale from the parent company both in terms of production and marketing. They can also market and distribute their own books more aggressively through infrastructures built on high volume sales of imported titles. Their presence in Canada also limits opportunities for Canadian-owned publishers to generate revenues by acting as distributors of imported books. Competition from existing multinational subsidiaries remains more challenging than ever, particularly as a result of international mergers creating ever-larger foreign conglomerates, such as Random House and Hachette.

Many multinationals have also become active in publishing Canadian-authored books, both in the educational and trade sectors. This confronts Canadian firms with powerful direct competition for rights to Canadian writers. Foreign-owned subsidiary publishers have access to substantially greater financial resources, allowing them to compete successfully for new books by the Canadian authors who command the highest sales and royalty advances.

Cumulatively, these challenges contribute to the lower profit margins of many Canadian-owned publishers. As illustrated in Exhibit 3, for the three years covered by the evaluation plus 2003-04¹⁷, the median reported profit margins of BPIDP recipients as a percentage of total revenues for those publishers receiving funding ranged from 3% to was just under 5% (4.8%) across the four years. The very small firms (less than \$150K in revenue) had median profit margins that moved considerably from year to year (between a low of -1.0% to a high of 11.7%). Overall, the other sizes of firms experienced less volatility with median profit margins ranging within one to four percentage points across the four years. Larger Canadian-owned book publishers (>\$1M) have the healthiest cost to sales ratios. Smaller publishers (revenues under \$999K) tended to experience more fluctuation and larger declines in profit margin when compared with large publishers. Despite government support, about 25% of BPIDP-funded publishers reported losing money in at least two of the last four years, including approximately one half of BPIDP-funded Official Language Minority publishers.

¹⁶ *Globe & Mail*, Jan. 9, 2008.

¹⁷ As noted elsewhere, while the evaluation covers three years, from 2004-05 to 2006-07, data from 2003-04 were included where appropriate, as information for that year could not be included in the 2004 evaluation.

Exhibit 3: Median Profit Margin as Percentage of Total Revenues by Size of Firm

Source: BPIDP Administrative Data

Between 2003 and 2007, the proportion of aggregated annual revenues from government sources (all grants and contributions) when compared with total revenues for BPIDP recipients was relatively consistent across the four years at between 8% and 9%. When examined by firm size, this proportion varied considerably. For the larger firms, the proportion of aggregated revenues from government sources ranged between 5.0% and 6.0%. In contrast, the smallest firms with revenue less than \$150K had proportions ranging from 40% to 53% across the same period.¹⁸

Similarly, when aggregated revenues from BPIDP funding were compared with total revenues, the proportions overall remained relatively consistent across the time period of 2003-2007 at between 4% and 5%. As would be expected, the proportion of aggregated revenue attributable to BPIDP funding was higher among the smaller firms (between 11% and 16% for smallest firms with less than \$150K of revenues, compared with 3-4% among firms with \$3.0M or greater in revenues).

When considering sources of government funding, for the larger firms, BPIDP funding overall makes up a larger proportion of the revenues from government sources (overall about 60-68% for firms with revenues \$3.0M or greater). This is compared with the smaller firms that see BPIDP overall represent 22-32% of their revenues from government sources.

Despite these differences, when compared against the median profit margins reported above, the aggregate proportions of funding from BPIDP when compared with total revenues suggest that, in the absence of BPIDP funding, the profit margin of BPIDP-funded publishers would be negative for many firms in each size category, all other things being equal. In the absence of BPIDP, many recipients believe they would have to adjust their content production or could cease to be viable and go out of business.

¹⁸ All Gs&Cs include BPIDP funding.

Given the relatively low profit margins of many Canadian-owned publishers, it is not surprising that lending institutions are reluctant to lend money to publishers. As a result, public sources of funding are essential for publishers not to be driven solely by return-on-investment considerations in their editorial choices. The investments by BPIDP and likely other government sources allow them to produce content that may be less profitable but culturally more significant. BPIDP simultaneously encourages publishers' entrepreneurial behaviour through the ATP and EMAP funding formulas, which are based on sales of eligible Canadian-authored titles.

Other important sources of government support for Canadian-owned publishers include the Canada Council for the Arts (CCA), which is a significant source of funding for small literary publishers; the Société de développement des entreprises culturelles (SODEC) in Quebec; and the Ontario Media Development Corporation (OMDC). Publishers can also access funding from provincial arts councils and other provincially based funding sources. Three provinces offer tax credits to book publishers. Ontario provides refundable tax credits on a percentage of eligible pre-press, printing and marketing expenditures on Canadian-authored books; the credit is administered by the OMDC, which also funds other book industry projects. A key point is that these provincial credits are refundable regardless of whether the publisher has taxable profits. Ontario publishers interviewed or who participated in focus groups for the evaluation consider the tax credit an important component of their government support. Comparable tax credits are provided to book publishers in British Columbia and Quebec. In Quebec the credit is administered by the SODEC, which offers a program comparable to the OMDC.

In addition, the Quebec government has longstanding legislation (Loi 51) to support Quebec publishers by requiring the province's libraries and educational institutions to buy their books from accredited bookstores stocking minimum levels of books from Quebec publishers. While not a funding program, it is a helpful policy ensuring that many books produced by Quebec publishers will find a buyer.

Challenge: Cost of Adapting to New Technologies and Entering the Export Market

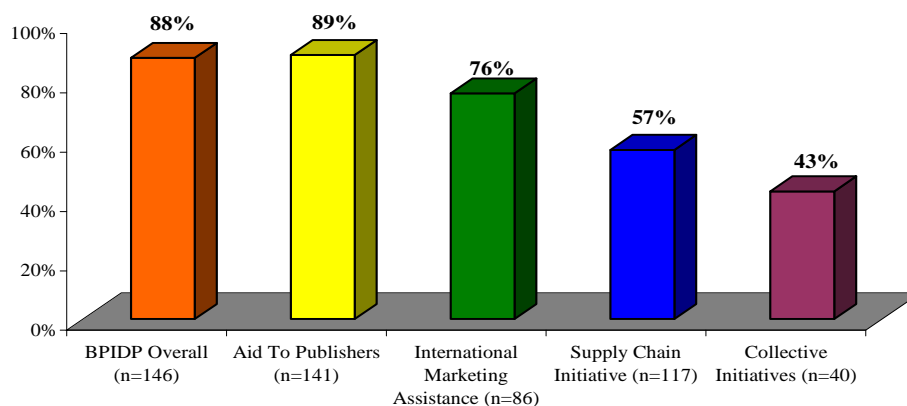
With some variations, publishers reported that the costs of adapting to new technologies and entering the export market posed a challenge for them. At the same time, participants in the interviews and focus groups indicated that while both these areas presented challenges, they also represent opportunities for Canadian-owned publishers, such as accessing non-traditional market channels (e.g. selling via the web).

3.1.2 Continued Validity of the Program's Rationale

The challenges identified during the evaluation by publishers contribute to the industry's challenges in producing a wide range of Canadian-authored books that reach readers in Canada and abroad. The evaluation confirmed that during the period of the evaluation, the BPIDP components were relevant in assisting the industry to address these challenges and contribute to program objectives. The various program components were viewed as relevant in assisting Canadian-owned publishers overcome identified challenges in order to be able to meet program outcomes; i.e., produce books that reflect Canadian culture and values for readers domestically and abroad.

For instance, when queried, a large majority (88%) of publishers who responded to the survey indicated that overall, BPIDP was relevant to a large or very large extent in assisting them in meeting various challenges they encounter. A similar rate of endorsement (89%) was found for the Aid to Publishers component. ATP was highly rated in focus groups, interviews and on the survey because it was viewed as allowing the most flexibility for recipients to use the funding to meet their business needs. According to the survey of publishers, the majority of recipients of IMA (76%) and SCI (57%) also indicated that these two specific BPIDP components are relevant to a large or very large extent in addressing the challenges they encounter in the industry (see Exhibit 4).

Exhibit 4 – Relevance of Program Overall and by Components Based on Participation in Respective Program Components



Source: Survey of Publishers

For the Collective Initiatives component, most of the funding is distributed among industry organizations for specific projects. The vast majority of these organizations (72%) reported on the survey that they viewed the CI component as relevant to a large or very large extent in addressing industry challenges. A small number of publishers participate in specific initiatives under the Collective Initiatives component (e.g. internships, business planning). Of these, slightly less than one-half (43%) indicated that CI is relevant to a large/very large extent in addressing their specific challenges.

3.1.3 Management Responsiveness

Studies such as *The Book Retail Sector in Canada* (2007), a study on succession planning for book publishers (2005), the *Reading and Buying Books for Pleasure 2005 National Survey*, and a study on the *Book Distribution System in Quebec for New Releases* (2005-06)¹⁹ are examples of BPIDP management's efforts to research key areas of concern to the Canadian book publishing industry. Interviews confirmed that publishers found these studies useful. Publishers also indicated that the confidential performance reports that the program provides each publisher, which compare publishers with others in the same category, were also useful tools.

Both PCH and the AECB hold consultations with publishing industry stakeholders two to three times per year to hear concerns, exchange ideas and discuss issues of common interest. The program has been evaluated and audited periodically, with BPIDP management addressing many of the recommendations from the last evaluation (2004). This was another positive sign that the program is aiming to stay relevant over time. There is also a widely held perception among publishers, industry associations and academics that the AECB and the IMA component are relevant in terms of the support they offer to publishers in making more Canadian-authored books available to readers abroad. Several stakeholders noted this was in large part due to publishers' presence on the AECB board, which allows them direct input into programming.

3.1.4 Alignment with Federal Government Priorities & Policies for the Cultural Industries

The evaluation found that BPIDP is aligned with government priorities in several ways. First, the Government of Canada has long maintained programs and policies to support the production, distribution and promotion of Canadian books, magazines and newspapers that reflect Canadian culture. This support is premised on the belief that Canadians must have access to Canadian voices and Canadian stories.²⁰ The Contribution Terms and Conditions of BPIDP indicate that the program contributes to these overall objectives, as the principal objective of BPIDP is to "ensure access to a diverse range of Canadian-authored books in Canada and abroad." In working towards this objective, BPIDP contributes to the departmental strategic outcome as articulated in the Program Activity Architecture: "Canadians express and share their diverse cultural experiences with each other and the world."

In addition, the program offers support for the production of Aboriginal and Official Language Minority books and development of new authors from these communities across Canada. Hence it reflects the country's linguistic duality and promotes cultural diversity and cultural expression from all regions of Canada, an enduring priority of the Canadian government.

¹⁹ While the first two studies were commissioned directly by BPIDP management, the latter was undertaken through Collective Initiative funding.

²⁰ PCH, Cultural Affairs Policies, Books: http://www.pch.gc.ca/progs/ac-ca/pol/livre-book/index_e.cfm

In addition, according to the Department of Canadian Heritage, in looking to the future, the cultural sector must continue to adapt so as to benefit fully from a changing global economy. For the Government of Canada, this means searching for innovative ways to support publishers so they can take advantage of opportunities available both at home and abroad.²¹ Helping publishers harness the potential of new technologies is an example of the program supporting Canadian participation in the global economy, through its cultural industries. And, while not a program goal, indirectly the program also contributes to “helping Canadian businesses compete globally”, a government priority, by helping Canadian publishers market their books in over one hundred countries.

The Program also contributes to Canada being “at the leading edge in science, business, the arts and sport”.²² One example of this is the recent development of “state of the art” bibliographic standards through the Supply Chain Initiative.²³ In addition, the Program has helped developed writers who have gone on to win prestigious international awards.

It can also be argued that by supporting Canadian book publishing, BPIDP contributes to the vitality of the cultural industries, which are considered internationally to be one of the cornerstones of the future economy because they foster creative communities.²⁴ The proponents of this thesis, developed by a US professor of economics in 2002,²⁵ argue that creativity, imagination, experimentation and appreciation of difference fuel economic growth in cities, and that what attracts creative people to these cities are a clean environment, a tolerant society, high levels of education and skills, and a rich and accessible arts environment. Supporting the Canadian book publishing industry is consistent with this vision and would support the Canadian government’s view that “talented, skilled, creative people are the most critical element of a successful national economy over the long term”.²⁶

3.2 Program Success

The ultimate outcome of BPIDP is “increased access to a diverse range of Canadian-authored books in Canada and abroad”. It is logical to assume that to achieve this ultimate outcome, it is important to foster a strong and diverse population of Canadian-owned publishers across all regions (immediate outcome) that in turn produce a diverse range of Canadian-authored books (intermediate outcome).

²¹ PCH, Cultural Policies, Books: http://www.pch.gc.ca/progs/ac-ca/pol/livre-book/index_e.cfm

²² Government of Canada, 2007 Budget, <http://www.budget.gc.ca/2007/pdf/briefe.pdf>

²³ Government of Canada, Speech from the Throne, April 4, 2006: <http://pm.gc.ca/eng/media.asp?id=1087>

²⁴ <http://www.washingtonmonthly.com/features/2001/0205.florida.html>

²⁵ ‘Creative Cities’: the role of the Melbourne 2030 strategy in enhancing Melbourne’s competitive advantage as one of the world’s most creative and liveable cities, Speech to the Australian Fabian Society, 2 February 2004, http://www.fabian.org.au/files/050202Creative_cities.pdf

²⁶ Department of Finance, Mobilizing Science and Technology to Canada’s Advantage, Executive Summary, <http://www.ic.gc.ca/cmb/welcomeic.nsf/532340a8523f33718525649d006b119d/c682d92ba63a5e1e852572de00503b8e!OpenDocument>

3.2.1 A Strong, Diverse Population of Canadian-Owned Book Publishers

The evaluation found that BPIDP contributed to the viability and diversity of the Canadian-owned book industry across Canada.

BPIDP's financial support to the Canadian-owned book industry has helped ensure its stability and the viability of Canadian-owned publishers during the period under review. Since 2003, BPIDP has contributed to the viability of approximately 220 publishers, which in turn enables them to develop new authors and diverse Canadian cultural content. These include regional publishers, Official Language Minority publishers (16 publishers) and Aboriginal publishers (two publishers²⁷). English- and French-Canadian publishers constitute a highly diverse community in terms of editorial specialization, company size and regional location. For example, the BPIDP 2005-06 annual report indicated that the 220 qualifying BPIDP publishers were based in over 80 different Canadian communities. In addition to large concentrations of publishers in Quebec and Ontario, 23 are from British Columbia, 14 from Alberta, four from Saskatchewan, eight from Manitoba, and 10 from the Atlantic region, including linguistic minority community publishers. BPIDP's administrative data shows that the number of ATP recipients grew from 185 to 226 between 1993 and 2006-07.

“BPIDP has helped support the creation of publishing houses in many communities across Canada. Ten years ago there were very few publishers outside Montreal, Toronto and Vancouver. Now there are publishers in about 85 communities across Canada”

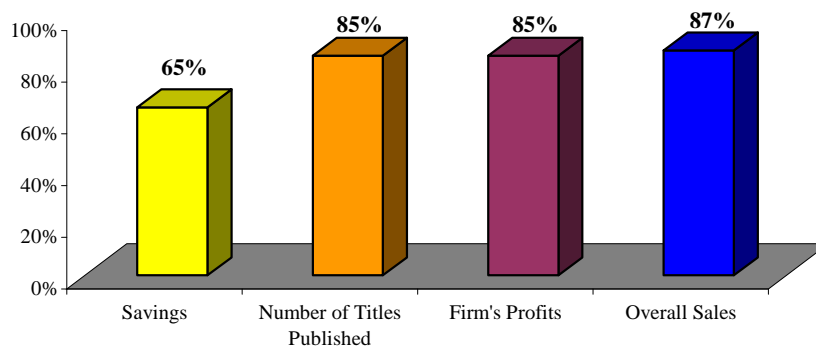
Key informant interviewee

For the years covered by the evaluation, the number of eligible publishers has remained relatively constant, fluctuating from 217 to 226, depending on the year. This has occurred during a period where there has not been an increase in funding since 2001. Taking inflation into account, this lack of increase translates into a decrease in funding for publishers, according to the analysis of BPIDP administrative data.

As illustrated in Exhibit 5, the majority of publishers surveyed in the context of the evaluation confirmed that BPIDP had a considerable positive impact on their firms' overall sales, profits and number of titles published. This allows Canadian-owned publishers to develop diverse Canadian cultural content for readers domestically and abroad, which is the program's ultimate goal.

²⁷ Overall, there about 20 organizations across Canada that publish Aboriginal content but only three or four are “official” publishers. Given the environment in which Aboriginal publishers operate (e.g. small and isolated communities, characterized by lower education levels, various languages, and cultures in which the oral traditions are still very alive) and, despite the fact that the Program has lower thresholds and proportionally higher support (through the ATP funding formula and CI internships) for Aboriginal publishers, it is challenging for Aboriginal publishers to meet thresholds required to be eligible for ATP. Like other very small publishers, they rely more heavily on the Canada Council for the Arts for support.

Exhibit 5: Percentage of Publishers Reporting Some or Considerable Positive Impact from BPIDP on Savings, Number of Titles Published, and Profits/Sales



Source: Survey of Publishers

While it is clear that BPIDP has contributed to the health of the Canadian-owned book publishing industry, the industry nonetheless remains in a fragile state. This vulnerability is more apparent for smaller firms, as demonstrated in section 3.1.

3.2.2 Increase in the Diversity and Range of Books and Authors

By supporting a wide range of publishers, BPIDP contributed to an increase in the diversity of titles and authors across the country, with smaller publishers contributing significantly to the development of new authors.

It can be assumed that the presence and diversity of publishers across Canada provides the basis for generating a substantial and diverse production of Canadian-authored titles. BPIDP supported the publication of over 6,000 new titles annually, ranging from 6,270 in 2003/04 to 6,738 in 2006/07 – an overall increase of approximately 7% for all categories, as Table 3 indicates.²⁸ The average number of new titles per publisher rose slightly from 28.4 to 29.8 during the same period.

Table 3 – Total Number of Eligible New Titles by Commercial Category

Year	Educational	Scholarly	Trade	All Categories
	Total	Total	Total	Total
2003-04	1,302	414	3,588	5,304
2004-05	1,189	460	3,340	4,989
2005-06	1,273	476	3,316	5,065
2006-07	1,614	507	3,661	5,782

Source: BPIDP Administrative Data

²⁸ These figures also include foreign-authored titles (though only a very small number – those eligible by virtue of having been translated or adapted by a Canadian).

The BPIDP 2005/06 annual report indicated that, in terms of types of books being published by Canadian-owned publishers, based on BookNet's sales tracking in 50 categories, ATP-funded publishers were present in all categories.²⁹ According to the data, their sales were more evenly spread across subject groupings than the sales of other publishers operating in Canada, whose sales were concentrated in adult fiction and juvenile fiction.

Another indicator of diversity is the number of first-time authors that were published by BPIDP funded publishers. According to the administrative data provided for 2006-07, there were 988 first-time authors published by BPIDP funded publishers³⁰. The median number of first-time authors published was 3, with very similar medians occurring across the various size categories of publishers (range of 2 to 6). Considering the total numbers of authors published by each firm, the smaller and medium-sized firms have considerably higher proportions of first-time authors. Many of the regional publishers are within the smaller size categories. Hence, it can be inferred that BPIDP has been contributing to the diversity and range of books in Canada, particularly through its support of small and medium-sized publishers.

3.2.3 Enhanced Professional Skills and Industry Knowledge

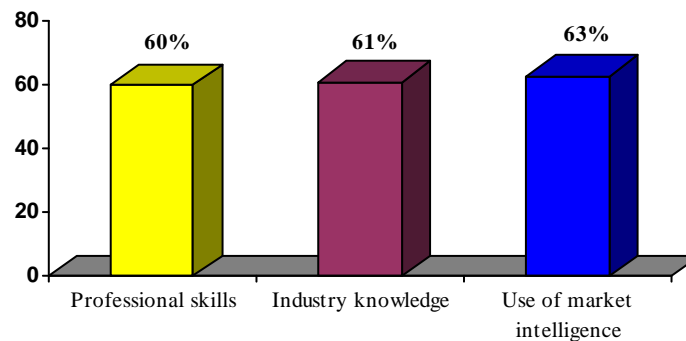
BPIDP contributed to enhancing the professional skills and industry knowledge of Canadian-owned book publishers. The reported impact varied among English- and French-language publishers but was more important for smaller publishers.

The evaluation found that BPIDP contributed to enhancing the professional skills of the majority of recipients, as well as their knowledge of the industry, which are considered necessary elements to remain competitive in the industry to meet program goals. The finding is based largely on stakeholders' view and publishers' own assessment gathered through the survey and key informant interviews, as it was not possible to quantify these types of results. As illustrated in Exhibit 6, the majority of BPIDP recipients (60% or more) surveyed reported that the support received from the program assisted them in achieving these results. Key informant interviewees reported many improved professional skills, such as improved production skills, management and marketing skills, website management, and improved computerization skills. And, while not a primary program objective, a majority of publishers reported the Program contributed to an increase in their capacity to use market intelligence as cited by 63% of survey respondents and key informant interviewees.

²⁹ PCH, *The Book Report 2005-06*, p 17-18: http://www.pch.gc.ca/progs/ac-ca/progs/padie-bpidp/reports/bookreport/05-06/05-06_e.pdf

³⁰ "First-time" author means an author who has never been published before by any book publisher.

Exhibit 6: Percentage of Publishers Reporting Some or Considerable Positive Impact of BPIDP on Professional skills, Industry Knowledge



Source: Survey of Publishers (n=139)

All BPIDP components and activities contributed to these results. However, the data indicates that an important contributing factor to these results has been improvements to the supply chain, discussed in section 3.2.6., a program outcome associated more with CI than SCI. This is likely due, in part, to the fact that a much larger portion of respondent publishers had benefited directly from SCI support rather than from CI support³¹, which helps to support knowledge and skill development through funding for collective professional development projects undertaken by representative associations in various sectors of the book industry. Participation in book fairs and trade shows (with the support of CI and IMA) was another source of learning and skills acquisition for publishers, particularly attendance at international book fairs, and can be considered another unintended program outcome. For example, 53% of publishers who attended international book fairs indicated that this activity has considerable impact on their professional skills and industry knowledge, compared to 33% for domestic book fairs. The Frankfurt Book Fair, the primary venue for selling and buying foreign rights, was singled out as the most important international book publishing fair.

«The AECB has a lot of experience with exporting. When you arrive at international book fairs, it's great to have someone knowledgeable about exporting to talk to.»

Focus group participant, Montreal (original quote in French)

Approximately one-quarter of BPIDP recipients (32% of firms with revenues less than \$1M versus 11% of firms with revenues over \$1M³²) received funding to hire an intern. The file review provided several examples of successful projects, as well as benefits for recipient organizations. Most of the information available in the files related to project outputs, as publishers had to report soon after the conclusion of their project. Nevertheless, in the files reviewed, all those who hired interns reported benefits for the firm. These varied across publishers and included being able to provide services in a more efficient and timely basis; contribution of the intern to the conclusion of several rights agreements; and increased

³¹ SCI publisher respondents n=106 vs. CI publisher respondents n= 37. *Source: Survey of Publishers*

³² The difference can be attributed, in large part, to BPIDP instituting a rule during the period covered by the evaluation limiting internship support to publishers with revenues under \$1M.

industry knowledge. A few publishers reported the amount of paper work and reporting required from BPIDP, as a challenge resulting from hiring an intern.

A few book publishers indicated that they had employed the intern after the internship ended and being able to train that new employee was viewed as a benefit; other benefits cited included increasing marketing efforts or developing export markets. The main challenge of offering an internship was the lack of capital to offer a competitive salary for the intern after the internship was over. A few respondents noted that they were not able to retain the intern at the end of the training period for that reason; not having sufficient time to devote to the intern, or lacking sufficient physical space for the intern.

As for the few firms that received BPIDP funding for strategic business planning purposes (5% overall), some reported a significant impact for the firm. Reported benefits included: implementing a successful succession strategy by attracting new shareholders and private equity; developing a clearer marketing strategy and changes in the approach to grow the business successfully; or, introducing improvements in human resources management, budgets and other administrative functions.

3.2.4 A More Effective and Efficient Canadian Book Supply Chain

BPIDP support for the adoption of new technologies has significantly helped publishing firms in several areas, such as capacity to produce and transfer electronic bibliographic data, to digitize business processes, and to market via the Web, which in turn contributed to increased efficiency and savings for Canadian-owned publishers.

The book publishing academics interviewed concurred that there are two areas that can help Canadian book publishers achieve higher profit margins. One is increasing revenues through exports; the other is achieving savings through the supply chain.

With the support of BPIDP, both the French- and English-language book industries have taken advantage of new digital technologies to create efficiencies in the supply chain for books, connecting publishers and distributors to retailers and book-buyers. The results from interventions undertaken through the Supply Chain Initiative can be more directly attributed to BPIDP due to the targeted nature of the funding. Efficiency gains include a better understanding of the marketplace and enhanced abilities to make corporate decisions and implement management practices.

Through BookNet Canada (BNC) and the Société de gestion de la banque de titres de langue française (BTLF), the industry has committed itself to generating high-quality bibliographic data as the foundation for efficient digital ordering systems. Both agencies, which are funded through the BPIDP Supply Chain Initiative, have developed bibliographic data standards for book publishers and bibliographic certification criteria. By these means, publishers can achieve standardized levels of digital bibliographic capability and are certified by BookNet or the BTLF for their participation in online book ordering using an electronic data interchange (EDI) system, which is done according to widely used specifications known as ONIX³³.

³³ Many book sales are driven by large retail chains and online retailers and distributors that require that publishers

BookNet Canada has been successful in developing its “SalesData” service for the English-language book market, which tracks point-of-sale data for all titles within a large portion (currently about 70%) of the retail bookstore network. The data is supplied by Canadian book retailers weekly, enabling subscribing publishers to monitor the actual rate of sale for each title, as compared to the number of copies shipped to stores and remaining unsold. This system, available in other countries for several years but not in Canada until 2006, equips publishers with the market intelligence to manage inventory supplies, book returns and reprint requirements with greater accuracy and efficiency.

The use of Electronic Data Interchange (EDI) promoted by BookNet and the BTLF with BPIDP support, also led to an increase in savings and sales revenue for many publishers, according to key informant interviews. Saving were considered a desirable outcome by industry stakeholders, including publishers, as it helps offset the costs involved in adopting new technologies. Although it was not possible to directly attribute or quantify efficiency gains and savings resulting from the adoption of new technologies, there is ample anecdotal evidence from publishers who reported that SCI had some or considerable positive impact in several areas of their business³⁴. 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 (see Exhibit 7).

“In terms of the supply chain technology, we are world class.”

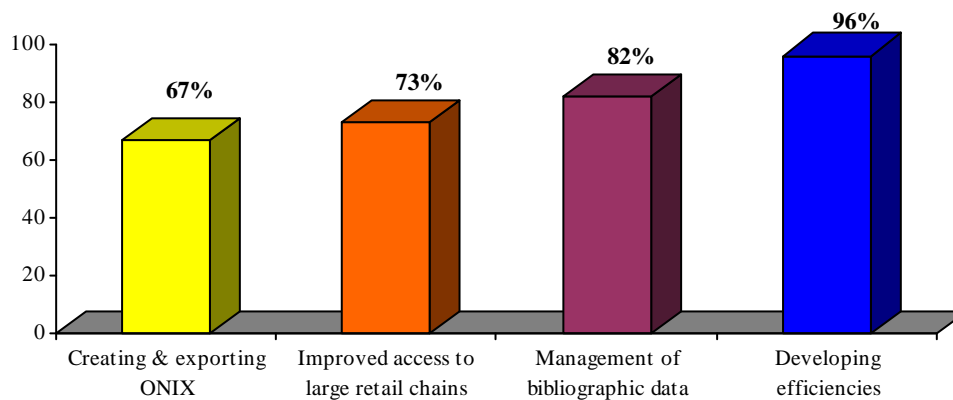
Toronto Focus Group Participant

The majority of focus group participants and key informants attributed to BPIDP improvements in the updating and digitization of bibliographic data and the increased use of EDI. In the English-speaking focus group, all participants agreed that BookNet is a major success. Sending data electronically is saving money for publishers and allows them to consider the potential of new technologies in other areas of publishing (e.g. e-books, electronic marketing, etc.).

provide them with title information in formats according to ONIX specifications. ONIX is both a data dictionary of the elements which go to make up a product record and a standard means by which product data can be transmitted electronically by publishers to data aggregators, wholesalers, booksellers and anyone else involved in the sale of their publications. ONIX was originally devised to simplify the provision of product information to online retailers.

³⁴ Some associations (between 25% to 46 %) believe that SCI had a large impact or very large impact on book publishers. However, between 41% and 49% indicated that they did not know what impact SCI had on publishers. Few believe that it had no impact. *Source: Survey of Stakeholder Associations (n=37)*

Exhibit 7: Percentage of Publishers Reporting Some or Considerable Positive Impact of Supply Chain Initiative on Aspects of their Business



Source: Survey of Publishers (n=111)

Many English-language focus group participants cited BookNet as an example of the Canadian-owned book publishing sector working collaboratively, and considered it a “great strength” that SCI is making EDI affordable for smaller Canadian publishers.

While the BTLF, for a variety of reasons, has made less headway than BookNet in terms of developing a tracking sales data service for francophone publishers, it has developed a partnership with a similar organization in France (ELECTRE). This arrangement allows for title information from Canadian publishers to be transmitted to European buyers and distributors and to be made available through an electronic catalogue. The partnership also gives Canadian publishers access to technology that allows for a preview of a book’s content via the Web. BTLF, which attributes these results in part to BPIDP support, considers these new developments as promising increased international visibility for Canada’s French-language publishers, and hopes that they will translate into increased export sales.

« [SCI] allowed BTLF’s members to reach higher bibliographic data standards. This has allowed publishers to be included in the French database ELECTRE and increased their visibility in Europe. ELECTRE is essential to reach the French and European market »

Key informant interviewee (Quote originally in French)

3.2.5 A More Competitive, Strategic and Informed Industry

The large majority of recipients between 2003 and 2007 reported that the program increased their capacity to be competitive and strategic. In addition, while not a direct objective of the program, it has assisted publishers in addressing human resources and succession issues.

There were limited data available to assess increases in competitiveness and strategic orientation. The evaluation found that there was a general perception among key informants that BPIDP had contributed to publishers becoming better informed, competitive and strategic. Key informants (PCH staff, academics, other stakeholders) believe that publishers

are better able to make business decisions and are better able to plan for the future (better strategic outlook) as a result of their participation in the program. Several of them provided concrete examples of BPIDP supported activities (e.g. professional development, mentoring, market studies, collective marketing, etc.) designed to enhance publishers' industry knowledge and capacity to be more competitive and strategic.

In addition, eight out of ten publishers (80%) surveyed felt that BPIDP had some or a considerable positive impact on their capacity to be strategic and almost two thirds (64%) felt that BPIDP had some or a considerable positive impact on publishers' strategic business planning capacity. This can be largely attributed to SCI³⁵, but also to activities funded through other components, such as attendance at book fairs, professional development opportunities, internships and business planning initiatives, market studies, collective marketing, etc. These factors are more difficult to measure.

As noted earlier, business succession remains an important challenge for Canadian-owned book publishers. Also, addressing human resource needs, particularly middle management³⁶, is another issue that publishers struggle with. Although these are not expected outcomes of BPIDP, the survey captured publishers' perceptions of BPIDP's impact on publishers' capacity to address these issues: One third (31%) felt BPIDP had some or considerable positive impact on their capacity to address succession issues and four out of ten (41%) felt it had some or considerable positive impact on their capacity to address HR issues.

3.2.6 *Providing Collective and Individual Promotional activities in Canada and Abroad*

BPIDP supported a wide range of individual and collective marketing and promotional initiatives in Canada and abroad that publishers could not have undertaken easily, or at all, on their own.

CI has been the primary funding vehicle for BPIDP recipients to conduct collective promotional activities in Canada and IMA primarily³⁷ for individual publishers' activities conducted abroad. In terms of CI, for instance, PCH's Book Report (2005-06) noted that 78% of CI component funding for that year (or \$2.4M) supported 78 marketing and promotional projects. During the evaluation period, BPIDP has allowed publishers and book publishing industry associations to undertake a wide range of promotional and marketing activities, such as participation in book fairs and festivals, author tours, collective catalogues and promotional campaigns, marketing studies, etc. The text box on the next page provides examples of some of the marketing and promotion projects that CI supported.

CI funding supported, for example, book-related events in various locales (large or regional centers, rural or remote areas), allowing thousands of visitors (Canadian and foreign) to be exposed to Canadian authors and books and providing them with a cross-cultural

³⁵ SCI publisher respondents n=106 vs. CI publisher respondents n= 37. *Source: Survey of Publishers*

³⁶ Typically staff that would be in charge of marketing, business planning, etc.

³⁷ The majority of IMA support is for individual marketing (the exceptions being collective catalogues and the Canada Stand – the service provision vs. the Gs&Cs which are almost all directed to individual companies).

experience.

According to key informants interviewed for the evaluation, BPIDP support allows for economies of scale in marketing and promotional activities that many publishers would not be able to afford on their own. The majority of the book industry associations interviewed indicated that BPIDP was an essential funding component for their projects (e.g. many could not have undertaken the activities without the support of BPIDP, or accessed additional funding from alternative sources to undertake the activity).

Examples of CI-Supported Activities

- Montréal World Book Capital 2005
- First Nations Communities Read
- BC Books for BC Schools catalogue
- Atlantic Publishers Marketing Association Holiday Flyers 2005
- Diaspora Dialogues Literary Festival
- Northrop Frye International Literary Festival
- Salon du livre de Montréal
- Word on the Street Heritage Tents

Source: The Book Report 2006/06 (PCH)

In terms of international marketing, the IMA component allowed publishers to participate in international book fairs and trade shows, in order to meet with distributors and bookstores abroad and sell foreign rights. For instance, IMA's Foreign Rights Marketing Assistance Program (FRMAP) is designed to help publishers defray the costs of export sales trips and travel to international trade fairs. According to the AECB Annual Report (2006/07), FRMAP funding made possible a total of 597 trips abroad; publishers traveled to 92 international trade fairs worldwide (96 in 2005–06) and received support for 85 individual export sales visits abroad (72 in 2005–06).

One of the major supports provided to publishers at international book fairs is the Canada stand, which provides a central location for publishers to promote their books and meet prospective clients and partners. BPIDP support to the AECB allowed the organization to purchase the Canada stand for the 2007 and future editions of the London Book Fair (AECB Annual Report, 2006-07).

Despite the numerous undertakings related to marketing and promotion, some key informants indicated that, like publishers, many independent bookstores are operating on very thin margins, which limits their ability to promote books and authors. As these play an important role in getting books to readers, these same key informants suggested increased support for promotion of Canadian authors by bookstores.

3.2.7 Awareness and Access in Canada and Abroad

While is not possible to directly measure the outcome of the program in terms of public awareness of Canadian-authored books, by using indicators, such as sales, and proxy indicators such as number of titles available to readers and Canadian publishers' presence in international markets, it can be inferred that BPIDP did contribute to increased awareness of and access to Canadian-authored books in Canada and abroad.

The evaluation used stakeholders' perceptions and proxy indicators to further investigate awareness and access in Canada and abroad to Canadian-authored books. These included sales of eligible titles (domestic and export); readership levels of Canadian-authored books (domestic); and international presence of Canadian-owned publishers (i.e. number of countries in which Canadian-owned publishers have business activities).

On average, sales, both domestic and export, for BPIDP recipients have increased. As described earlier, domestic sales of eligible titles among BPIDP ATP recipients has increased by approximately 7% over the period covered by the evaluation. During this same period, export sales data provided by the 90 Canadian publishers that received IMA and reported export sales for fiscal years 2003-04 to 2006-07 inclusive, overall experienced a decrease in total export sales of 15% (from \$90.5M to \$76.9M), attributable in part to the strength of the Canadian dollar during this period. Despite this decrease in overall export sales, the median level of export sales increased by 18% from \$221K to \$263K. This seemingly contradictory trend is due to a few of the largest exporters seeing a decrease in export sales, while the majority (55%) experienced increases across this time period.

Most IMA recipients surveyed reported attending an international book fair between 2004 and 2007. For example, in 2006, Canadian publishers traveled to 92 international trade fairs worldwide, according to the AECB Annual Report (2006-07). The AECB 2004-05 Annual Report indicated that Canadian publishers sold into 102 countries, compared to 41 in 1993.

Using readership as a proxy indicator for awareness and access, the evaluation found evidence that Canadian readership rates have remained stable in recent years. The *Reading and Buying Books for Pleasure* surveys (PCH 2005) found that reading remains a popular activity among Canadians, yet the average time spent reading remains similar to an earlier study commissioned by the Department in 1991 and referenced in the report. Overall, it found that Anglophones (average number of books read: 17.6) read more books than Francophones (average number of books read: 13.9), and that 37% of Francophones outside Quebec had not read a single book in French in the previous 12 months.

The national survey *Reading And Buying Books For Pleasure* (PCH: 2005) and 2008 *Canadian Books Readership Study* (PCH:2008) indicate that the proportion of Canadians who are "very" or "somewhat" familiar with Canadian authors has not changed over the three year period of 2005 to 2008 (33% in both studies). Similarly, there was little change during this same period between the proportions of Canadians that reported having at least some familiarity with Canadian authors (2005: 72%, 2008: 74%)³⁸.

A report on English-language book sales, *Book Buying Attitudes and Behaviours* (Canadian Publishers' Council 2004), found strong evidence of Anglophone Canadians' dedication to reading, but considerably less adherence to reading books specifically because they are Canadian. Furthermore, in the *Reading and Buying Books for Pleasure* study (PCH 2005), 62% of respondents indicated that they were interested in reading Canadian writers but only 15% of buyers stated that the author's being Canadian is an important buying criterion. The same study found that nearly half of buyers (47%) did not know (or did not care about) the author's nationality at the time of purchase.

³⁸ Respondents claim to have already read at least one book by a Canadian author.

Access to Canadian books appears to be an issue for some Canadians. Almost one-half would purchase more Canadian books in an average year if they could find them more easily.³⁹ In the same study, overall, less than one-third would buy more Canadian books if they were translated into the official language of their choice. All these findings suggest that readership of Canadian-authored books might go up if more buyers were better able to identify and access books by Canadian authors.

3.2.8 Reflecting English/French Linguistic Duality and Supporting Official Minority Communities in Canada

BPIDP contributed considerably to the sustained presence of both English- and French-language publishers across all Canadian regions, including Official Language Minority (OLM) publishers. BPIDP support has contributed to access by French OLM publishers to the Quebec market, which is vital for them.

The evaluation, based on various sources of evidence, concluded that BPIDP is a significant contributor to the viability of both English- and French-language publishers across Canada, including OLM publishers. The breakdown between French- and English-language publishers has remained relatively constant across the four-year scope of the evaluation.⁴⁰ Throughout the past four years, there have been slightly higher proportions of English-language publishers (54%-56%) when compared with French-language publishers (44%-46%).

The number of OLM publishers receiving ATP funding has remained relatively constant over the past four years, ranging from 11 to 13 publishers. In the most recent year (2006-07), there were 12 OLM publishers, with 50% from Quebec (6 English-language publishers), and 33% from Ontario (4 francophone publishers). There was also one French-language publisher in Atlantic Canada and one in the Prairies receiving ATP funding over the four-year period. During the same period, the proportion of new titles from OLM publishers rose 67%, as table 4 shows. As a proportion of all new titles, the number of OLM titles rose from about 3% to 5%.⁴¹

Table 4 – Number of Titles Produced by BPIDP-Funded OLM Publishers

OLMC Titles			
Year	Total # of titles - all OLM publishers	Average # of titles per OLM publisher	Number of OLM Publishers receiving ATP funding
2003-04	267	20.5	13
2004-05	422	38.4	11
2005-06	318	24.4	13
2006-07	447	31.9	14
Increase (%)	67%	55%	7%

Source BPIDP Administrative Data

³⁹ 2008 Canadian Books Readership Study (PCH:2008)

⁴⁰ As seen in section 3.2.1, there was a slight increase in the number of English language publishers in the last few years (117 to 126) while the number of French language publishers has remained stable at 100.

⁴¹ These figures are associated with publishers funded by BPIDP.

This data shows that BPIDP has responded to the needs of English- and French-language OLMs in Canada. For instance, in 2005-2006, the available support for OLM publishers increased by approximately 25% in order to better address their unique situation and contribution to Canadian cultural life. Funding to the francophone OLM association of publishers, the Regroupement des éditeurs canadiens français (RECF), resulted in strengthening these firms through an agreement with a distributor to ensure that their titles have adequate marketing in Quebec, as the quote in the text box indicates.

«RECF helped a lot in the consolidation of French-language publishers outside Quebec by establishing a contract with a distributor specifically for them. It also assisted by operating shared kiosks at book fairs, with the production of catalogues, with promotion on the internet and with a promotional plan for bookstores. »

Key informant interviewee (original quote in French)

Level of Satisfaction of OLM with BPIDP Services

The evaluation also examined the level of satisfaction of OLM publishers with program efforts to support them. As only a proportion of OLM publishers responded to the survey, the responses are not statistically significant. Those who provided answers expressed the same level of satisfaction with BPIDP management and services as other publishers; and as with the other publishers, they indicated that the application and reporting processes were burdensome, and the time required to process applications was too long.

3.2.9 Unintended Impacts

The evaluation did not find any significant unintended impacts. Interviews and focus groups revealed that the main positive unintended impact has been that BPIDP requirements (e.g. application and reporting requirements) resulted in improved administrative practices for several publishers.

3.3 Value for Money

Most of BPIDP's budget is directed toward providing Gs&Cs, and, overall, the program is managing grants and contributions efficiently. Eliminating duplication and streamlining application and reporting requirements and processes would lead to further efficiencies. A key concern raised by the evaluation is the program's ability to demonstrate cost effectiveness. BPIDP's formula funding approach and limited performance reporting required of recipients presents issues when determining the cost-effectiveness of the program. Although the evaluation found that BPIDP has likely contributed to the desired program outcomes, the factors noted above do not allow this contribution to be quantified.

Over the last few years, the Government of Canada has increasingly placed emphasis on measures that will improve public confidence that public resources are being spent in sound ways. Witness the work of the Auditor General's Office in delivering strong messages about the performance of various federal programs. Subsequent to these and related events, the current government has introduced measures to enhance accountability to Canadian citizens. The introduction of the Federal Accountability Act in 2006 is an example of such measures. Other activities, such as the renewal by Treasury Board of its Expenditure Management System (EMS), which requires systematic, evaluative information on the full range of government programs over a fixed cycle, are designed to allow government to better track where resources are being used and where adjustments and improvements may be made.

Within the public sector, value-for-money principles are increasingly being espoused as a means of assessing the activities and programs that government invests in. The 2006 federal budget committed to using value-for-money to inform priority-setting and decision-making. As a result, TBS has directed evaluation units to focus more diligently on issues of program economy, efficiency and cost-effectiveness. Each of these elements is described as follows:

- Economy – obtaining and using the optimal mix of resources, taking into consideration quality, quantity and cost. A lack of economy could occur, for example, when there is overstaffing or when overpriced facilities are used.
- Efficiency – the optimization of outputs produced with a given amount of resources. Increased efficiency occurs where a given level of outputs is produced at lower cost, or more outputs are produced without increasing costs. Identifying work or assets with no useful purpose reveals inefficiency.
- Cost Effectiveness – the minimization of the unit cost of outcomes.

The evaluation's assessment of the program's performance in each of these areas is provided below.

3.3.1 Program Economy

Table 5 illustrates that annual program expenditures have been consistent over the past three years at approximately \$38M - \$39M, with an average of 94.8% of program expenditures in the form of grants and contributions for book publishers and industry organizations. Salaries and benefits accounted for 3.7%; operating costs accounted for 1.5%; on average.

Table 5 – Three-Year BPIDP Program Expenditures

<i>Expenditures</i>	2004/05	2005/06	2006/07	Average %
Gs & Cs	\$37,110,122	\$37,801,075	\$36,277,136	94.8%
Salaries and Benefits	\$1,353,738	\$1,448,632	\$1,533,182	3.7%
Operating Costs	\$680,265	\$590,256	\$499,682	1.5%
Total	\$39,144,125	\$39,839,963	\$38,310,000	100.0%

Source: BPIDP Administrative Data

Table 6 presents average annual Gs&Cs disbursed by each BPIDP component, compared with expenditures and full time equivalents (FTEs) of Canadian Heritage employees dedicated to program management from 2004/05 to 2006/07. Across components, 97.7% of expenditures of the Aid to Publishers component, 95.0% of the Supply Chain Initiative, 89.8% of the Collective Initiatives, and 85.2% of International Marketing Assistance components went directly to funding Gs&Cs. As per its contribution agreement with PCH, a portion of the IMA budget has been used to provide value-added export services to publishers, as well as to support operational costs of the AECB associated with program delivery.

Table 6– Average Annual Program Expenditures by Component (2004/05-2006/07)

<i>Component</i>	Gs&Cs	FTEs	Salaries & Benefits	PCH Operating Costs	AECB Operating and General Overhead Costs
Aid to Publishers	\$26,479,474	6.7	\$505,846	\$129,528	N/A
Collective Initiatives	\$3,407,465	7.7	\$388,937	* ⁴²	N/A
Supply Chain Initiative	\$3,033,018	2.3	\$159,375	*	N/A
IMA (PCH)	\$4,142,821	0.5	\$41,587	*	N/A
IMA (AECB)		6.3	\$349,439	N/A	328,862
Overall	\$37,062,778	23.5	\$1,445,184	\$261,205 ⁴³	328,862

Source: BPIDP Administrative Data

/A=Not available

In addition to the 0.5 Canadian Heritage FTE dedicated to managing International Marketing Assistance, AECB dedicated, on average, 6.3 FTEs to manage IMA over the last three years. This consisted of 1.24 FTEs to administer the IMA sub-components (EMAP, FRMAP, EEDF, and NMDF until 2005/06); and 5.09 FTEs to provide export services to book publishers⁴⁴ as specified in its contribution agreement with PCH (e.g. Canada stand, professional development, catalogues, market intelligence, etc.). The annual salaries and benefits of these AECB personnel for these activities amounted to \$349,439, over the period 2004/05 to 2006/07. In other words, the AECB used about 51.5% of the administrative fee received for the total amount of the IMA Gs&Cs administration, as per the contribution agreement.

Operating Costs

BPIDP operating costs also varied across components. The PCH operating costs for Aid to Publishers averaged \$129,529 for the past three years. The PCH operating costs for the remaining components (e.g., Collective Initiatives, Supply Chain Initiative, and IMA) are not discrete and cannot be assigned to each component. These operating costs averaged \$131,678, bringing total PCH-related annual operating costs to \$261,205 for BPIDP over the last three years. AECB's operating costs specific to IMA were not broken down and are subsumed under overhead costs, for a total of \$328,862.

⁴² Operating costs could not be broken down by component.

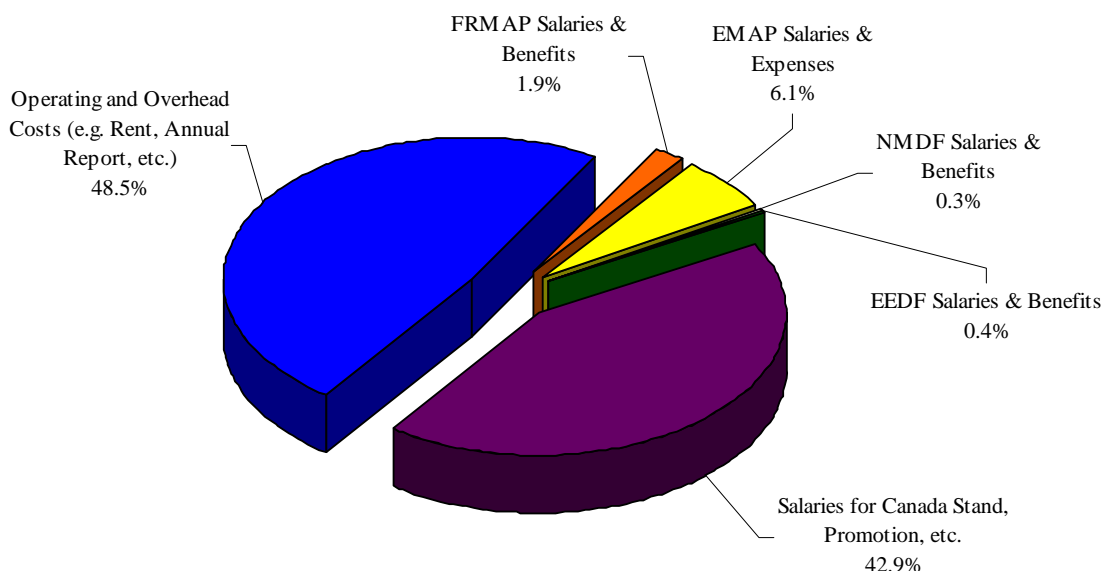
⁴³ In addition to the 129,528 in direct operation linked to managing ATP, there is \$131,677 in other operating costs that cannot be assigned to any specific component. While some of these costs are relevant (because of Book Policy management oversight of both SCI and IMA at different times during the evaluation period), that cost centre also includes operating costs unrelated to BPIDP. In addition this amount does not include indirect operating costs such as rent, etc.

⁴⁴ In addition, PCH staff also provide some services to publishers on export but the amount could not be isolated from other activities.

General Overhead Costs

PCH incurs general overhead (e.g., rent, utilities, etc.). However, these costs are distributed over all PCH programs, and the share applicable to BPIDP is not reported in the BPIDP numbers in Table 6. Operating and general overhead costs represent a significant share of AECB administrative expenses, at 48.5%. These costs consist of rent; holding Board of Directors meetings; annual report; travel; office and general expenses; database; interest recovery on PCH funding; and GST. Please refer to Exhibit 8 below, for a complete breakdown of AECB's IMA-related expenditures for salaries, benefits, and general overhead costs.

Exhibit 8: Breakdown of AECB Expenditures Related to IMA

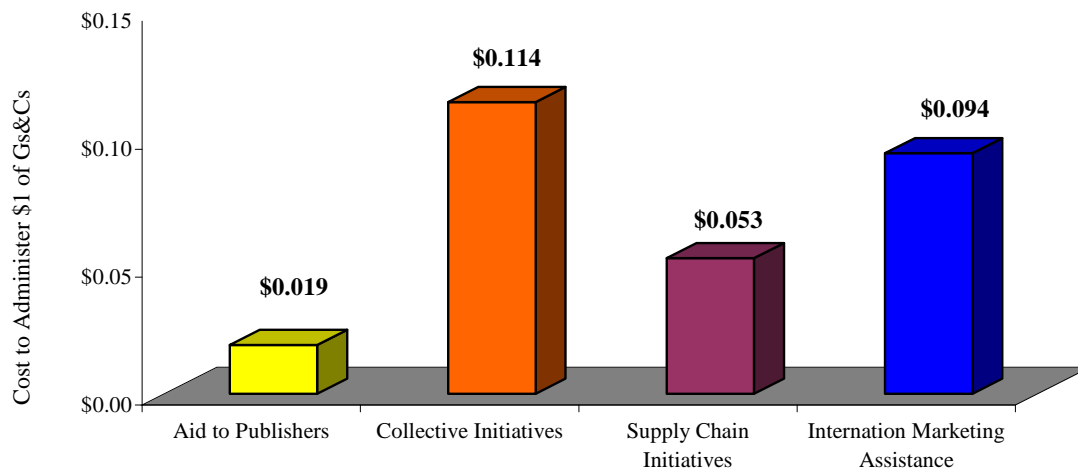


Source: AECB administrative data

3.3.2 Program Efficiency

The outputs of BPIDP are the contributions it delivers to Canadian publishers and book industry organizations. The cost to administer one dollar of BPIDP contributions is therefore a useful measure of the efficiency of the program.

Exhibit 9 illustrates the average costs over the period 2004/05 to 2006/07 to administer one dollar of Gs&Cs across BPIDP program components. The figures show that the cost of administering each of the components is a factor of the manner in which Gs&Cs are used. Specifically, a formula funded program such as Assistance to Publishers can be managed in a relatively more efficient manner than predominantly project funded program such as Collective Initiatives that requires more managerial oversight.

Exhibit 9 – BPIDP Cost to Administer \$1 of Grants and Contributions

Source BPIDP and AECB Administrative Data

It should be noted that the costs in Exhibit 9 represent only direct costs and not full costs. Only salaries and benefits, and some operating costs specific to programs have been included. Approximately \$130K in operating costs incurred by Collective Initiatives and Supply Chain Initiative are not included in Exhibit 9, because PCH cannot discretely assign them to either component. Furthermore, the operating and overhead costs that AECB incurs in delivering the IMA component (approximately an average of \$328K over the last three years) are not included in the above figures. These costs, which include for example, office rent, Board of Directors, and GST, were excluded because similar costs that PCH incurs in managing ATP, CI, and SCI could not be determined. The full costs for delivering the IMA component, including managing its sub-components, providing direct services to publishers, overhead and PCH's FTE allocation, averaged 17.4 cents per dollar of Gs&Cs, over the last three years.

Internal Duplication

The evaluation found some overlap between the IMA and ATP components in terms of the application process and the administration of two sales based formulas which draw on essentially the same sales information. A few stakeholders pointed out that publishers who export must complete two different applications and provide essentially similar information on eligible net export sales for ATP (sent to PCH) and for EMAP (sent to AECB). While not an efficiency issue, the evaluation noted "double-counting" of publishers' export sales (including them in both the formula for ATP assistance and the formula for IMA assistance). PCH should consider a more in-depth review of the IMA and ATP application and approval processes to determine if and where there may be additional efficiencies available and whether double counting of export sales is supporting overall program goals. Further analysis could shed light on the possible impact of adjusting ATP and EMAP formulas.

Recipients' Satisfaction with Services

The majority of recipients reported being very satisfied with the quality of BPIDP services and the treatment they receive from PCH and AECB staff. Several recipients perceived the PCH management as knowledgeable and responsive to the industry, and described the staff team in charge of handling their files as helpful and courteous. However, a few noted that due to staff turnover, the level of knowledge of some officers about their firm's activities was lacking.

AECB staff was perceived as very knowledgeable and helpful, and its expertise in export was valued. This was particularly true with regard to providing useful export market intelligence, providing guidance with the sale of rights, and operating the Canada stand at international book fairs and trade shows on behalf of Canadian publishers.

However, data gathered through the various methods indicated long delays in processing applications. The majority of BPIDP recipients singled out the ATP and CI processes as being disproportionately drawn-out and particularly burdensome for smaller publishers and not-for-profit organizations (e.g. the time required to fill out applications or provide required documentation; direct and indirect costs of providing financial statements; reporting requirements, etc.)

It must be acknowledged that BPIDP management implemented some changes recently that could improve efficiency and ease the burden on small publishers (e.g. raising the revenue threshold for providing audited statements for ATP); it also introduced application deadlines for CI to avoid overlap between different application periods, reduce the time for processing applications, and allow for better program planning. Reducing the amount of information required and streamlining the process could lead to further efficiencies. The evaluation acknowledges that the program has to collect sufficient information from publishers to ensure sound stewardship and accountability. However, at the same time, there may be some information that does not need to be collected every year.

3.3.3 Cost Effectiveness of the Program

Measuring the cost effectiveness of BPIDP requires identifying the outcomes of the program, quantifying the outcomes, deriving a cost per unit of outcome, and then comparing this to a counterfactual to assess the cost effectiveness of the program. This is extremely challenging due to the design of the program, the evaluation design (lack of a comparison group), and the nature of the publishing business.

The program is designed to provide most of its Gs&Cs through a funding formula. While this approach is administratively efficient, one key drawback observed during the evaluation was the limited reporting on quantifiable program level outcomes that could be aggregated in a meaningful way. For example, recipients of ATP funding, the largest component by value, are required to complete a contribution report by May 31 of the year following receipt of funding. The report required recipients to provide a written description of the activities they undertook with their ATP contributions and the impacts on their production and marketing of Canadian-authored titles.⁴⁵ A review of a sample of these

⁴⁵ In supporting recipients' publication and marketing of Canadian-authored books, ATP supports a significant range and
Office of the Chief Audit and Evaluation Executive
Evaluation Services Directorate

reports revealed considerable variability in the information provided. Some publishers provided an excellent description of the activities they conducted, the impact they had on their firm, and the implications of not receiving the funding. Other publishers however, provided very general descriptions that lacked details on the activities they undertook, and some appeared to be “boilerplate” material that was perhaps developed for other reports. In other words, many reports are completed in a manner that is not helpful for BPIDP managers attempting to understand, measure, and aggregate program impacts. BPIDP management has attempted to address some of these challenges by proposing revised changes to the contribution report for 2008/09. After reviewing the proposed contribution report, evaluators have some suggestions for improving it further that could perhaps be best discussed outside of the evaluation report.

Compounding the challenges the evaluation team faced in determining the cost effectiveness of BPIDP is the nature of the publishing industry. There are numerous factors that likely influence the performance of publishers, the range of authors they promote, and the books they publish. These factors include their domestic and foreign competition, the willingness of retailers to carry their books, and the ability of publishers to retain highly skilled staff in key roles such as editorial and marketing, to name just a few. In addition, several other federal and provincial funding programs are available to publishers. Because of these factors combined with the evaluation design (lack of a feasible comparison group), it was not possible for evaluators to quantify the contribution that BPIDP made toward the outcomes desired by PCH.

Nevertheless, according to the various lines of evidence from the evaluation, BPIDP is likely making strong contributions to key desired outcomes. For example, according to the evaluation findings, BPIDP is encouraging firms to undertake activities they otherwise would not (e.g. pursuing export activities, adopting new technologies, taking editorial risks, publishing books that may be less commercially successful but culturally significant). This should assist in making available a greater number and variety of Canadian-authored books to readers domestically and abroad and potentially help publishers improve their competitiveness.

According to the key informants, focus groups and surveys of recipients, BPIDP is contributing to the diversity of publishers, and to the quantity and diversity of Canadian-authored books sold in Canada and abroad. One of the ways in which BPIDP contributes to this diversity is through its support to relatively smaller firms, many of which are regionally based publishers who do not have the financial means of larger firms. For instance, about 25% of publishers reported losing money in at least two of the last four years, including about 50% of the BPIDP-funded OLM publishers.

Without BPIDP funding, it is possible that some or many of these publishers would decide to exit the industry or focus only on publishing the most commercially successful titles. This may in turn result in a loss in the diversity of publishers, the regions they represent,

depth of recipients' activities. As a result, publishers use ATP funding to help offset a wide range of eligible expenses across nearly the full spectrum of their activities. In addition to a quantification of those expenses through the ATP contribution reports, BPIDP uses other sources of recipient reporting - including extensive financial and production data provided as part of ATP applications - to track and quantifiably report on the breadth of activity undertaken with the assistance of ATP.

and the books they publish.

3.3.4 Duplication with Other Programs Supporting Book Publishers

The evaluation found no explicit duplication between BPIDP and other programs, although there is some overlap between the mandates of BPIDP and the Canada Council for the Arts (CCA), as well as with provincial programs such as OMDC and SODEC. However, stakeholders indicated that these programs are complementary and all essential, in their different ways, for publishers. For instance, CCA focuses on literary publishing, while BPIDP supports a broader range of publishers.

Stakeholders reported that there have been efforts to eliminate duplications with other PCH programs (e.g. with Arts Presentation Canada) and with programs offered by others federal departments and the Canada Council for the Arts. However, a few publishers pointed out that there is a degree of duplication in the application processes of these various programs, which require similar information in different formats, and wished to see greater harmonization among them.

«Why can't we have greater harmonisation between programs - for example between BPIDP, the Canada Council for the Arts, and the AECB, who all ask essentially for the same information. But each time, we have to start again. It requires a tremendous amount of time... »

Focus Group Participant. original quote in French.

3.3.5 Transfer to Other Levels of Government/Other Organizations

The evaluation did not find any justification for transferring the program to provincial governments. Transferring program functions to the provinces would curtail the ability to undertake a national, industry-wide strategy for book publishing. It would also make reporting more cumbersome, and it would greatly increase the difficulty of maintaining a common approach to supporting the industry. In addition, only Quebec and Ontario have industrial-type programming to support book publishing (SODEC and OMDC); no other province has the infrastructure to take over functions currently performed by BPIDP.

While the program's administration of IMA through a not-for-profit third party, has been effective according to the information available, the evaluation did not find any justification for transferring the administration of other components of BPIDP to a third party.

3.4 Lessons Learned

The evaluation found that several BPIDP practices and approaches should be continued and could be useful for other programs to follow.

The principal lesson learned is that consultation and coordination between program management and the book publishing industry can lead to relevant strategies and focused effort across the industry, to help address challenges and achieve program goals. The concerted support and effort deployed through the Supply Chain Initiative, e.g., BookNet, improvement of bibliographic standards, sales data tracking, computer upgrading, etc., is exemplary. A similarly concerted approach could be implemented in the areas of

information technologies and export, the new frontiers of book publishing.

Several stakeholders highlighted the importance of focusing on strategic rather than administrative issues when consulting with the industry. Also, the funding-formula mechanism used for ATP and EMAP, and the practice of rewarding sales, are good practices. ATP and EMAP allow the greatest flexibility for publishers to make business decisions and allocate resources. They are considered fair and equitable, and encourage publishers to go the distance to reach their targeted audiences.

It is evident from the international comparison conducted in the course of this evaluation that the four countries reviewed all maintain, as does Canada, significant policy and program measures in support of book publishing and the book industry. It is also evident that Canada, primarily through the BPIDP and the AECP, but also through the Canada Council for the Arts, has already implemented, in one form or another, most of the modalities used by comparison countries in supporting its book publishing sector. Broadly speaking, Canada does so with a higher level of resources, and with more ambitious strategic objectives, than the comparison countries. The information available did not permit undertaking an analysis of the effectiveness of their policies and strategies.

At the same time, these countries have developed some practices that differ from Canada's. A review of these practices suggests some potentially innovative ways of supporting culture and book publishing in this country. Aside from structural measures that fall outside the scope of this evaluation, such as the reduction or zero-rating of sales tax on books, and the establishment of a fixed-price regime, each country offers at least one example of policy or program initiatives that merit further study for possible adaptation in the Canadian context. Details about these initiatives were not available to the evaluators. However, it would be worthwhile for the Program to explore how they may help further program objectives.

France

- The proposal for a *Conseil du livre* composed of distinguished book professionals to advise the government on strategic issues and policy directions for a national book policy
- The mechanism of a book export agency that administers and insures group shipments of books abroad and subsidizes transportation costs
- The "Lire en fête" national reading campaign.

U.K.

- Preparation of in-depth country reports on individual book export markets, compiled by experts with first-hand knowledge and sold to publishers via an online database.

Scotland

- Establishment of a subsidized online portal for the national literature and publishing industry, to act as a domestic and international showcase for books and authors and a global online bookstore.

Australia

- A Visiting International Publishers Program sponsoring and supporting in-country visits by prominent publishers, editors and literary agents from abroad
- Fellowships to permit publishers/editors to gain experience and contacts working abroad
- The “Books Alive” national reading campaign.

Finally, the timing of the release of BPIDP funding is critical for book publishers to access other sources of funding, e.g. bank loans, provincial tax credits, etc. The length of time required to process applications diminishes recipients’ ability to manage their business or organization and to cover expenses during periods when liquidity is tightest.

4. Key Conclusions

This section presents the main conclusions from our analysis of the available data, organized by evaluation issue.

4.1 Relevance

BPIDP objectives and anticipated outcomes are aligned with the Departmental strategic outcome of allowing *Canadians to express and share their diverse cultural experiences with each other and the world*.

All program components are relevant in terms of overcoming the challenges that Canadian-owned publishers face in order to meet program goals of reaching readers in Canada and abroad with an offering of a wide range of Canadian-authored books. Aid to Publishers is the most vital component, as it offers the most flexibility in the allocation of resources for making business decisions. Publishers use ATP funding for editorial development, production, marketing domestically and internationally, improving businesses processes through new technologies, etc. In this regard, ATP contributes to all BPIDP outputs and outcomes. IMA is also highly relevant since export is crucial for increasing sales of Canadian-authored titles and Canadian-owned publishers' revenues in order to meet program objectives, in a context where sales in the Canadian market are not increasing very rapidly. SCI is relevant given the changes in the Canadian book industry supply chain requiring that publishers use new technologies to create efficiencies and savings. CI is relevant because it facilitates regional or sector-based projects that individual publishers could not undertake alone.

Both PCH and AECB management have conducted consultations with book publishing industry stakeholders to improve programming. Some improvements outlined in interviews and focus groups were that there could be a more thorough discussion on the needs of the industry and how the program could be improved to address some of these needs to meet the goals and desired outcomes of the program. Industry stakeholders suggested that consultations be held in the regions rather than conducting consultations from BPIDP headquarters in Gatineau, despite the Program's efforts to ensure regional representation in its consultations. It was noted by participants that the program management has been responsive to the industry by commissioning useful studies in areas of interest to publishers. BPIDP management has also been responsive to the recommendations of the previous evaluation, a sign that it seeks to keep the program relevant.

Among book publishers and book publishing association representatives consulted during the evaluation, there was agreement that the AECB has been responsive in addressing challenges related to exporting books. Publishers also value having direct input into the decision-making and orientation of the IMA component through representation on the AECB Board.

4.2 Success

Overall, BPIDP has been successful in contributing to planned outcomes. According to those consulted for the evaluation, it has contributed to the viability and continued presence of a diverse group of publishers in every region of Canada, including Official Language Minority and Aboriginal publishers. This has been achieved within a context where there has not been an increase in funding since 2001. Considering inflation, this has translated into a decrease in real funding for recipients. According to the administrative data analysis, with the support of BPIDP, publishers have succeeded in increasing the number of French- and English-language Canadian-authored books in each of the three main BPIDP categories – scholarly, educational, trade. BPIDP support has been essential for small and medium-sized publishers, who assist in creating and maintaining diversity in terms of the development of new authors. The program has also likely contributed to increased sales of Canadian-authored books in Canada.

Through its Supply Chain Initiative component, BPIDP 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. Other funded activities, such as strategic business planning, internships, professional development initiatives, and attendance at book fairs, have contributed to enhancing publishers' professional skills, as well as their knowledge of the industry and use of market intelligence. Publishers indicated that SCI has helped improve the strategic orientation and competitiveness of the Canadian-owned publishing industry as a whole.

The extent to which the program contributed to increased public awareness of Canadian-authored books is inferred from public polling data, readership surveys and studies. Combined with indicators such as “sales”, “number of titles published”, “number of publishers by region”, and “number of international fairs attended”, the evaluation concludes that BPIDP has likely contributed to increased awareness and access to a diverse range of Canadian-authored books domestically and internationally. While the program periodically collects data which allows measuring BPIDP's contribution to the availability of Canadian-authored books, clearer direct links in the logic model and refined quantitative data would help measure, more precisely, impacts of the program on ultimate outcomes.

4.3 Value for Money

The evaluation found that BPIDP directs approximately 95% of its budget toward Gs&Cs, which is consistent with other PCH programs. The number of FTEs required to manage the various components of the program - highest for project-based components such as SCI and CI, which require greater managerial oversight - appears to be reasonable.

According to surveys, interviews and focus groups with recipients, the program has been less efficient in terms of the time it takes to process applications and release the funding, which reportedly has had a negative impact on some recipients. While the program has shown responsiveness to recipients by easing some requirements (e.g. raising the revenue threshold at which recipients are asked to provide audited financial statements), and adjusting deadlines for the reception of project applications, further efficiencies could be

made by streamlining the application and reporting requirements and processes. Such improvements would lessen the administrative burden on recipients and provide funding in a more timely fashion. Nevertheless, the majority of recipients are largely satisfied with the services and the overall treatment they have received from BPIDP, both from PCH and AECEB staff.

A key concern noted by evaluators is the program's ability to demonstrate cost effectiveness. The program is designed to provide most of its Gs&Cs through a funding formula. While this approach is administratively efficient, one key drawback during the evaluation was the limited reporting on quantifiable program level outcomes that could be aggregated in a meaningful way. Additional challenges were faced in determining the cost effectiveness of BPIDP is the nature of the publishing industry. There are numerous factors that likely influence the performance of publishers, the range of authors they promote, and the books they publish. Because of these factors combined with the evaluation design (lack of a feasible comparison group), it was not possible for evaluators to quantify the contribution that BPIDP made toward the outcomes desired by PCH

Notwithstanding these concerns, the program is encouraging firms to undertake activities and make editorial choices they may not otherwise. In the long run, these activities may improve their competitiveness. In addition, BPIDP is contributing to the diversity of publishers in Canada, and thereby to the diversity of books and authors published, by supporting publishers who are in relatively weak financial positions, but yet who contribute substantially to the availability of a wide range of Canadian-authored books.

4.4 Considerations for the Future

It is apparent that the Canadian book industry, and specifically the Canadian-owned publishing sector, is in a considerable state of flux, fuelled by globalisation, retail consolidation and technological change. While building on its substantial strengths, the sector must exhibit the adaptability and ingenuity to meet a variety of significant challenges and threats, and to take advantage of critical new opportunities.

With government support, the industry has created an extensive and diverse infrastructure of publishing companies across the country. These publishers draw on a deep pool of writing talent to originate a wide range of Canadian-authored books for domestic and international markets. The industry has used federal and provincial support to develop that infrastructure further and to realize successes in export markets and the adoption of new technologies. For the future, the industry must apply these strengths in continuing to contend with traditional challenges, such as structurally low profitability and multinational competition.

At the same time, the industry must also develop successful strategies to compete and thrive in the new consumer environment. That environment, characterized by a high degree of retail concentration, demanding new sales channels, highly competitive pricing, and new digital formats for delivering Canadian content to readers, represents as many opportunities as threats to Canadian publishers. It is crucial that the Canadian book industry harness the potential of new technologies and exporting. Despite growth in the export market, other

competing countries do better than Canada in growing their book exports.

It appears inevitable also that success in overcoming the threats to Canadian book publishing, and realizing the opportunities, lies partly in recruiting and developing a new generation of publishers to meet the needs of a new generation of readers.

5. Recommendations and Management Response

To assist BPIDP in continuing to fulfil its objectives and to reach its ultimate outcome of *increased access of a diverse range of Canadian-authored books in Canada and abroad*, the evaluation team makes a small number of recommendations based on the findings of this evaluation.

Recommendation #1

Consider developing harmonized strategies for adoption of new technologies and growing export activities. Building on the successful approach used to improve the supply chain, BPIDP should, in consultation with the book publishing industry, consider devising harmonized strategies for assisting Canadian-owned publishers to adopt new technologies and grow their export activities, being mindful of the impact that using new technologies may have on the export strategy, and vice-versa. This initiative could include commissioning research to learn more about the successful export strategies used by other countries, such as France, the UK and Australia.

Management Response: Accepted.

Some comparative research on international mechanisms in support of the book industry has been undertaken and, in combination with this recommendation, will help to inform the program's approach to export and emerging technology support. Specifically, the program will engage in discussions on this issue with stakeholders, including the Association for the Export of Canadian Books (AECB), and will review international practices. Following this work, the program will amend BPIDP application guidelines to better articulate and emphasize support for collective projects that link export and new technology strategies.

Implementation Schedule:

1. Discussion with stakeholders: February 2009
2. Review of international practices: Summer 2009
3. Amendment to application guidelines: March 2010

Recommendation #2

Continue to provide support to BookNet and BTLF to ensure progress towards self-sufficiency is continued and comparable supply chain services are available for French-language and English-language publishers. In terms of the supply chain, while BookNet has made considerable progress towards becoming self-sufficient and should continue to receive targeted support from BPIDP, additional support to the BTLF is still required to assist that organization to implement mechanisms and processes that will provide services to French-language publishers at a level comparable to those that BookNet offers to English-language publishers.

Management Response: Accepted.

BPIDP's approach to date has been to support the establishment of a French-language sales data analysis infrastructure comparable to the one available to English-language publishers. The program has also encouraged the sharing of best practices between the two organizations involved in sales data analysis. The support to organizations active in supply chain improvements has been commensurate with their respective priorities and capacity. The program will continue to consider funding based on available resources, an assessment of the relative needs of the two language markets, and the progress of applicants in achieving greater self-sufficiency.

Implementation Schedule:

Implementation of a French-language sales data analysis infrastructure by March 2010.

Recommendation #3

Examine the extent to which the administrative practice of “doubly rewarding” export sales of publishers (counting in the formula for ATP funding and IMA funding) is in accordance with the overall goals and outcomes for BPIDP. The program should consider whether the current “double-counting” of publishers’ export sales (including them both in the formula for ATP assistance and IMA assistance) is in line with the overall goals and objectives of BPIDP. If this practice is judged by the program to be in keeping with the programs goals and intentions, then the practice could continue (although perhaps in a more coordinated effort with respect to application forms). If this is not the intention and not in keeping with the goals of the program, then the formulas for one or both components should be modified accordingly.

Management Response: Accepted.

BPIDP is currently undergoing a program renewal exercise in light of the fact that part of the program's funds are sunseting in March 2010. As part of this exercise, the program is examining the issues noted above. While the current approach recognizes the unique and typically elevated costs of export sales activities, the program acknowledges the double counting of export sales in the existing design of ATP and IMA formula funding streams. Our objective in program renewal is to strike a balance between export and domestic support in order to best deliver on program objectives. In addition, it is important to structure program administration in a way that reflects the recommendation of the Blue Ribbon Panel on Grants and Contributions.

Implementation Schedule:

Implementation of modifications March 2010

Recommendation #4

Systematically review the application and approval processes for the various components to determine where there may be additional efficiencies available. A review of the application and approval processes would likely be beneficial to determine whether there could be streamlining and simplification. The aim would be to reduce the amount of time required to release funding to recipients and to ease the administrative burden experienced

by some applicants. Any change toward greater efficiency would need to be balanced with the accountability and performance measurement needs of the program. Some potential areas for examination could include a more in-depth review of the IMA component, in particular the examination of overlap between ATP and EMAP applications, harmonizing data collection with other federal and provincial programs requiring similar types of information, or a movement towards updating of information rather than annual requests for the same pieces of information that are unlikely to have changed.

Management Response: Accepted.

BPIDP has implemented a number of measures to reduce internal and applicant administrative burden in all components, including new application deadlines for the Collective Initiatives and Aid to Publishers components as well as modified financial statement requirements. The program will monitor application turn-around times to track annual year-over-year changes. Particularly in light of the evaluation and Blue Ribbon Panel recommendations, the program will implement further administrative refinements, including streamlined report forms for the Aid to Publishers and Collective Initiatives components, improved funding alignment through a Memorandum of Understanding with the Canada Council for the Arts and increased multi-year funding, where applicable. All changes are designed to ensure an appropriate balance between efficiency, accountability and performance measurement needs.

BPIDP examined the feasibility of harmonizing federal and provincial program information requirements in the wake of its 2004 summative evaluation and identified a number of barriers to effective implementation at that time, including costs and the fact that not all funders require exactly the same information. The program will revisit these findings and monitor the implementation of CADAC (a joint database being established by provincial and federal arts councils) to determine whether these same implementation barriers persist. The program will identify potential harmonization opportunities before the end of 2009-10 for implementation in 2010-11.

Implementation Schedule:

1. Opportunities identified: March 2010
2. Implementation of all actions: September 2010

Recommendation #5

Review and update of the BPIDP program logic model and develop relevant performance measures. The program logic model as it is currently designed could be improved. A re-examination of program activities, a clearer depiction of likely cause-and-effect flows, and overall clarification are warranted. In conjunction with the revisions of the program logic model, it would be useful to develop refined quantitative indicators and measures of key outcomes for which information could be collected periodically from recipients (potentially integrated with current efforts in this area), and monitored on an ongoing basis to assist with performance measurement and evaluations of the program. Of particular note would be to ensure that the measures are more clearly and directly linked with funding received from BPIDP.

Management Response: Accepted.

BPIDP has already taken steps to improve data collection and reporting, including revised application and final report forms and expanded program database capacity. As well, the Cultural Industries branch plans to initiate some research on how to better attribute outcomes to public funding in 2009-10, which may help to better assess the impact of BPIDP in the future.

The program is currently undergoing a program renewal exercise in light of the fact that part of its funds are sunseting in March 2010. The program's logic model will be revised as part of this exercise. While quantitative measures are present in the current Performance Measurement Framework, the program will look closely at potential revision and/or expansion of these and make the proper adjustments in order to ensure effective performance reporting.

Implementation Schedule:

1. Logic Model revised: March 2010
2. Adjustments to Performance Measurement Framework: March 2010

BPIDP Logic Model

Logic Model Description

The logic model described in the following text has three main parts: priorities, outputs and outcomes. Arrows flowing from outputs to outcomes depict the logic of the model. The model also demonstrates the horizontal linkages between outcomes, as appropriate. There are three levels of outcomes: immediate, intermediate and ultimate. The distinction between each level is explained below, followed by a graphic description of the logic model.

Priorities

BPIDP responds to three organizational priorities (based on the Department of Canadian Heritage's Program Activity Architecture) that encompass the overall objectives of the program. The logic model for BPIDP depicts these priorities as well as the program components related to each priority (note that the CI component corresponds to two program priorities), as follows:

- **Creation:** Ensuring Production of Canadian-authored Books (ATP)
- **Sustainability:** Building Sustainable Industry Capacity (CI, SCI)
- **Access:** Raising Awareness of Canadian books and authors (CI, IMA)

Outputs

Outputs are those things that are directly produced from the activities of the program. In the case of BPIDP, the outputs are:

- Formula funding for Canadian-owned publishers based on sales of eligible titles;
- Funding for professional development, research and Canadian book supply chain improvements; and
- Funding for the domestic and international promotion of Canadian books and authors.

Outcomes

The program's activities and outputs are expected to lead to the following immediate, intermediate and long-term outcomes:

Immediate Outcomes

Immediate outcomes are results that are expected to occur approximately one to three years after the delivery of the activities and associated outputs. In particular, it is expected that the following will have been achieved by the program:

- Formula funding for Canadian-owned publishers based on sales of eligible titles will lead to a strong, diverse population of Canadian-owned publishers across all regions of Canada;

- Funding for professional development, business planning, publishing internships and industry research will lead to enhanced professional skills and industry knowledge
- Canadian book supply chain improvements will lead to the adoption of new technologies for a more efficient and effective Canadian book supply chain; and
- Funding for the domestic and international promotion of Canadian books and authors will lead to collective and individual promotional opportunities for Canadian books and authors in Canada and abroad.

Intermediate Outcomes

Intermediate outcomes are results that are expected to occur approximately three to five years after the delivery of the activities and associated outputs. It is expected that by this time, the following will have been achieved:

- Production of Canadian-authored titles;
- Development of a diverse range of Canadian books and authors;
- A competitive, strategic and informed Canadian book industry; and
- Increased awareness of Canadian-authored books in Canada and abroad.

Ultimate Outcome

Ultimate outcomes are difficult to attribute to any one program or set of initiatives. They will always be the accumulated effect of a range of activities, responses to changes in the environments, etc. However, while the issue of attribution limits the ability to measure and demonstrate a direct influence on these outcomes, they are nevertheless the ultimate reasons why BPIDP is funded in the first place. Their place on the logic model is entirely justified, although the measurement strategy to demonstrate direct influence is limited by the issue of attribution.

The ultimate outcome of BPIDP is increased access to a diverse range of Canadian-authored books in Canada and abroad. This outcome is linked to the departmental strategic outcome: Canadians express and share their diverse cultural experiences with each other and the world.

List of Appendices

The following appendices are available upon request.

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Appendix 2: Key Findings by Component

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Appendix 4: Tables

Appendix 5: List of Key Informants

Appendix 6: Bibliography

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