



COMMUNICATION

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CHECK AGAINST DELIVERY

"Without culture, and the relative freedom it presumes, society, even when perfect, is no more than a jungle. This is why every authentic creation is a gift to the future."

Albert Camus
Actuelles II

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NOTES FOR AN ADDRESS BY
THE HONOURABLE MARCEL MASSE,
M.P. FOR FRONTENAC
MINISTER OF COMMUNICATIONS,
AT THE ANNOUNCEMENT OF THE NEW
POLICY REGARDING FOREIGN INVESTMENT
IN CANADIAN PUBLISHING,

BAIE COMEAU, QUEBEC,
JULY 6, 1985

COMMUNICATIONS CANADA
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GOOD MORNING LADIES AND GENTLEMEN,

1. INTRODUCTION

FOLLOWING A MEETING WHICH MY COLLEAGUES AND I HAVE JUST HAD WITH THE PRIME MINISTER, HERE AT BAIE COMEAU, I AM IN A POSITION TO ADVISE YOU OF A DECISION BY THIS GOVERNMENT WHICH WILL HAVE CONSIDERABLE IMPACT ON CANADA'S MOST IMPORTANT CULTURAL INDUSTRY.

IN EFFECT, THE GOVERNMENT OF CANADA HAS JUST, FOR THE FIRST TIME, ADOPTED A CLEAR AND PRECISE POLICY ON THE QUESTION OF FOREIGN INVESTMENT IN THE CRITICAL SECTOR OF BOOK PUBLISHING AND DISTRIBUTION. WHILE THE GOVERNMENT IS STATING CLEARLY THAT IT CONSIDERS CANADIAN CONTROL OF THIS ACTIVITY ESSENTIAL, THE POLICY WHICH IT IS PUTTING FORWARD IS POSITIVE AND FAIR. ITS AIM IS TO IMPROVE THE FINANCIAL AND CULTURAL CONDITION OF THIS SECTOR OF THE ECONOMY IN A PROGRESSIVE MANNER.

THE MEASURES I AM ANNOUNCING TODAY WILL COMPLETE AND CLARIFY THE GOVERNMENT POLICY ON FOREIGN INVESTMENT WHICH WAS OUTLINED IN THE LEGISLATION CREATING INVESTMENT CANADA. YOU WILL NO DOUBT RECALL THAT THE TEXT OF THIS ACT SPECIFIED THAT INDUSTRIES OF A CULTURAL NATURE MUST BENEFIT FROM SPECIAL TREATMENT IN RESPECT TO NON-CANADIAN INVESTMENT.

THROUGH THE POLICY AND THE MEASURES WHICH I AM ANNOUNCING TODAY, THE GOVERNMENT ACKNOWLEDGES THAT PUBLISHING, LIKE BROADCASTING AND THE PRESS, IS AN ELEMENT ESSENTIAL TO OUR IDENTITY AND OUR CULTURAL SOVEREIGNTY.

2. THE CURRENT SITUATION

THE ESTIMATED VALUE OF CANADA'S INTERNAL PUBLISHING AND BOOK DISTRIBUTION MARKET REACHED 1.1 BILLION DOLLARS IN 1985. IT IS, THEREFORE, A SECTOR WHICH, THROUGH ITS REVENUES AND THE EMPLOYMENT IT PROVIDES, OCCUPIES AN IMPORTANT ROLE IN THE CANADIAN ECONOMY.

IN THIS VAST MARKET, ONLY 18 PER CENT OF THE ENGLISH-LANGUAGE BOOKS SOLD COME FROM PUBLISHING HOUSES CONTROLLED BY CANADIANS. THE PROPORTION IS SLIGHTLY HIGHER (26 PER CENT), IN THE CASE OF FRENCH LANGUAGE WORKS. SINCE 1975, THE PROFIT MARGINS OF SMALL AND MEDIUM-SIZED BUSINESSES IN PUBLISHING AND DISTRIBUTION, ALMOST ALL OF WHICH ARE OWNED BY CANADIANS, HAVE EITHER REMAINED UNCHANGED OR DETERIORATED. DURING THIS SAME TIME, PROFIT MARGINS FOR THE LARGE PUBLISHING HOUSES, CONTROLLED TO A LARGE EXTENT BY NON-CANADIAN INTERESTS, HAVE INCREASED.

THIS STRUCTURAL IMBALANCE, THEREFORE, HAS A PROFOUND CULTURAL SIGNIFICANCE, SINCE CANADIAN PUBLISHING HOUSES, WHICH PUBLISH AND DISTRIBUTE 85 PER CENT OF ORIGINAL WORKS BY OUR OWN AUTHORS, CAN ONLY DRAW ON 20 PER CENT OF THE REVENUES EMANATING FROM THE DOMESTIC MARKET. THE LACK OF SUFFICIENT CAPITAL THEREFORE AFFECTS THE ABILITY OF OUR FIRMS TO PUBLISH CANADIAN AUTHORS AND TO INCREASE THEIR SHARE OF THE CANADIAN MARKET.

IT HAS NOW BEEN 15 YEARS SINCE THE STATE BEGAN SUBSIDIZING CANADIAN PUBLISHING. GOVERNMENT SUPPORT, WHICH HAS INCREASED CONSTANTLY DURING THIS TIME, HAS STILL NOT ALTERED THE STRUCTURAL MAKEUP OF THE PUBLISHING AND BOOK DISTRIBUTION SECTOR.

IT IS THEREFORE OBVIOUS THAT, WITHOUT STRUCTURAL CHANGE, THE GOVERNMENT WOULD HAVE TO INCREASE ITS SUPPORT, CONTINUALLY, SIMPLY TO MAINTAIN THE STATUS QUO.

3. TO BREAK THE DEADLOCK

IF PUBLISHING IS TO SERVE THE INTERESTS OF CANADIAN CULTURAL SOVEREIGNTY AND ECONOMIC GROWTH, THERE MUST BE FUNDAMENTAL CHANGE. THE GOVERNMENT HAS RECOGNIZED THAT THERE EXISTS A DIRECT LINK BETWEEN THE CURRENT CONDITION OF CANADIAN PUBLISHING AND THE ROLE PLAYED BY NON-CANADIAN INVESTMENT IN THIS SECTOR OF ACTIVITY. I BELIEVE WE HAVE CREATED A POLICY WHICH WILL RESPOND TO OUR CULTURAL AND ECONOMIC IMPERATIVES, AND WHICH WILL NEVERTHELESS TREAT NON-CANADIAN INVESTORS POSITIVELY AND FAIRLY.

I BELIEVE IT IS COMPLETELY LEGITIMATE FOR US TO WISH, AS OUTLINED IN OUR POLICY, THAT CANADIAN PUBLISHING BE ABLE TO PLAY ITS FULL ROLE IN THE SOCIAL AND CULTURAL LIFE OF OUR COUNTRY, IN EVERY REGION OF CANADA, FOR BOTH OFFICIAL LANGUAGE GROUPS.

4. REVIEW

IN THE LIGHT OF THIS POLICY STATEMENT, THE MINISTER IN CHARGE OF INVESTMENT CANADA, MR. SINCLAIR STEVENS, AND MYSELF AS MINISTER OF COMMUNICATIONS WILL REVIEW ALL PROJECTS RELEVANT TO THE MANDATE OF INVESTMENT CANADA WHICH INVOLVE THE INITIATION OF NEW BOOK PUBLISHING OR DISTRIBUTION COMPANIES, OR THE ACQUISITION, DIRECTLY OR INDIRECTLY, OF EXISTING FIRMS OPERATING IN THIS FIELD.

I AM ABLE TO STATE THAT THE GOVERNMENT WILL LOOK WITH FAVOUR ON PROPOSALS TO ESTABLISH NEW BUSINESSES OR TO ACQUIRE DIRECTLY EXISTING BUSINESSES, WHETHER CANADIAN OR FOREIGN CONTROLLED, IN THE FIELD OF BOOK PUBLISHING OR DISTRIBUTION, PROVIDED THE INVESTMENT IS THROUGH A JOINT VENTURE WITH CANADIAN CONTROL. FOR DIRECT ACQUISITIONS OF FOREIGN CONTROLLED BUSINESSES, ALLOWANCES WILL BE POSSIBLE IF DIVESTITURE OF CONTROL TO CANADIANS OCCURS WITHIN A REASONABLE PERIOD OF TIME (TWO YEARS), AT A FAIR MARKET PRICE.

INDIRECT ACQUISITIONS WILL BE REVIEWED ON A CASE BY CASE BASIS AND WILL GENERALLY BE ALLOWED PROVIDED THAT:

1. THE ACQUISITION WOULD NOT SIGNIFICANTLY LESSEN EFFECTIVE COMPETITION BY CANADIANS IN ANY SEGMENT OF THE CANADIAN MARKET FOR BOOKS; AND
2. THE APPLICANT UNDERTAKES TO DIVEST CONTROL TO CANADIANS WITHIN A REASONABLE PERIOD OF TIME (TWO YEARS) AT A FAIR MARKET PRICE.

5. FULL STATUS FOR PUBLISHING

CANADIANS ARE GREAT CONSUMERS OF BOOKS. IN THIS COUNTRY, READING FOLLOWS CLOSELY AFTER TELEVISION AS A LEISURE ACTIVITY. IT IS, THEREFORE, ONLY NORMAL THAT WE TREAT BOOKS AS AN INSTRUMENT OF OUR CULTURE, IN THE SAME WAY THAT WE REGARD RADIO, TELEVISION, OR THE PRESS. IN ORDER TO FULFILL ITS ROLE ON THE

CULTURAL SCENE, CANADIAN PUBLISHING MUST, ON THE ONE HAND, BE UNDER CANADIAN CONTROL, AND, ON THE OTHER, BE ABLE TO INFLUENCE ITS OWN DEVELOPMENT. OUR PUBLISHERS WILL NOT BE ABLE TO EXERCISE THESE CHOICES IF THEY DO NOT CONTROL A SIGNIFICANT SHARE OF THEIR OWN MARKET. THIS IS THE GOAL WE SEEK.

LIMITATIONS ON NON-CANADIAN OWNERSHIP HAS PRODUCED IMPRESSIVE RESULTS IN OTHER AREAS OF CULTURAL ACTIVITY. CANADIAN CONTROL OF BROADCASTING HAS GIVEN RISE TO STRONG GROWTH IN THIS INDUSTRY. SINCE 1968, REVENUES HAVE INCREASED BY 700 PER CENT IN THIS SECTOR, WHICH IS AN AVERAGE ANNUAL INCREASE OF 15 PER CENT. MEASURES AIMED AT CANADIAN CONTROL ALSO HAVE ACCELERATED THE GROWTH OF OUR PERIODICAL INDUSTRY. THE PROFITS OF CANADIAN FIRMS WORKING IN PERIODICAL PUBLISHING AND DISTRIBUTION HAVE, FROM 1977 TO 1982, BEEN MORE FAVOURABLE THAN THOSE OF BOTH THE ECONOMY IN GENERAL AND THE MANUFACTURING SECTOR AS A WHOLE. THANKS TO THIS STRONG PERFORMANCE, OUR FIRMS HAVE HAD THEIR OWN RESOURCES TO DRAW ON, TO FINANCE THEIR OWN GROWTH.

I THEREFORE FEEL THAT OUR BOOK PUBLISHING INDUSTRY SHOULD ALSO HAVE A CHANCE TO ENJOY SUCH PROSPERITY, FOR THE GREATER GOOD OF ALL CANADIANS. IT WILL NOT BE THROUGH GOVERNMENT AID, BUT RATHER THROUGH INVESTMENT BY THE CANADIAN PRIVATE SECTOR, THAT THE PUBLISHING INDUSTRY WILL FINALLY ACHIEVE THIS STRENGTH.

6. A DYNAMIC POLICY

I INTEND, IN THE NEAR FUTURE, TO PUT FORWARD ADDITIONAL MEASURES WHICH WILL CONSTITUTE A DYNAMIC POLICY FOR THE CANADIAN PUBLISHING INDUSTRY. THE OFFICIALS OF MY DEPARTMENT WILL CONSULT WITH THE MAJOR PLAYERS IN THE SECTOR DURING THE DEVELOPMENT OF THESE MEASURES.

IN ORDER TO ASSURE THAT OUR INDUSTRY ENJOYS AN APPROPRIATE LEVEL OF ASSISTANCE DURING THIS PERIOD WHEN THE NEEDS OF THE SECTOR IN RESPECT TO POLICY ARE BEING EVALUATED, THE GOVERNMENT HAS DECIDED TO MAINTAIN ITS DIRECT ASSISTANCE TO BOOK PUBLISHERS AND DISTRIBUTORS. IT HAS, THEREFORE, AGREED TO A BUDGET OF SOME 10 MILLION DOLLARS TOWARDS THE DEVELOPMENT ASSISTANCE PROGRAM FOR CANADIAN PUBLISHING FOR THE PRESENT FISCAL YEAR. THANKS TO THIS PROGRAM, OUR PUBLISHERS WILL BE ABLE TO OBTAIN FINANCIAL ASSISTANCE FOR THE MARKETING AND SALE OF THEIR BOOKS.

7. CONCLUSION

I BELIEVE THAT THE POLICY THE GOVERNMENT HAS JUST ANNOUNCED WILL BE RECEIVED FAVOURABLY. IT CLEARLY SPELLS OUT THE RULES OF THE GAME AND THE OBJECTIVES WHICH THE GOVERNMENT WILL PURSUE. WE WISH SIMPLY TO ASSURE A FAIR PARTICIPATION BY CANADIANS IN AN ACTIVITY WHICH IS AT THE VERY HEART OF OUR CULTURAL IDENTITY.

FINALLY I WOULD REMIND YOU THAT THE CANADIAN BUSINESS COMMUNITY HAS SUPPORTED THIS PROPOSITION. THE PRESIDENT OF THE CONFERENCE BOARD AND THE PRESIDENT OF THE CANADIAN CHAMBER OF COMMERCE FOR EXAMPLE HAVE BOTH RECOGNIZED THAT CANADIAN FIRMS IN THE CULTURAL DOMAIN SHOULD BE CONTROLLED BY CANADIAN INTERESTS. THANK YOU.



COMMUNICATIONS

JULY 6, 1985

FOR IMMEDIATE RELEASE

Masse announces government's policy
on foreign investment in the Canadian book publishing industry

BAIE COMEAU, QUEBEC -- Communications Minister Marcel Masse today announced the government's policy on foreign investment in the Canadian book publishing and distribution industry.

"The government believes that it is essential that there be a strong book publishing and distribution industry that is owned and controlled by Canadians, one able to perform effectively its important role in defining Canada's social and cultural identity," Mr. Masse stated. "Just as there are policies to protect our cultural sovereignty in the newspaper, magazine, and radio and television broadcasting industries, there is a need for comparable policies in the book publishing and distribution industry."

Mr. Masse said that the government will, in accordance with the provisions of the Investment Canada Act, review all proposed foreign investment, both direct and indirect, in book publishing.

News Release

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Concerning direct investment, the Minister stated: "The Government will look with favour on proposals to establish new businesses or to acquire directly existing businesses, whether Canadian or foreign controlled, provided the investment is through a joint venture with Canadian control. For direct acquisitions of foreign-controlled businesses, allowances will be possible if the divestiture of control to Canadians occurs within a reasonable period of (two years) at a fair market price."

The Minister stated that the government will review indirect acquisitions case by case. It will generally allow such acquisitions, provided, first, that the acquisition would not significantly lessen effective competition by Canadians in any segment of the book market and, second, that the applicant undertakes to divest control of the business to Canadians at a fair market price within two years.

"This policy confirms the government's commitment, as enunciated in the Investment Canada Act, to maintaining Canada's cultural sovereignty and supporting the economic viability of the nation's crucially important cultural industries," Mr. Masse said. "In particular, the government recognizes that the Canadian publishing industry must have opportunities to grow within its own domestic market and that foreign investment should not be allowed to jeopardize such development."

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