REPORT ON MONITORING THE IMPACT OF ZERO-RATING THE DUTY ON BOOKS IMPORTED FROM THE UNITED STATES TO CANADA 1977-1981

RES POLICY RESEARCH INC.

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THE IMPACT OF ZERO-RATING
THE DUTY ON BOOKS IMPORTED
FROM THE UNITED STATES TO CANADA
1977-1981

PREPARED FOR THE
ZERO-RATING WORK GROUP
AND
ARTS AND CULTURE BRANCH
DEPARTMENT OF COMMUNICATIONS

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RES POLICY RESEARCH, INC.

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EXECUTIVE SUMMARY

Background (Section 1.1)

Acting in response to representations of industry groups and labour, the governments of the United States and Canada removed existing barriers to the free trade in books between both countries. The United States had in place the "US Manufacturing Clause" which restricted access of Canadian printing firms to the US market, and Canada applied an import duty of ten percent on certain classes of English-language books imported from the US. The US Manufacturing Clause regarding Canada was removed on January 1, 1978, and Canada reduced the import duty to zero ("zero-rating") on January 30, 1979. Both these steps to liberalize the book trade will be re-assessed by the respective governments in 1982. In Canada, a joint industry-government Work Group was established to monitor the impact of removing the duty on books imported from the US on the book publishing industry for the period from 1977 to 1980. This report presents findings of the zero-rating monitoring project.

Research Design (Section 1.2)

The Arts and Culture Branch of the Department of Communications undertook to assemble data for the monitoring period from which the development of imports and any changes in the US-Canadian book trade could be assessed. The research questions and methods were discussed in the Zero-Rating Work Group. The following research questions and objectives were adopted.

- Removal of the import duty might have an adverse effect on the share of market of Canadian publisher agents and exclusive agents because it would increase the incidence of "buying around" the agency system.

- A reduction of the cost of imports at the border would lead to a price advantage of US books in Canada. This effect would express itself in lower price differentials between US and Canadian list prices.

- The share of market of book publishing in Canada might have declined.

- The project was to develop and document new data sources on the basis of which the book trade could be monitored in future years.

<u>Data Sources</u> (Section 2)

A system was established to monitor the Statistics on the value of book imports. A sample of 360 importers was established for which data on imports were tabulated and analyzed by tariff classification and category of importer. The period covered by these data was from 1976 to 1981.

Two samples of list prices of imported books were developed, one drawn from books in the <u>Basic Stock List</u> of the Canadian Booksellers Association, the other from books submitted for review to the Saturday <u>Globe and Mail</u>. The first sample of more than 500 books covered the period 1977-78 and 1979-80; the other sample included between 143 and 195 new titles each year and covered the years 1977 to 1980.

Statistics Canada, through its Survey of Publishers and Exclusive Agents, collected data for a sub-sample of 43 identified firms.

A large number of tables was prepared. Some of these are discussed in this report (Appendix 1), and others are available in a compendium of statistical tables.

Findings (Section 3)

Value of Imports

Book imports from all countries increased from $229 million in 1976 to $411 million in 1980 (the 1981 figure is not yet available). Imports from the US increased from $181 million in 1976 to $392 million in 1981. Imports from other countries grew at a slightly lower rate than those from the US. In 1980, the US share of book imports stood at 80.5 percent. The monitoring period saw a significant shift of imports from other tariff classifications into those affected by zero-rating, both for all importers and within the sample of 360 firms.

Contrary to expectations, the group of 88 publishers and agents who represent the agency system within the sample of 360 firms experienced significant growth in imports. This holds for their imports overall, but even more so for the dutiable classifications. The total US imports of these 88 firms grew from $71 million in 1976 to $183 million in 1981, and their share of all US imports increased from 39.4 percent in 1976 to 46.7 percent in 1981. In the classifications subject to zero-rating, both publisher agents and exclusive agents tripled their imports during the monitoring period. The amount of fiscal revenue foregone by the Government of Canada was estimated at about $15 million per year in 1979 and 1980.

Differentials of US and Canadian List Prices

Differentials between US and Canadian prices of imported books did not narrow during the period under study as had been predicted. Instead, the data from two independent large samples of titles show a consistent pattern of widening differentials before and after the point of zero-rating. In the Basic Stock List of 1977-78, 15.4 percent of 579 titles were for sale in

Canada at prices 30 percent and more above their US prices; in 1979-80, 34.0 percent of the 483 titles still in the sample had Canadian prices 30 percent and more above their US prices. In the Globe and Mail list for 1977, 8.4 percent of 143 titles had Canadian prices 30 percent and more above their US prices; however, in the list for 1980, 80 titles out of 195, or 41.0 percent, were in the high-differential categories of 30 percent and more. The other categories of price differentials showed corresponding shifts. These patterns are present for all categories of books, i.e., paperbacks and hardcovers in various price classes. More expensive titles showed a greater widening of price differentials than did less expensive ones. If all other factors had remained constant, one would have expected a narrowing of price differentials by up to 5 percent, i.e., the effect of removal of the 10 percent duty upon the border price of books. The concurrent decline of the Canadian dollar, which amounted to 9.04 percent from 1977 to 1980, could have offset the effect of zero-rating. The report concludes that if US prices had been adjusted for the drop in the value of the Canadian dollar, the observed price differentials would still have widened or at least remained constant for the period under study. The effect of the decline of the Canadian dollar has been assessed in Appendix 2. Conclusions of this study would not be affected if book prices had been adjusted for the shift in exchange rates. Findings discussed in the report are all based on unadjusted prices.

Share of Market of Canadian Book Publishing

Statistics Canada has estimated that the total domestic book market at wholesale prices increased from $600 million in 1977 to $924 million in 1980 (preliminary figure). The value of book publishing in Canada, at prices which reflect the 'point of first delivery' increased from $168 million in 1977 to $249 million (preliminary). The share of book publishing in Canada of the domestic market remained nearly constant over a period of six years; the most recent, preliminary estimate of this share is 26.9 percent.

Conclusion

The report concludes that the main research hypotheses of the zero-rating monitoring project were not confirmed, i.e., the agency system did not appear to have suffered from buying around and the removal of duty on imported books did not result in the narrowing of the price differentials between the US and Canada. Also, the data did not provide any evidence that the share of publishing in Canada in the domestic market suffered at the expense of increased import activity during the monitoring period.

It is emphasized that the conclusions of the report pertain to the period under study and should not be interpreted as predictions of future developments. It was not part of the terms of the project team to suggest alternate explanations of the developments observed during the monitoring period.

1. INTRODUCTION

1.1 Background

In 1950, UNESCO sponsored an international agreement which seeks to remove barriers to the free flow of cultural information, including books (Florence Agreement). The present project grows out of efforts of the industries in Canada and the United States to remove the barriers to the book trade between both countries.

The US had in place a non-tariff barrier, the "Manufacturing Clause" of the US Copyright Law. It denied copyright protection to US residents or citizens whose writings are printed outside the US and imported into the US in quantities of more than 1,500 copies. The effect of the Manufacturing Clause has been to restrict access of Canadian printing firms to the US market. The US signed the Florence Agreement in 1966, and utilized an Annex to the Agreement to maintain the Manufacturing Clause. Canada, in turn, applied a duty of ten percent on certain categories of books imported from the US.

After lengthy discussion, industry and labour groups of both countries agreed in 1968 to urge their Governments to remove these barriers to trade (Agreement of Toronto). Acting on advice received from its industry, the US Government agreed to exempt Canada from the Manufacturing Clause in return for removal by Canada of the ten percent import duty. The US granted the exemption as part of its revision of the Copyright Act (1976), and the exemption took effect on January 1, 1978. Canada reduced the duty on US books to zero on January 30, 1979. This duty will be reimposed on June 30, 1982, unless the Canadian Government acts to remove it. The term 'zero-rating' refers to the temporary removal of the import duty.

Both countries are currently assessing the impact of these steps of liberalization of the book trade. In both countries, representatives of the affected industries and labour have advised their Governments in ways that reflect their perceived interests, or the general ethical concerns expressed in the Florence Agreement.

In 1977, the Arts and Culture Branch of the Secretary of State commissioned a preliminary study (Bureau of Management Consulting, 1977) which developed a systematic framework for assessing the impact of zero-rating and exemption on the Canadian book industry. The author of the BMC study estimated that the net effect of zero-rating would be slight, and recommended that its effects should be monitored over a period of time before and after January, 1979.

Acting on terms of reference developed by industry and Government members of the Zero-Rating Work Group, the Department of Industry, Trade and Commerce assessed effects of exemption from the Manufacturing Clause on the Canadian printing industry. The Arts and Culture Branch of the Secretary of State, which was later transferred to the Department of Communications, undertook to assemble data for a broader assessment of trends in book imports from the US before and after the point of zero-rating.

The Publishing Subcommittee of the Work Group defined terms of reference for the zero-rating monitoring project, agreed on major research questions to be addressed, and gave extensive advice to the project team on methods and sources of data. The Arts and Culture Branch of the Department of Communications, assisted by the Departments of National Revenue, Consumer and Corporate Affairs and Statistics Canada, assembled and analyzed the data. A preliminary report was presented to the Work Group on June 25, 1981. RES Policy Research, Inc., was engaged in September, 1981 to update parts of the analysis and prepare this report.

1.2 The Problem

The Canadian domestic book market is large and has been growing in recent years at rates in excess of the level of inflation. The size of the market for 1979 has been estimated at $1.1 billion in terms of retail sales. However, the Canadian book market is dominated by imported books which, in recent years, accounted for 72 to 73 percent of domestic sales. In 1979 and 1980, Canadian books had a market share of 25.5 and 26.9 percent. These figures are recent estimates of Statistics Canada. Imports from the United States account for a large and growing share of all Canadian book imports. The import statistics to be reviewed in this report show for 1979 a US share in imports of 79 percent.

In view of this background, a reduction in the cost of imported books through removal of the duty must raise concerns about its effects on the Canadian book market. In addition to the cost advantage of imported books, there would be fewer restrictions on firms, individuals, and institutions other than traditional importers to import books from US principals or wholesalers. Chief among these restrictions is the administrative burden, real or imagined, of clearing book shipments through customs. The change might lead to sudden shifts in the distribution of import business. After surveying the industry, the BMC study of 1977 formulated a number of research questions to address these concerns. The joint Work Group selected from them two key research questions and agreed to assemble pertinent data for a period of four years to assess whether any of the anticipated changes had occurred. The research questions can be summarized as follows.

"Buying Around"

A major portion of book imports to Canada has long been handled by firms operating as exclusive agents for foreign principals. The firms which operate this "agency system" of import and distribution include publishers, both Canadian-owned and branches of foreign firms, and exclusive agents who do not publish in Canada. These publisher agents and exclusive agents accounted for about half the US imports in those tariff classifications which would be affected by a remission of the import duty (zero-rating). The term "buying around" refers to import business which by-passes the agency system. It was agreed in the Work Group that an increase in the practice of buying around would make it more difficult for agents to maintain their system of distribution, inventories, and general level of service to the retail trade, which includes clearing imports through customs. It should be noted that large portions of book imports from the US have never gone through exclusive agents, and that there may have been some degree of buying around even before the monitoring period. The question was whether there would be a significant shift of import business away from agents during the monitoring period. This question was addressed by monitoring statistics on the volume of imports, to determine whether publisher agents and exclusive agents, as a group, had a declining share of imports during the period under study.

Price Effect

On first view, the zero-rating of US duty on imports would create a cost advantage of imported books which might lead to an increased dominance of imports in the Canadian market. It is by no means certain that a reduction of the price paid by importers at the border will be passed on to the consumer in the form of lower retail prices. For example, Canadian distributors might improve their levels of service, distributors or retailers could increase their margins, or the US publishers might raise their export price by an amount equal to the duty. In all these cases, there would be no effect of zero-rating at the retail level. However, before investigating who benefited from zero-rating one would have to examine whether Canadian retail prices of imported books declined in relative terms.

It was decided to address this question by comparing US and Canadian list prices of imported books during the monitoring period. For trade books affected by zero-rating, one would expect a decline in the absolute price differential by an amount corresponding to the import duty, unless other factors acted to offset this effect.

As was explained in the study cited above (BMC, 1977), this expected narrowing of price differentials would amount to 5 percent at most. The reason is that the import duty of 10 percent is levied on the border price of imported books which, from all evidence, is in the order of 40 to 50 percent of the list price. In addition, it should be kept in mind that even prior to zero-rating, more than half of all book imports were not subject to duty. Therefore, the total impact of zero-rating on the Canadian retail price for all imported books would be less than 2.5 percent. This monitoring study addresses only certain categories of English-language books imported from the US. Books in other languages, including French, foreign government publications, and all books imported for and by *bona fide* libraries, and some other categories, were not dutiable.

Share of Market of Canadian Publishing

The research questions introduced above defined the main terms of reference of the project team. In addition, members of the Work Group suggested that it would be useful to examine how the total business of publisher agents and exclusive agents developed during the monitoring period, and in particular, whether the market share of publishing of Canadian books in the domestic book market declined.

Data on the value of imports do not necessarily indicate how much has been sold, and naturally, estimating the volume of publishing of Canadian books requires that data coming directly from publishers be examined. Statistics Canada maintains a survey of publishers and exclusive agents. Based on these survey returns and data from the statistics on imports by commodity, Statistics Canada derives estimates of sales at the wholesale level. The research question in this context was how did the sales of imported books of publishers/agents develop, and did books published in Canada lose any of their share of the market during the monitoring period.

A Base of Data for Future Work

When discussing how to address the main research questions, the Work Group realized that suitably grouped, longitudinal data on imports and prices were not available, nor had much work been done to link survey results on sales to the existing import data. It was a further purpose of this project to assemble a base of reliable data to be used in future studies of the book industry in Canada.

In summary, the objectives of the monitoring project were:

- To determine for the 1977-1981 period whether publisher agents and exclusive agents as a group, have suffered a decline in their share of the import market.

- To determine whether differentials of US and Canadian list prices narrowed during the monitoring period.

- To determine whether the share of Canadian books in the domestic market declined, and

- To assemble data on the basis of which these and related questions can again be answered in the future.

In conclusion, it is noted that the scope of this research project was determined by the interests of the Work Group and limitations of the data that could be developed within the time available. In particular, this project did not set out to develop alternate explanations for findings contrary to the research hypotheses. The project team was not asked to risk predicting future changes in the Canadian book industry. Finally, this report does not isolate any of the observed developments as a direct causal impact of the remission of import duty. As was predicted in the BMC study (1977), the economic effect of zero-rating can only have been slight; moreover, the period of monitoring was too brief for causal attribution, and the economic and technological environments of the book industry in both countries can only be described as turbulent.

The next section contains a review of the data sources.

2. DATASETS AND METHOD

2.1 General

Corresponding to the research interests outlined above, the project team utilized data on three aspects of the import trade in books.

The first consists of import statistics which represent the costs of imported books to importers at the border. The second consists of retail prices of imported books, in the form of US and Canadian list prices of books in two large, independent samples of titles. The third consists of sales of Canadian firms at the wholesale level; these data are drawn from Statistics Canada surveys of publishers and exclusive agents, supplemented by data from the statistics on imports by commodity. Thus the datasets utilized represent the import trade at three levels - the cost to the importer, the revenue of the importer, or cost to the retailer, and the cost to the consumer.

These datasets are not directly comparable. For example, the value of imports for a group of importers is not directly related to their sales, and the specific costs at the border or the wholesale price of titles included in the book lists are not identified. Therefore, the margins of importers cannot be estimated from the data assembled for this project. However, each dataset is comparable through time, and will support observations about growth rates and shifts during the monitoring period. This section will describe the data and methods used.

2.2 Import Statistics

Revenue Canada, in collaboration with Statistics Canada, extracted from their computer files data on the value of imports for the period from 1976 to 1981. The data are grouped by country of origin, commodity classification, tariff classification, and category of importer. In addition to global data on all book imports, more detailed tabulations were produced for a sample of 360 firms, covering eight commodity classes and thirteen tariff classifications. The key tables discussed in this report are based on the thirteen selected tariff classifications and the sample of importers.

The sample of importers was defined as follows. Every importer was included who had imported at least one shipment of books of at least $2,500 in value during the period of July to September, 1978; shipments under any of eight commodity classes were covered. The compendium of background tables contains definitions of these commodity classes (Section I).
The two tariff classifications affected by zero-rating carry the numbers 16900-1 and 17100-1; they will be referred to as classes 169 and 171. The sample of firms accounts for 71.6 to 84.1 percent of all imports under classifications 169 and 171 during 1976 to 1981. In terms of the thirteen tariff classifications, the sample accounts for 61.1 to 73.1 percent of all imports from the US. Details are found in Table 1 of the Appendix. The sample is representative of all book imports from the US. The following list contains the number of firms in each category of importers in the sample.

<u>Size and Distribution of Sample of Importers</u>

Publisher Agents	50
Exclusive Agents	38
University and College Libraries	34
Public Libraries	33
School Libraries	20
Wholesalers	40
Chain Book Stores	8
Independent Book Stores	19
Miscellaneous	118
Total	360

The import statistics were updated on a quarterly basis. As noted above, these statistics represent the costs of imports at the border, in Canadian dollars. Based on research of Statistics Canada, it is estimated that these values of imports can be multiplied by a factor of 1.75 to determine the approximate value 'at the point of first delivery'. Retail margins come on top of the resulting figure. The overall discount at the border amounts to 50-60 percent of the list price. These relationships should be kept in mind when comparing data from different sources.

2.3 List Prices of Imported Books

In order to assess whether price differentials between the US and Canada had narrowed, the Work Group established two samples of book titles and maintained them during the monitoring period. The first was drawn from the <u>Basic Stock List</u> of the Canadian Booksellers Association. This list represents established titles which can be expected to remain in stock for some time. Therefore, it is a good base from which to trace prices for a constant sample of books. The second sample was drawn from the new books submitted to the Saturday <u>Globe and Mail</u> for review. The <u>Globe and Mail</u> list, therefore, is representative of new titles appearing in Canada. There is no overlap between these lists. Both samples are now described in more detail.

Basic Stock List

The CBA selected an initial sample of 677 titles from the 1977-78 edition of the *Basic Stock List* and provided their Canadian prices. Corresponding US prices were taken from the 1977-78 editions of *Books in Print* (R. R. Bowker, N.Y.). The same procedure was repeated for the 1979-80 editions. Both lists were edited in collaboration with the CBA to remove titles with missing information and those books which were imported from countries other than the US. The final list for 1977-78 contains 579 titles and the 1979-80 list contains 483 titles which had been in the 1977-78 list and were still in stock in 1979-80.

Following suggestions from the industry, the list was grouped into major commercial categories and price classes. The 1977-78 list contains 365 paperbacks and 214 hardcover books. The following price classes were used: under $4, $4 and over for paperbacks, under $4, $4-$11, $11-20, and more than $20 for hardcover books. Tables were assembled to show the distribution of price differentials of major categories for both periods of the *Basic Stock List* book sample.

Globe and Mail List

Beginning in 1977 and continuing up to December, 1980, titles and prices of books submitted to the book review section of the Saturday *Globe and Mail* were compiled and their US prices were identified in the corresponding editions of *Books in Print*. The CBA and the Book and Periodical Development Council assisted in editing this list to remove Canadian books and imports from other countries. Cases for which no US price was published were removed from the list. The resulting annual lists contain these numbers of titles.

Globe and Mail Book Lists, 1977-80

1977	143 Books
1978	151
1979	189
1980	195
Total	678 Books

The same method of analysis was used as with the Basic Stock List.

2.4 Survey of Publishers and Exclusive Agents

The Work Group considered a proposal to conduct a detailed survey of selected publishers and agents to measure the costs of publishing, printing, and imports of books, as well as sales of own books and imports. After examining a draft questionnaire, it was decided not to burden respondents with a survey. Instead, the project team specified detailed tabulations from Statistics Canada's Survey of Publishers and Exclusive Agents. A recent discussion of this survey, including estimates describing the book market, is found in Book Publishing, An Industry Analysis, 1979 (STC Cat. 87-601 Annual, Draft, Sept., 1981).

As is explained in that report, the Survey of Publishers and Exclusive Agents is based on a census of the field undertaken in 1974 and 1975. Subsequent surveys used a sample which excluded the smallest firms. In the case of publishers, only those firms which had sales in 1974 of at least $20,000 and had published at least three titles in their respective financial years were kept in the mailing list. The effect has been to eliminate 51 percent of the 448 publishers who responded in 1974, or 6.4 percent of the total estimated publishing volume of that year.

The Culture Subdivision of Statistics Canada estimates the total market from subsequent survey returns by extending the sales figures reported by responding firms to a grand total proportional to the 1974 ratio of larger and small respondents. Corresponding methods are used for exclusive agents. To ensure that no large new entrants into the market are missed, the Culture Subdivision screens trade publications and book fairs. The relationship between costs and sales expressed in the factor of 1.75, discussed above, was established in 1974 and validated in 1979. The main assumption involved in this method of estimating is that the ratio of business of firms not reporting to those reporting has remained the same since 1974. The sales of other importers, such as wholesalers, jobbers, and chain stores, are estimated from import figures derived from the datasets on imports by commodity. To establish their sales at wholesale prices, Statistics Canada applies the same factor of 1.75. For this group of importers, the mark-up factor has not been validated. Looking ahead to results to be discussed below, these methods of surveying and estimating resulted in Statistics Canada estimates of the Canadian book market in 1979 as follows: the total domestic market at wholesale prices was estimated at $816.6 million, of which $608.3 million was imported. The estimated sales of books imported by firms other than publisher/agents in 1979 were $336.7 million or 55.4 percent of all sales of imports.

In addition to providing these estimates, Statistics Canada produced tabulations for the monitoring period covering a special subsample of 32 publishers and 11 exclusive agents. Here the intent was to trace the business development of a group of firms selected by the Work Group throughout the monitoring period. A list of these firms is in the Appendix. In view of various problems of non-response and mergers during the monitoring period, it was decided not to report detailed results from this subsample. However, as an aid to other researchers, a set of tables on these firms is kept on file in the Department of Communications. Analysts of the Canadian book industry are asked to contact this Department or the Culture Subdivision of Statistics Canada for data and advice.

3. RESULTS

3.1 Monitoring of Book Imports

3.1.1 Presentation of Import Data

The first six tables of the Appendix contain summaries of statistics on the value of book imports. It will be useful to review these tables in general to show how they are linked, before discussing the value of imports during the monitoring period.

The first table gives an overview of all book imports and shows the share of the 360 sample importers as well as that accounted for by 13 selected tariff classifications. For example, in 1979, the value of total imports from all countries was $368 million (Table 1, row #3).[1] Of this figure, $292 million was imported from the US and $24 million from Britain, while the balance came from other countries.

Table 2 shows a breakdown of imports from the US in 13 major tariff classifications for the sample of 360 importers. The total of this table for 1979, $213 million, is found in row #1b of Table 1. This figure includes $136 million in imports in the two tariff classifications affected by zero-rating, that is, 169 and 171 (Cf. bottom row of Table 2 and row #1d of Table 1). Table 3 is an extract of Table 2; it identifies six of the thirteen tariff classifications by name. Table 4 contains a breakdown of US imports in classifications 169 and 171 by major category of importer, again for the sample of 360 firms.

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[1] Note on presentation of figures in the text:
All dollar figures are rounded to the nearest million, except when the amounts are small. Percentages are rounded to the first decimal.

Table 5 shows a comparison of total imports from the US to imports in 169 and 171, for publishers and exclusive agents only. Table 6 gives an overview of the total imports, broken down into dutiable and duty-free imports, and shows the duties paid. For example, in 1979, this table shows $187 million as the total imports from all countries in classifications 169 and 171. This figure corresponds to row #1c in Table 1 ($162 million), keeping in mind that the latter pertains to US imports only. The next section contains two figures designed to visualise trends in import data from 1976 to 1981.

In summary, these selected import statistics support a comparison of major tariff classes (Tables 2 and 3), of categories of importer (Tables 4 and 5), and a comparison of dutiable and free imports (Table 6). It should be noted that the figures in these tables refer to the landed value of imported books. By contrast, Statistics Canada's estimates of the size of the Canadian book market, are based on the value of books "at the point of first delivery". This value is derived by multiplying the values at the border with a factor of 1.75. For example, by this rule, Statistics Canada estimates the value of all imports at the point of first delivery in 1979 at $608 million (compare Table 11)[2]. This figure corresponds to the value of total imports of $368 million in Table 1, row #3.

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2 STC, <u>Book Publishing: An Industry Analysis 1979</u>, Catalogue 87-601, Draft Report, 1981.

3.1.2 Value of Book Imports

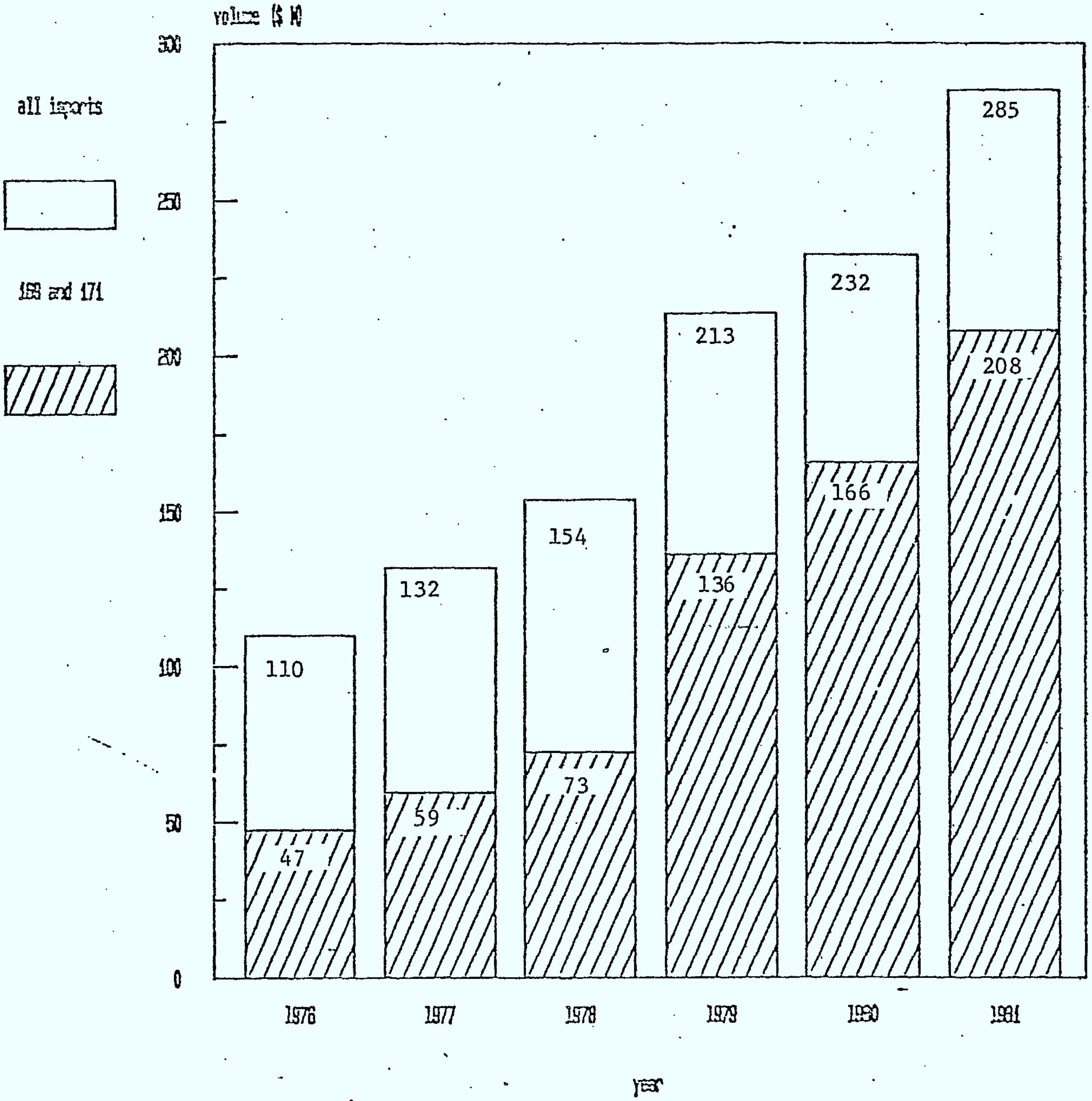
(1) Total Imports and Imports From the US

Table 1 shows that total book imports from all countries increased from $229 million in 1976 to $411 million in 1980. (The corresponding figure for 1981 is not yet available.) In terms of annual rates of growth, the table shows that prior to 1979, book imports grew by 12.1 percent in 1977 and 15.2 percent in 1978. 1979 showed a significant increase of 24.2 percent followed by a small increase of 11.5 percent in 1980. Imports from the US grew from $181 million in 1976 to $392 million in 1981. After 1978, imports from the US grew slightly faster than all imports; 1979 shows an increase of 27.9 percent, followed by 13.5 percent in 1980 and 18.6 percent in 1981. This additional growth of US imports came at the expense of imports from other countries. For example, in 1979, imports from Britain grew only by 6.9 percent, followed by a small absolute decline in 1980 (1981 data not yet released).

Table 1 also shows the development of imports from the US in the tariff classifications affected by zero-rating, that is, 169 and 171 (row #1c). Prior to 1979, imports in these categories had been growing faster than all imports, that is, by 21.6 percent in 1977 and 19.1 percent in 1978. However, in 1979 imports in these formerly dutiable categories jumped by 69.4 percent, followed by 32.3 percent in 1980 and 18.3 percent in 1981. As a result, imports in tariff classifications 169 and 171 grew by 162 percent from 1978 to 1981. Row #1d of Table 1 shows that the import activity of the 360 sample importers matched that of all importers. Again, imports of sample firms in 1981 were nearly three times greater than in 1978.

In sum, Table 1 shows that there was a substantial increase in book imports from the US, and a significant shift of imports into the tariff classifications which were no longer dutiable after 1978. Graph 1 illustrates how book imports from the US developed from 1976 to 1981.

Graph 1: Book Imports from the U.S., 13 Tariff Classifications, and Classifications 169 and 171, 360 Sample Importers, 1976 - 1981 ($ M).
Source: Report, Table 1



(2) Shifts of Imports Between Tariff Classifications

Table 2 contains a breakdown of imports from the US for the 360 sample importers into 13 major tariff classifications. Table 3 contains an extract from this table, identifying the content of six of these tariff classes. These six classes account for more than 99 percent of the 13 classes shown in Table 2.

First of all, it is noted that imports under tariff class 169 (novels and fiction) were minor compared to those under 171 (books, periodicals and pamphlets). In 1979, the former accounted for only 1.4 percent of the imports covered in Table 2, while the latter contained 62.6 percent of these imports.

Table 2 illustrates the drastic shift of imports into the formerly dutiable tariff class 171. In 1979, it showed an increase of 92.6 percent, followed by 20.3 percent in 1980 and a further 26.5 percent in 1981. With very few exceptions, this shift came at the expense of other tariff classifications. Tariff classification 17315 (books imported for bona fide libraries) was the only one of any size to show an increase after 1978. In dollar terms, these imports for libraries grew from $8.3 million in 1978 to $11.2 million in 1979, followed by $8.3 million and $12.0 million in the next two years (Table 3). Imports under tariff classification 17305 (text books or reference works, excluding dictionaries) declined drastically from $24.6 million in 1978 to $13.2 million in 1981 (Table 3).

In sum, in 1976 the classifications 169 and 171 accounted for 42.9 percent of US imports of the 360 sample importers, but in 1981 this share had grown to 73.1 percent (Table 2, bottom row). Some portion of this shift probably has been due to changes in the practices of declaring imports. However, the relative or absolute decline in other classifications during the monitoring period indicates that there is no evidence of increased imports by exempt institutions.

Table 5 supports a more specific view of the shift of import activity into the formerly dutiable classifications 169 and 171, for the group of 88 publishers and exclusive agents in the sample of importers. Row #1c of this table shows that among publisher agents, 40.9 percent of their imports in 1976 were in 169 and 171, and that the share of these two classifications increased to 75.2 percent in 1981. The major jump occurred in 1979.

Exclusive agents shifted their import activity equally rapidly into classifications 169 and 171. In 1976, these classifications accounted for 33.8 percent of all US imports of exclusive agents, and in 1981, that share had grown to 73.1 percent.

(3) Import Activity by Type of Importer

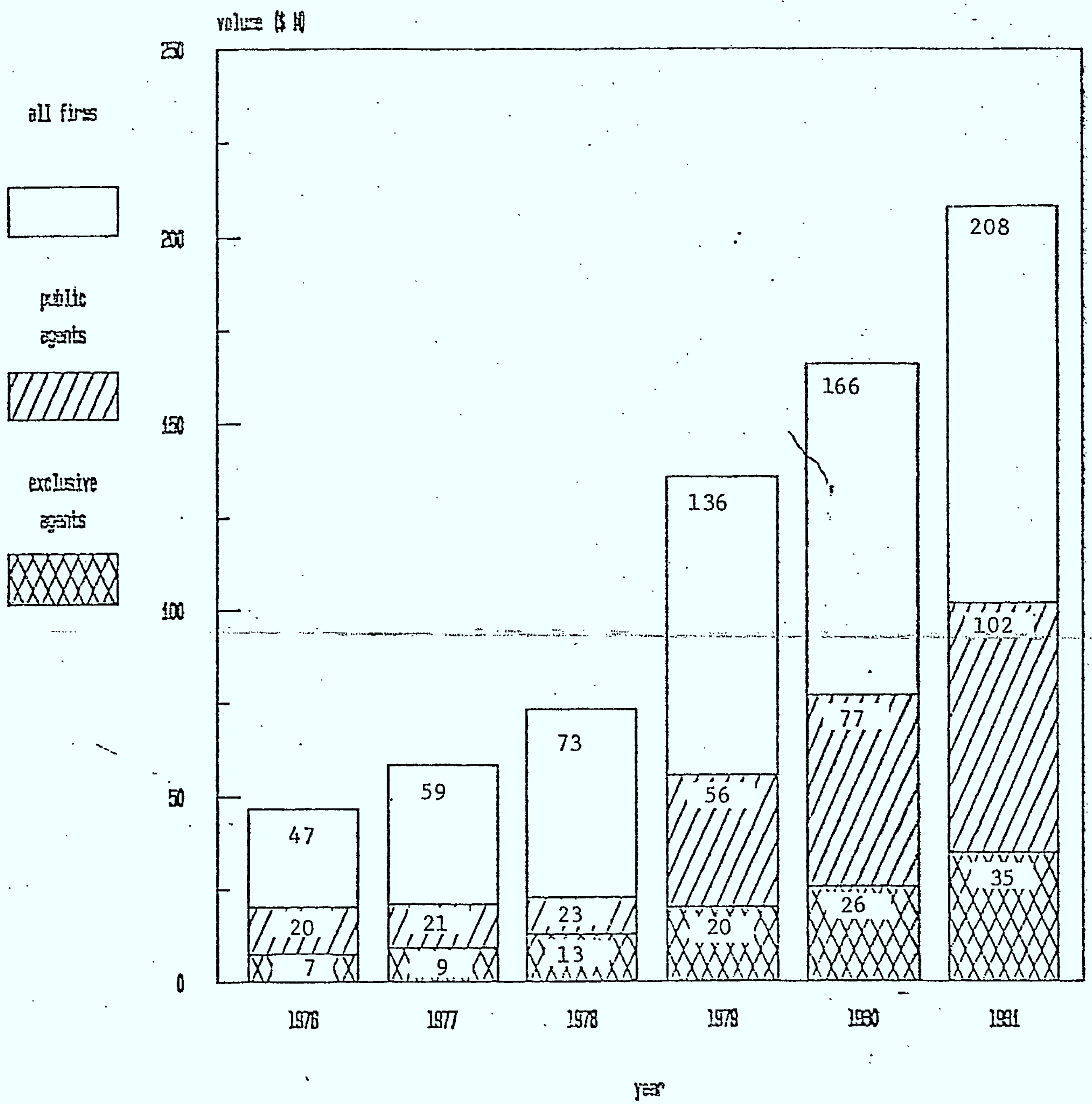
Table 4 contains a breakdown of import activity of the 360 sample importers by category of importer. The data pertain to tariff classifications 169 and 171 and contain eight major commodity classes.

This table presents a direct comparison of the share of the import market between publisher/agents and other kinds of importers. The table shows in parenthesis the number of firms in each category. The "agency system" is represented by 88 firms in the sample. Graph 2 illustrates the share of these firms in book imports from the US for the years 1976 to 1981.

The main finding from Table 4 is that, at least within this sample, publisher agents and exclusive agents as a group did not lose import business, either absolutely or relatively. The first two rows of Table 4 show their import activity. In 1976, these 88 firms had imports of $28 million and in 1981, they imported $136 million. Prior to zero-rating, their share of market -- based on these sample data -- ranged between 58.2 and 50.2 percent, with a declining trend. In 1979, their share, however, increased to 55.4 percent, followed by further increases to 62.1 percent in 1980 and 65.4 percent in 1981.

Within the group of agents, the 50 publisher agents showed an even more pronounced reversal of trends in market share. Their share of the imports reported by the firms in the sample declined from 42.5 percent in 1976 to 32.3 percent in 1978, and rose again to 40.7 percent in 1979, leading to 48.8 percent in 1981. In 1979, these publisher agents more than doubled their import volume (by 136.7 percent). This was the greatest annual increase among all categories of sample importers of significant

Graph 2: Book Imports from the U.S. Under Tariff Classifications 169 and 171, for 36 Exclusive Agents, 50 Publisher Agents, and All Firms, of Sample of 360 Importers, 1976 - 1981 ($ M).
Source: Report, Table 4



size (that is, all who imported more than $1 million in 1979). By contrast, the group of 38 exclusive agents showed significant gains before and after zero-rating, and maintained but did not expand its share of the import business represented in the sample.

Table 5 places the growth of imports in 169 and 171 for publishers and agents in the context of their imports from the US (13 selected classifications). It illustrates that publisher agents and exclusive agents did not only gain business in the exempt classifications; their overall imports in 13 classifications increased between 12.5 and 38.0 percent, with 1979 as the peak year of import growth (row #3). In 1976, both these groups had imports of $71 million, and their volume of imports grew to $183 million in 1981. Finally, Table 5 shows that beginning in 1979, the growth in total imports of exclusive agents was lower than that of publisher agents. Publishers increased their imports in 1979 by 42.6 percent, followed by 15.9 percent in 1980 and 27.7 percent in 1981, compared to 13.3, 6.9, and 26.9 percent for exclusive agents (rows #1a and 2a).

It will be noted in Table 5 that nearly all growth in imports of publisher agents and exclusive agents occurred in the classifications 169 and 171 (rows #1c and 2c). Concerning the relationship of imports under 169 and 171 by publisher agents to that of exclusive agents during the monitoring period, Table 5 shows that despite various changes during the period, the ratio of import business of these two groups was the same in 1981 as in 1976; exclusive agents had about one-third the volume of publisher agents in both years (row #1b, 2b). However, each group quadrupled its US imports under 169 and 171 between 1976 and 1981. Among other categories of importers with significant volume, only the 40 wholesalers included in the sample showed an increase in 1979 which was greater than the overall growth in imports of sample firms for that year (96.7 percent, compared to 87.9 percent; Table 4, row 6 and second to last row). All others either had absolute volumes of less than $1 million or increases less than 87.9 percent.

In interpreting figures for the three groups of libraries in the sample it should be kept in mind that their imports under tariff classifications 169 and 171 are only a minor part of their total activity. Most of their imports were declared in other tariff classes (cf. Table 3). However, these other imports of libraries did not increase during the monitoring period.

In summary, the import statistics for a sample of 360 importers for the period from 1976 to 1981 do not support the hypothesis that the agency system lost market share due to "buying around".

In assessing the results of the monitoring project discussed so far, it is noted that removal of the duty is not interpreted as a sufficient cause of any of the changes observed. Such an attribution would be questionable and it is not required. The terms of reference of the project team are met if the import statistics assembled during the project support a clear answer to the question of whether publisher agents and exclusive agents lost any of their share in import business during the monitoring period. The answer is that the agency system experienced significant growth of imports and expanded its market share, especially in the exempt classifications 169 and 171.

3.1.4 Duty Paid on Book Imports

The import statistics contain data on imports that are dutiable and duty-free, as well as the duty collected. Here, a direct impact of zero-rating is, of course, the fiscal revenue foregone. This section provides an estimate of the impact of zero-rating in terms of a reduction of the total cost of imports. Table 6 summarizes data on imports and duties collected from 1976 to 1980 (1981 data are not yet available).

Table 6 shows that in the last year prior to zero-rating, the government collected $10.9 million in duty on dutiable imports from all countries in all tariff classes (row 4). The tariff classifications 169 and 171 accounted for 91.2 percent of these duties, or $9.9 million (bottom row). This table also shows that in 1978, nearly two-thirds of all book imports ($188 million of $296 million) were already duty-free. However, among books declared under classes 169 and 171, the great majority of imports ($101 million of $116 million) were subject to duty. In 1979, overall collections of duty dropped to $2 million and in the now exempt classes 169 and 171, only one million dollars was levied. In 1980, total duties on book imports declined to $768,000 and in the now zero-rated classes, duties dropped to an insignificant amount (rows 4 and 8).

The amount of fiscal revenue foregone as a result of zero-rating can be estimated as follows. In 1978, 87.6 percent of imports under 169 and 171 were dutiable. Applying this percentage to actual imports in these tariff classes in 1979 and 1980, one obtains $16 million and $20 million respectively, as estimates of potential duty receipts. However, these estimates do not take into account that after zero-rating, the practice of importers in declaring shipments may have changed. To compensate for this effect, one may apply the rate of growth of duty collected in prior years to the figure of 1978 (row 8). It is proposed to apply 20 percent to $10 million, resulting in estimates of potential duty of $12 million in 1979 and $14 million in 1980.

Combining both methods of estimation yields $12 million to $20 million as an estimated range of potential duty collected in the years after zero-rating. It is proposed to settle on a figure of $15 million per year. Therefore, $15 million per year is the estimated average annual total cost advantage of US imports due to zero-rating. This figure amounts to less than four percent of the total value of book imports in 1979/80.

We now turn to the question of whether this reduction in burden at the border contributed to a price advantage of imports at the retail level.

3.2 Monitoring of Differentials Between US and Canadian List Prices

Results of the monitoring of list prices are presented in Tables 7 to 10 of the Appendix and Graphs 3 and 4 in this section. These tables contain counts of titles from the respective book list grouped in percentage categories of price differentials. The differentials were calculated as percentages of the US list price; for example, Table 7A shows one title in the "less than zero" category - this means that the Basic Stock List for 1977-78 contained one book the price for which in Canada was lower than its US list price. Accordingly, all 579 books in the 1977-78 Basic Stock List sample were grouped into price differential classes from less than zero to 50 percent and more. The main comparison for the Basic Stock List sample would be between Tables 7A and 7B. Both these tables are summarized in Table 8 which shows the distribution of differentials for 1977-78 and 1979-80 side by side. The Globe and Mail samples are analyzed in the same way. There, however, four annual lists had been prepared which are shown in Tables 9A - D, followed by a combined Table 10. Results are now reviewed for each book list. The effect of the decline of the Canadian dollar between 1977 and 1980 is assessed in Appendix 2. Conclusions of this study would not change if book prices had been expressed in the same currency. Results to be reviewed in this section are all based on unadjusted prices.

Basic Stock List

The Basic Stock List sample for 1977-78 (Table 7A) contains 579 titles broken down into 365 paperbacks and 214 hardcovers. As can be seen in this and the subsequent tables, the higher the price category within a given category of books, the higher is the price differential between US and Canadian list prices. For example, Table 7A shows that in 1977-78, 114 paperbacks of less than $4 were sold in Canada at the same price as their US list price, but among paperbacks whose Canadian list price was $4 and more, only 7 of 80 titles carried the same price. This pattern is found in all price categories for both book lists, except where the number of titles in a price category was too small to detect a difference. In no case did a more expensive category show lower differentials. Similarly, price differentials of paperbacks were generally lower than those for hardcovers as a group. For example, Table 7A contains 133 paperback titles or 36.4 percent of all 365 paperbacks, whose Canadian prices were 25 percent or more above their US prices, but in the hardcover category, 107 titles or 50 percent of the 214 titles in the 1977-78 Basic Stock List, were more than 25 percent above the US prices. This pattern can be observed for all annual lists in Tables 8 and 10 respectively. In sum, price differentials are greater the higher the price within a commercial category, and they are higher for hardcovers than paperbacks.

Table 8 supports a direct comparison of overall differentials between the 1977-78 Basic Stock List and that for 1979-80. The 1979-80 list contains only 483 titles. These books had been established commercial books two years earlier - hence their presence in the 1977-78 list - and were still being carried in 1979-80. 96 books had been dropped in the interim.

Table 7B shows that price differentials did not decrease as expected. In fact, significantly more titles are found in the higher differential categories. For example, whereas in 1977-78 33.4 percent of the 579 titles were for sale in Canada at prices less than 15 percent above their US prices, in 1979-80, this group of low-differential books had declined to 28.1 percent. This result is even more pronounced at the high end of the distribution. The cumulative percentages in Tables 7A and 7B show that in 1977-78, only 26.0 percent of the 579 titles in the Basic Stock List had differentials of 30 percent and more, whereas in 1979-80, the share of these high-differential books had risen to 50.9 percent. These results are summarized in Graph 3. This group of books contains a group of titles with very high differentials of 50 percent and more; from 1977-78 to 1979-80, it increased from 11.6 to 15.7 percent. The shift of books into higher differentials is equally present in paperbacks and hardcovers, but much more drastic in hardcovers. The share of paperbacks priced 30 percent and more above the US price increased from 20.5 to 37.1 percent, but that of hardcovers went up from 35 to 75 percent. This means that three quarters of the hardcover books in the Basic Stock List of 1979-80 carried a Canadian price 30 percent and more above the corresponding US price.

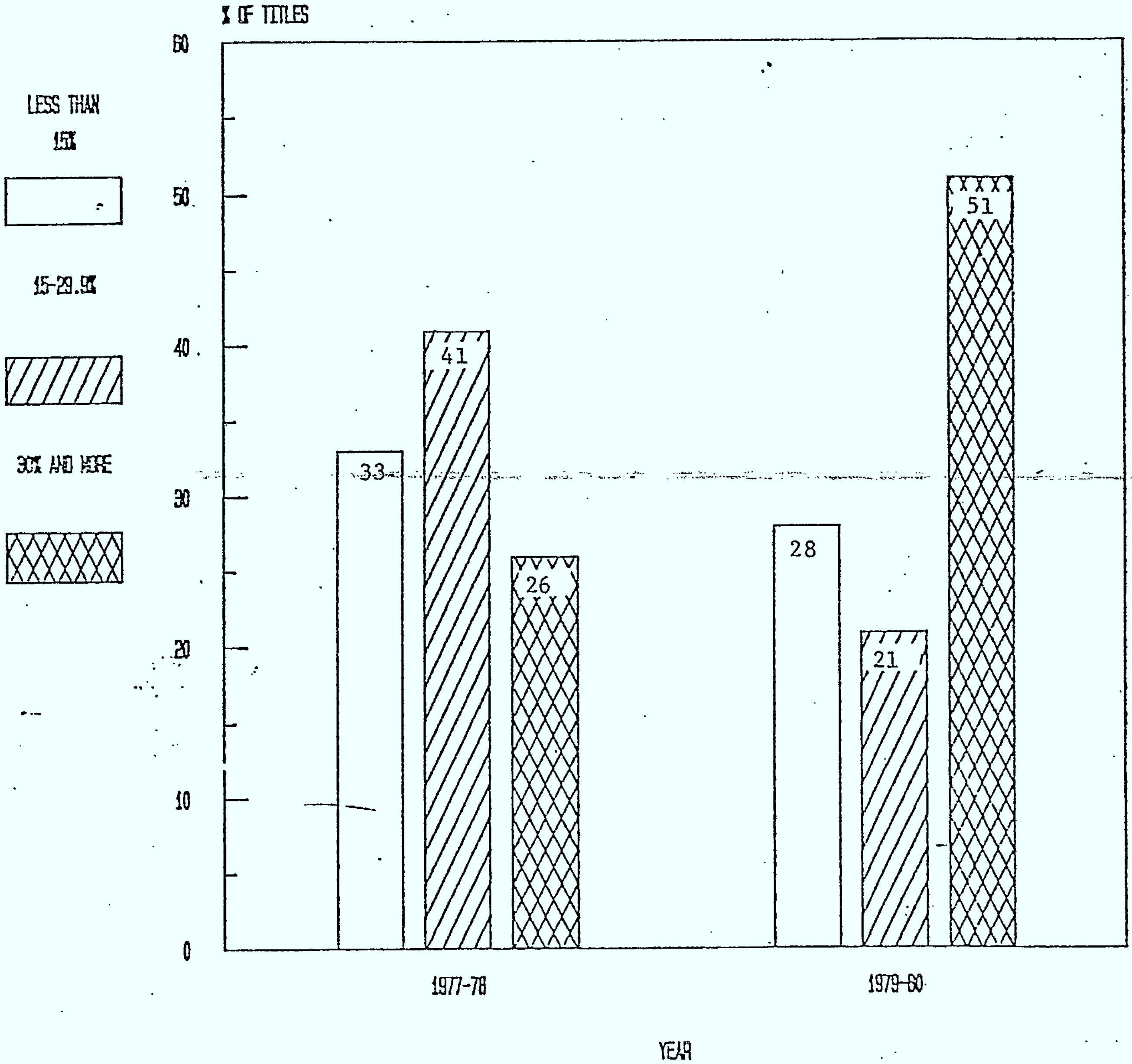
Globe and Mail List

The four annual book lists from the Globe and Mail contained mostly hardcover books although the proportion of paperbacks increased steadily from 3.5 percent in 1977 to 22.6 percent in 1980. In view of the relatively small number of paperbacks, the discussion will address mainly the hardcover books.

Results of the analysis of the Globe and Mail sample (Tables 9 - D, 10) are consistent with those from the Basic Stock List. The Globe and Mail list shows a consistent growth in the price differentials, both before and after the point of zero-rating. The shifts from 1978 to 1979, however, are somewhat greater than those between other years of the monitoring period. Graph 4 illustrates the consistent shift of titles into the high-differential categories.

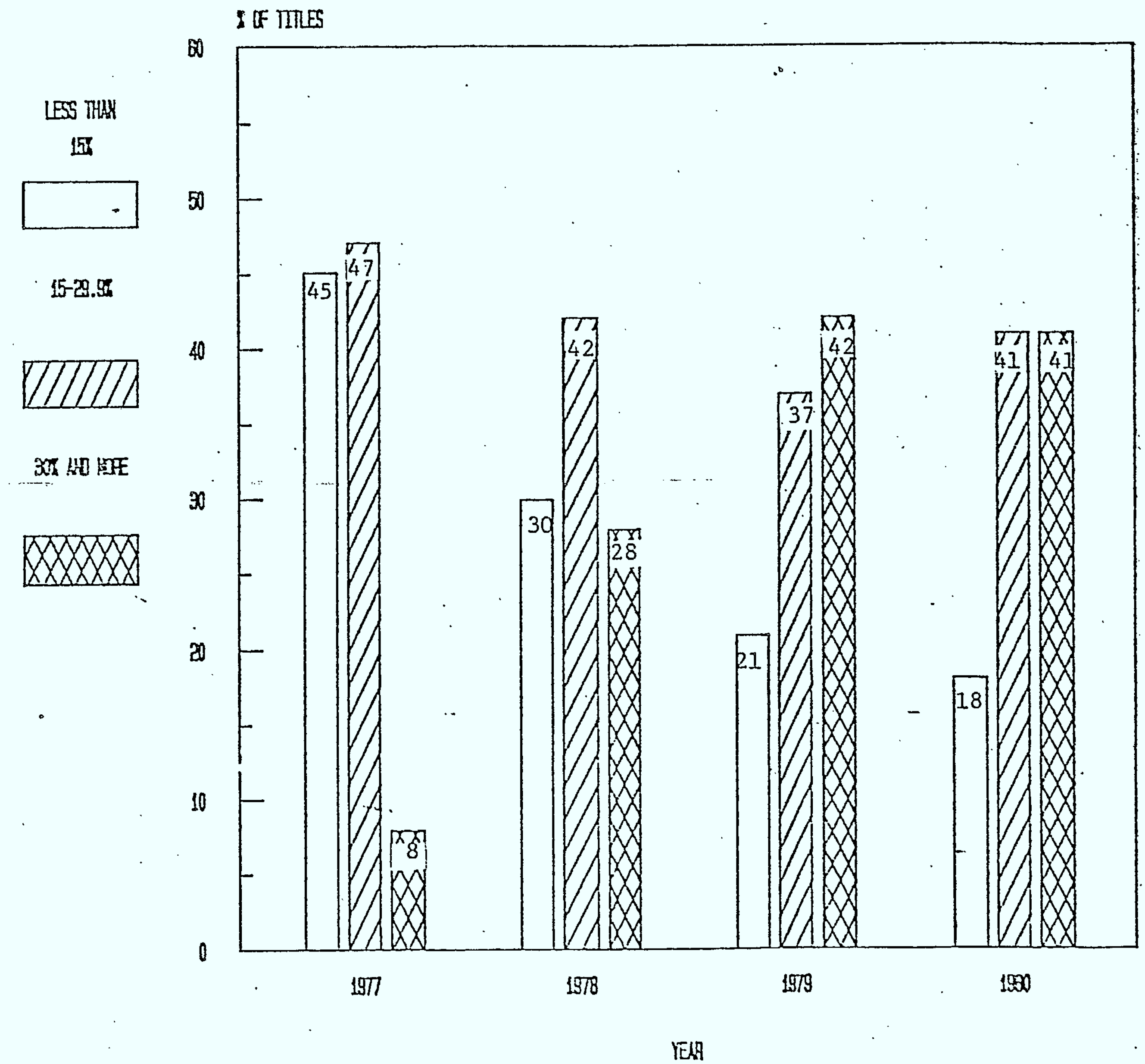
Each annual book list contains a small number of titles in which the Canadian price was equal to or below the US price. Percentages ranged from 17.5 percent in 1977 to 10.8 percent in 1980. Beyond that point, the lists show a significant shift into higher price differentials. The total list for 1977 contained only 12 of 143 titles (8.4 percent) in which the Canadian prices

Graph 3: Basic Stock List.
Price Differentials: Canadian List Prices Over U.S. List Prices, in Three Categories of Percentage Difference, 1977 - 78 and 1979 - 80.
Source: Report, Tables 7A,B



Titles 579 483

Graph 4: Globe and Mail List.
Price Differentials: Canadian List Prices Over U.S. List Prices, in Three Categories of Percentage Difference, 1977 - 1980.
Source: Report, Tables 9A-D



Titles 143 151 189 195

exceeded the US prices by 30 percent or more. In contrast, the 1980 list contains 80 of 195 titles (41.0 percent) in the high-differential categories. Accordingly, many books disappeared from the low-differential categories. In 1977, 44.8 percent of the <u>Globe and Mail</u> list titles had Canadian prices less than 15% above their US prices, and in 1980, this group had declined to 17.9 percent. Comparing between price categories of books, roughly half of all titles in the <u>Globe and Mail</u> samples were hardcovers in the $11 to $19.99 range. In 1977, only 10.3 percent of these mid-range hardcover books were 30 percent and more above the US price, but in 1980 47.0 percent of these books were priced 30 percent and more above the US price. Overall, very few titles are found in the extreme price differentials of 40 percent and more. The 1977 list contains only 2 titles at 40 percent or more, compared to 15 titles in 1980.

Table 10 summarizes the shifts into higher differentials for the period 1977-1980. A comparison of the cumulative percentages in this table shows that shifts occurred before and after 1979, although the change from 1978 to 1979 has been somewhat greater than in other years.

Regarding these findings, it should be remembered that the Work Group anticipated a decline of price differentials. Both independent samples of list prices show a consistent widening of the price differentials during the monitoring period. The concurrent decline in value of the Canadian dollar has not been sufficient to affect this result. Details on this point are in Appendix 2. The project team did not explore reasons for the observed increase in price differentials.

The next section contains a brief review of Statistics Canada estimates of the size of the Canadian domestic market during the monitoring period, and of the share of Canadian publishing in this market.

3.3 Market Share of Canadian Publishing

This section is devoted to a brief review of the relationship of the volume of book publishing in Canada to total imports and the total domestic market. In addition, results of the monitoring of sales of firms in a special subsample of publishers and agents will be reviewed.

Table 11 contains Statistics Canada estimates of the total domestic book market, the volume of imports, and the volume of publishing in Canada for the domestic market. The intent is to assess whether the share of publishing in Canada of the Canadian market has declined during the monitoring period. Data for two years prior to the monitoring period have been included in the table as additional background.

During the years from 1977 to 1980, the domestic book market expanded from $600 million to $924 million (preliminary estimate). The annual rates of growth ranged from 12.0 percent to 14.1 percent, except for 1979, which saw unusual growth at 19.2 percent. Total imports from all sources are shown in the next row of Table 11. These figures are generally comparable with those in row #3 of Table 1, keeping in mind that the present figures are estimates for the point of first delivery, as has been explained above. Minor discrepancies between the annual rates of growth of the value of imports and rates of growth of sales of imports in Table 11 are related to slight differences in definition, for example, as to whether foreign government publications are included or not; these differences may be disregarded. Table 11 shows that total sales of imports increased from $432 million in 1977 to $675 million in 1980 (preliminary). Again, 1979 was a peak year, with an increase of 22.5 percent. Other rates of increase of sales of imports are similar to those of the total market.

Book publishing in Canada for the domestic market, i.e., not including export sales, has grown from $168 million in 1977 to $249 million in 1980 (preliminary). The annual rates of growth fluctuated, ranging from 10.5 percent in 1979 to 19.6 percent in 1980 (row 6).

The last row of Table 11 shows the share of book publishing in Canada of the total market, excluding exports. The share ranged from 25.5 percent to 28.1 percent and did not decline over time. In 1975, domestic publishing accounted for 25.8 percent of the market, and in 1980 it accounted for 26.9 percent. Overall, these estimates show that book publishing in Canada maintained its market share during a period of six years. These trends are illustrated in Graph 5.

Table 12A contains a compilation of data from 1976 to 1980 which bear upon the mix of business of publisher agents and exclusive agents between publishing and agency business. (Table 12B contains the same data in percentages.) The 1980 figures are preliminary estimates. This table also contains data for the special subsample of publisher agents and exclusive agents which was selected by industry representatives in the Work Group. As was explained above, the intent in monitoring this subsample was to follow the business of a constant group of firms whose identities are known. As can be seen from the totals of firms who responded to Statistics Canada's main survey of publishers and agents (figure at the bottom of each sub-table), the number of respondents to this survey fluctuates. Therefore, it was decided to trace the business of an identified subsample. The subsample in turn was affected by sporadic non-response and two mergers between firms.

Graph 5: Domestic Book Market in Canada.
Total Market Est., at Prices for Point of First Delivery,
Total Imports from All Sources, and Volume of Publishing in Canada,
1975 - 1980 ($ M).
Source: Report, Table II

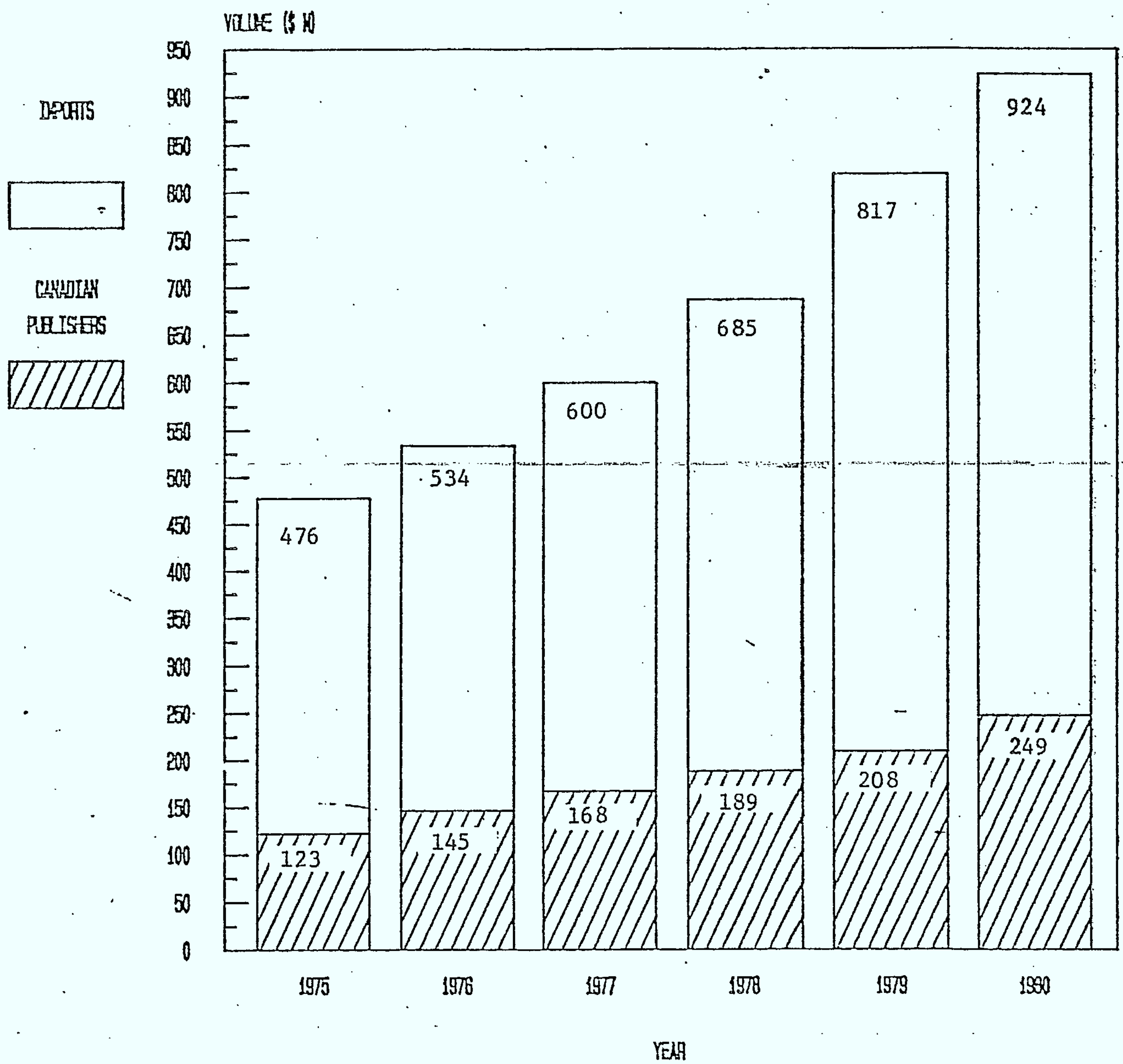


Table 12A is to be read as follows. In 1976, 177 publisher agents responded to the survey. Based on this response, Statistics Canada estimated that publisher agents had a total of \$294 million in business which consisted of \$172 million in own book sales and \$123 million in agency business.

In addition, 53 exclusive agents responded to the survey, resulting in an estimated volume of business of exclusive agents of \$74 million. Therefore, the total agency business in 1976 of both categories of agents was \$197 million. This figure can be compared to the 1976 entry in Table 11 for the total imports of all importers, i.e., \$389 million. One must be aware, however, that the import data reported in that table come from a different source - the statistics on imports by commodity. The difference between both figures is accounted for by 'other' importers, such as retailers, wholesalers or jobbers.

Table 12A also contains data on publishing and agency business for the special subsample. For example, in 1976 the 32 publisher/agents in this subsample reported \$77 million in own publishing, and \$84 million in agency business, for a total of \$161 million. The 11 exclusive agents in the subsample reported \$32 million in agency business. Since the firms in the subsample are also part of the main survey, their sales figures are included in the global estimates, that is, the \$32 million just quoted are part of the \$74 million in total business of exclusive agents.

The figures in this table should be interpreted with some caution. Not only is the main survey of publishers and agents affected by fluctuating response rates, but the subsample has also been modified to some extent, as was described above. Therefore, the data will be summarized only in general terms (cf. Table 12B).

Table 12B shows that the sales of own books of all publisher agents developed at a faster rate than did their agency business (Cols. 1 and 2). By contrast, the publishing of firms in the subsample grew at a lower and declining rate (Col. 3). Their agency business showed slightly better growth, matching that of the total of publisher agents in the survey (Col. 3). The import business of the exclusive agents developed at the same rate as the agency business of publisher agents (Col. 5). Exclusive agents in the subsample reported essentially no growth in business (Col. 6).

In summary, the data indicate that the sales of own titles of publisher agents did not suffer in comparison with their agency business, nor did they lose business in comparison to the exclusive agents.

APPENDIX 1

Statistical Tables

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Table 1 BOOK IMPORTS FROM USA, UK AND TOTAL FROM ALL COUNTRIES BY SELECTED TARIFF CLASSIFICATIONS, COMMODITY CODES AND INDISTRY SEGMENTS, 1976-81 March 1982

Eight Commodity Classes	1976	1977	Per Cent Change	1978	Per Cent Change	1979	Per Cent Change	1980	Per Cent Change
1. United States									
a. All Tariff Classifications	180,722,000	202,862,000	12.3	227,908,000	12.3	291,521,000	27.9	330,866,000	13.5
b. Selected (13) Tariff Classifications, Sample Importers	110,371,010	131,532,498	19.2	154,243,553	17.3	213,242,735	38.3	232,279,831	8.9
(b) as a percent of (a)	61.1	64.8		67.7		73.1		70.2	
c. Tariff Classifications 169001 and 171001 All Sources	66,144,440	80,434,308	21.6	95,779,367	19.1	162,222,043	69.4	214,603,687	32.3
d. Tariff Classifications 169001 and 171001 Sample Importers	47,351,495	59,134,247	24.9	72,589,315	22.8	136,395,607	87.9	165,781,562	21.6
(d) as a percent of (c)	71.6	73.5		75.8		84.1		77.3	
(d) as a percent of (b)	42.9	45.0		47.1		64.0		64.0	
2. United Kingdom	16,742,000	19,628,000	17.2	22,521,000	14.7	24,066,000	6.9	23,996,000	(– 0.3)
3. Total Imports from all Countries	229,361,000	257,201,000	12.1	296,337,000	15.2	368,118,000	24.2	410,587,000	11.5

Source: Statistical Compendium, Section I. Items 1a, 2 & 3 compiled from Table 5, item 1b from Summary Table 2, items 1c and 1d from Table 2.

(Cont'd)

Table 1

BOOK IMPORTS FROM USA, UK AND TOTAL FROM ALL COUNTRIES
BY SELECTED TARIFF CLASSIFICATIONS, COMMODITY CODES AND INDUSTRY SEGMENTS, 1976-81

Eight Commodity Classes	1980	Per Cent Change	1981	Per Cent Change
1. United States				
a. All Tariff Classifications	330,866,000	13.5	392,285,760	18.6
b. Selected (13) Tariff Classifications, Sample Importers	232,279,831	8.9	284,643,224	22.5
(b) as a percent of (a)	70.2		72.6	
c. Tariff Classifications 169001 and 171001 All Sources	214,603,687	32.3	253,861,578	18.3
d. Tariff Classifications 169001 and 171001 Sample Importers	165,781,562	21.6	208,167,521	25.6
(d) as a percent of (c)	77.3		82.0	
(d) as a percent of (b)	64.0		73.1	
2. United Kingdom	23,996,000	(-0.3)	-	
3. Total Imports from all Countries	410,587,000	11.5	-	

Source: Statistical Compendium, Section I. Items 1a, 2 & 3 compiled from Table 5, item 1b from summary Table 2, items 1c and 1d from Table 2.

Table 2

March 1982

TOTAL VALUE OF BOOK IMPORTS FROM THE UNITED STATES BY
COMMODITY CLASSIFICATION, TOTAL AND TARIFF CLASS, 1976-81

TOTAL-ALL COMMODITY CLASSES

TARIFF CLASSIFICATION	1976		1977			1978			1979			1980		
	Total	% of Total	Total	% of Total	% Change (1976-77)	Total	% of Total	% Change (1977-78)	Total	% of Total	% Change (1978-79)	Total	% of Total	% Change (1979-80)
16900-1	3,319,671	3.0	2,338,601	1.8	(-29.6)	3,271,905	2.1	39.9	2,904,605	1.4	(-11.2)	5,156,577	2.2	77.5
17000-1	216,102	0.2	997,816	0.8	361.7	2,755,052	1.8	176.1	2,706,321	1.3	(-1.8)	3,586,064	1.5	32.5
17100-1	44,031,824	39.9	56,795,646	43.2	29.0	69,317,410	44.9	22.1	133,491,002	62.6	92.6	160,624,985	69.2	20.3
17200-1	36,904,228	33.4	41,110,773	31.3	11.4	45,085,087	29.2	9.7	41,178,666	19.3	(-8.7)	40,147,192	17.3	(- 2.5)
17210-1	111,738	0.1	7,256	-	(-93.5)	105,208	0.1	1350.0	70,789	-	(-32.7)	103,212	-	45.8
17305-1	18,574,864	16.8	21,265,189	16.2	14.5	24,553,704	15.9	15.5	20,328,072	9.5	(-17.2)	12,570,072	5.4	(-38.1)
17310-1	826,657	0.8	702,992	0.5	(-15.0)	877,169	0.6	24.8	1,345,365	0.6	53.4	1,818,172	0.8	35.1
17315-1	6,365,162	5.8	8,267,363	6.3	29.9	8,269,572	5.4	-	11,196,313	5.3	35.4	8,264,693	3.6	(-26.2)
17320-1	20,764	-	38,451	-	85.2	4,728	-	(-87.7)	5,122	-	8.3	390	-	(-92.4)
17325-1	-	-	5,231	-	100.0	2,801	-	(-46.4)	16,480	-	488.4	914	-	(-94.5)
17330-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70805-1	-	-	3,180	-	-	917	-	-	-	-	-	7,560	-	-
70810-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	110,371,010	100.0	131,532,498	100.0	19.2	154,243,553	100.0	17.3	213,242,735	100.0	38.3	232,279,831	100.0	8.9
Sub-total: T.C. 16900-1 and 17100-1	47,351,495	42.9	59,134,247	45.0	24.9	72,589,315	47.1	22.8	136,395,607	64.0	87.9	165,781,562	71.4	21.5

Source: Statistical Compendium, Section I. Compiled from Base Tables B through L.

(Cont'd)

Table 2

TOTAL VALUE OF BOOK IMPORTS FROM THE UNITED STATES BY COMMODITY CLASSIFICATION, TOTAL AND TARIFF CLASS, 1976-81

March 1982

TOTAL-ALL COMMODITY CLASSES

TARIFF CLASSIFICATION	1980 Total	1980 % of Total	1980 % Change (1979-80)	1981 Total	1981 % of Total	1981 % Change (1980-81)
16900-1	5,156,577	2.2	77.5	4,906,075	1.7	(-4.9)
17000-1	3,586,064	1.5	32.5	3,726,813	1.3	3.9
17100-1	160,624,985	69.2	20.3	203,261,446	71.4	26.5
17200-1	40,147,192	17.3	(- 2.5)	45,454,617	16.0	13.2
17210-1	103,212	-	45.8	292,788	0.1	183.7
17305-1	12,570,072	5.4	(-38.1)	13,247,360	4.7	5.4
17310-1	1,818,172	0.8	35.1	1,761,617	0.6	(-3.1)
17315-1	8,264,693	3.6	(-26.2)	11,978,665	4.2	44.9
17320-1	390	-	(-92.4)			
17325-1	914	-	(-94.5)			
17330-1	-	-	-			
70805-1	7,560	-	-	13,843	-	83.1
70810-1	-	-	-			
TOTAL	232,279,831	100.0	8.9	284,643,224	100.0	22.5
Sub-total: T.C. 16900-1 and 17100-1	165,781,562	71.4	21.5	208,167,521	73.1	25.6

Source: Statistical Compendium, Section I. Compiled from Base Tables B through L.

March 1982

Table 3

Import Activity Under Six Tariff Classifications
by 360 Sample Importers (1978-81)

Tariff Classifications		Value of Imports ($ Million) 1978	1979	1980	1981
(17100-1)	Books, periodicals and pamphlets	69.3	133.5 92.6%	160.6 20.3%	203.3 26.6%
17200-1	Books Pblished by any Government abroad	45.1	41.2 -8.7%	40.1 -2.5%	45.5 13.5%
17305-1	School, College and University Text Books	24.6	20.3 -17.2%	12.6 -38.1%	13.2 4.8%
17315-1	Books for Libraries	8.3	11.2 35.4%	8.3 -26.2%	12.0 44.6%
(16900-1	Novels and Fiction	3.3	2.9 -11.2%	5.2 77.5	4.9 -5.8%
17000-1	Books and periodi-cals	2.8	2.7 -1.8%	3.6 32.5%	3.7 2.8%
	TOTAL	153.4	211.8 38.1%	230.4 8.8%	282.6 22.7%
Percent Share of Total Imports		99.5	99.3	99.2	99.3

Source: Statistical Compendium, Section I computed from Summary Table 2.

March 1982

Table 4

BOOK IMPORTS FROM THE UNITED STATES UNDER TARIFF CLASS 169 AND 171 BY SELECTED SAMPLE INDUSTRY SEGMENTS 1976-1981

Sample Industry Segment	1976 Value of Imports $	1976 Percent of Sample	1977 Value of Imports $	1977 Percent of Sample	1978 Value of Imports $	1978 Percent of Sample	1979 Value of Imports $	1979 Percent of Sample	1980 Value of Imports $	1980 Percent of Sample
Publisher Agent (50)	20,124,144	42.5	20,873,034	35.3	23,448,846	32.3	55,512,711	40.7	76,681,837	46.3
(Percent Change)	-		3.7		12.3		136.7		38.1	
Exclusive Agent (38)	7,416,392	15.7	9,413,518	15.9	13,409,438	18.5	20,016,264	14.7	26,112,756	15.8
(Percent Change)	-		26.9		42.4		49.3		30.5	
University/College (34) Library	6,724	0.1	2,967	-	10,913	-	211,716	0.2	560,939	0.3
(Percent Change)	-		(-55.8)		267.8		1840.0		165.0	
Public Library (33)	-	-	-	-	-	-	6,280	-	3,228	-
(Percent Change)	-		-		-		-		-	
School Library (20)	-	-	34,615	0.1	56,583	0.1	149,220	0.1	135,410	0.1
(Percent Change)	-		-		63.5		163.7		(-48.6)	
Wholesaler (40)	12,928,340	27.3	16,832,517	28.5	18,032,564	24.8	35,469,285	26.0	37,765,724	22.8
(Percent Change)	-		30.2		7.1		96.7		6.5	
Chain Book Store (8)	1,219,949	2.6	1,931,285	3.3	2,873,938	4.0	5,063,831	3.7	5,476,325	3.3
(Percent Change)	-		58.3		48.8		76.2		8.2	
Independent Book (19) Store	54,929	0.1	62,223	0.1	102,396	0.1	315,176	0.2	407,256	0.3
(Percent Change)	-		13.3		64.6		207.8		29.2	
Miscellaneous Book Importer	4,843,746	10.2	8,360,642	14.1	12,913,080	17.8	17,256,985	12.7	17,115,682	10.3
(Percent Change)	-		72.6		54.4		33.6		(- 0.8)	

(cont'd)

Table 4

March 1982

BOOK IMPORTS FROM THE UNITED STATES UNDER TARIFF CLASS 169 AND 171 BY SELECTED SAMPLE INDUSTRY SEGMENTS 1976-1981

Sample Industry Segment	1980 Value of Imports $	1980 Percent of Sample	1981 Value of Imports $	1981 Percent of Sample
Publisher Agent (50)	76,681,837	46.3	101,666,361	48.8
(Percent Change)	38.1		32.6	
Exclusive Agent (38)	26,112,756	15.8	34,603,258	16.6
(Percent Change)	30.5		32.5	
University/College (34) Library	560,939	0.3	935,691	0.5
(Percent Change)	165.0		66.8	
Public Library (33)	3,228	-	30,349	-
(Percent Change)	-		-	
School Library (20)	135,410	0.1	80,890	-
(Percent Change)	(-48.6)		(-40.3)	
Wholesaler (40)	37,765,724	22.8	45,666,728	21.9
(Percent Change)	6.5		20.9	
Chain Book Store (8)	5,476,325	3.3	4,757,399	2.3
(Percent Change)	8.2		(-13.1)	
Independent Book (19) Store	407,256	0.3	500,092	0.2
(Percent Change)	29.2		22.8	
Miscellaneous Book Importer	17,115,682	10.3	19,643,680	9.4
(Percent Change)	(- 0.8)		14.8	

(cont'd)

Table 4 BOOK IMPORTS FROM THE UNITED STATES UNDER TARIFF CLASS 169 AND 171 BY SELECTED SAMPLE INDUSTRY SEGMENTS* (1976-1980) March 1982

Sample Industry Segment	1976 Value of Imports $	1976 Percent of Sample	1977 Value of Imports $	1977 Percent of Sample	1978 Value of Imports $	1978 Percent of Sample	1979 Value of Imports $	1979 Percent of Sample	1980 Value of Imports $	1980 Percent of Sample
Unidentified Book Importer	757,271	1.6	1,623,446	2.7	1,741,557	2.4	2,394,139	1.8	1,522,405	0.9
(Percent Change)	-		114.4		7.3		37.5		(-36.4)	
Sample Total	47,351,495	100.1	59,134,247	100.0	72,589,315	100.0	136,395,607	100.1	165,781,562	100.1
(Percent Change)	-		24.9		22.8		87.9		21.5	
All Sources Total	66,144,440	-	80,434,247	-	95,779,367	-	162,222,043	-	214,603,687	-
(Percent Change)	-		21.6		19.1		69.4		32.3	

Percent Change = (1977/1976 X 100.) - 100

Source: Statistical Compendium, Section I. Summary Table 3.

* See List of Canadian Importers of U.S. Books By Industry Segments
The total number of miscellaneous and unidentified book importers is 118.

(Cont'd)

Table 4

BOOK IMPORTS FROM THE UNITED STATES UNDER TARIFF CLASS 169 AND 171 BY SELECTED SAMPLE INDUSTRY SEGMENTS* (1976-1981)

Sample Industry Segment	1980 Value of Imports $	1980 Percent of Sample	1981 Value of Imports $	1981 Percent of Sample
Unidentified Book Importer	1,522,405	0.9	283,073	0.1
(Percent Change)	(-36.4)		(-81.4)	
Sample Total	165,781,562	100.1	208,167,521	99.8
(Percent Change)	21.5		25.6	
All Sources Total	214,603,687	-		
(Percent Cha ge)	32.3			

Percent Change = (1977/1976 X 100.) - 100

Source: Statistical Compendium, Section I. Summary Table 3.

* See List of Canadian Importers of U.S. Books By Industry Segments The total number of miscellaneous and unidentified book importers is 118.

Table 5

TOTAL VALUE OF BOOK IMPORTS FROM U.S. FOR THIRTEEN TARIFF CLASSIFICATIONS AND SUB-TOTALS FOR CLASSIFICATIONS 169 AND 171, FOR PUBLISHER AGENTS AND EXCLUSIVE AGENTS, 1976 - 1981

	1976	1977	% Change	1978	Per Cent Change	1979	Per Cent Change	1980	Per Cent Change
1. Publisher Agents (50)									
a. Selected (13) Tariff Classifications	49,165,890	54,306,396	6.1	64,124,193	18.0	91,400,242	42.6	105,891,540	15.9
b. Tariff Classifications 16900-1 and 17100-1	20,124,144	20,873,034	3.7	23,448,846	12.3	55,512,711	136.7	76,681,837	38.1
c. (b) as % of (a)	40.9	38.4		36.6		60.7		72.4	
2. Exclusive Agents (38)									
a. Selected (13) Tariff Classifications	21,961,919	25,805,609	17.3	30,806,318	19.4	34,894,539	13.3	37,293,259	6.9
b. Tariff Classifications 16900-1 and 17100-1	7,416,392	9,413,518	26.9	13,409,438	42.4	20,016,264	49.3	26,112,756	30.5
c. (b) as % of (a)	33.8	36.5		43.5		57.4		70.0	
3. Total Publishers/Agents	71,225,809	80,112,005	12.5	94,930,511	18.5	126,294,781	38.0	143,184,799	13.4

Source: Extracted from Tables in Section I B and C of the Statistical Compendium.
Original Source: External Trade Division, Statistics Canada.

(Cont'd)

Table 5

TOTAL VALUE OF BOOK IMPORTS FROM U.S. FOR THIRTEEN TARIFF CLASSIFICATIONS AND SUB-TOTALS FOR CLASSIFICATIONS 169 AND 171, FOR PUBLISHER AGENTS AND EXCLUSIVE AGENTS, 1976 - 1981

	1980	Per Cent Change	1981	Per Cent Change
1. Publisher Agents (50)				
a. Selected (13) Tariff Classifications	105,891,540	15.9	135,174,555	27.7
b. Tariff Classifications 16900-1 and 17100-1	76,681,837	38.1	101,666,361	32.6
c. (b) as % of (a)	72.4		75.2	
2. Exclusive Agents (38)				
a. Selected (13) Tariff Classifications	37,293,259	6.9	47,332,307	26.9
b. Tariff Classifications	26,112,756	30.5	34,603,258	32.5
c. (b) as % of (a)	70.0		73.1	
3. Total Publishers/Agents	143,184,799	13.4	182,506,862	27.5

Source: Extracted from Tables in Section I B and C of the Statistical Compendium.
Original Source: External Trade Division, Statistics Canada.

Table 6

TOTAL VALUE OF BOOK IMPORTS FREE, DUTIABLE AND DUTY PAID
FROM ALL COUNTRIES, (1976 - 1980)

Tariff Classification	1976	1977	Per Cent Change	1978	Per Cent Change	1979	Per Cent Change	1980	Per Cent Change
All Tariff Classes									
Total Free	154,184,622	165,486,972	7.3	188,377,240	13.8	349,844,081	85.7	406,327,684	16.2
Total Dutiable	75,356,045	91,713,147	21.7	107,959,095	17.7	18,272,457	(-83.1)	4,259,215	23.3
Total	229,540,667	257,200,119	12.0	296,336,335	15.2	368,116,538	24.2	410,586,899	11.5
Total Duty Paid (A)	7,560,743	9,270,931	22.6	10,862,668	17.2	2,045,940	(-81.2)	786,145	(-61.6)
Tariff Class 169000-1 and 171000-1									
Total Free	10,376,614	12,771,719	23.1	15,463,839	21.0	175,427,441	1034.4	237,395,847	35.3
Total Dutiable	69,100,658	84,578,641	22.4	100,806,403	19.2	11,388,395	(-88.7)	91,921	(-99.2)
Total	79,477,272	97,350,360	22.5	116,270,242	19.4	186,815,836	60.7	237,487,768	27.1
Duty Paid (B)	6,776,861	8,231,231	21.5	9,906,727	20.4	1,070,384	(-89.2)	15,337	(-98.6)
(B) as percent of (A)	89.6	88.8		91.2		52.3		2.0	

Source: Statistical Compendium, Section I. Table 3.

BASIC STOCK LIST

TABLE 7A

Frequency Distribution of Price Differentials (Percentage)
Between Canada and U.S.A. (1977-1978)

PERCENT RANGE	PAPERBACKS * LESS THAN $4	PAPERBACKS * $4 AND OVER	TOTAL PAPER BACK	HARDCOVERS * LESS THAN $4	HARDCOVERS * $4 TO $10.99	HARDCOVERS * $11 TO $19.99	HARDCOVERS * $20 AND OVER	TOTAL HARD COVER	TOTAL NO.	TOTAL %	CUMULATIVE TOTAL NO.	CUMULATIVE TOTAL %
Less than 0 .	1	-	1	-	-	-	-	-	1	.2	1	.2
0...........	114	7	121	14	7	1	-	22	143	24.7	144	24.9
0 to 14.9....	15	13	28	1	12	8	-	21	49	8.5	193	33.3
15 to 19.9...	42	6	48	9	14	1	-	24	72	12.4	265	45.8
20 to 24.9...	21	13	44	-	32	7	1	40	74	12.8	339	58.5
25 to 29.9...	42	16	58	2	16	14	-	32	90	15.5	429	74.1
30 to 34.9...	26	4	30	2	7	21	-	30	60	10.4	489	84.5
35 to 39.9...	-	2	2	-	-	2	-	2	4	0.7	493	85.1
40 to 44.9...	6	-	6	-	5	2	1	8	14	2.4	507	87.6
45 to 49.9...	1	-	1	-	-	3	1	4	5	0.9	512	88.4
50 and over..	17	19	36	4	19	5	3	31	67	11.6	579	100.0
TOTAL	285	80	365	32	112	64	6	214	579	100.	—	—

Source: Developed from Canadian Booksellers Association BASIC STOCK LIST (1977-1978); Books in Print published by R.R. Bowker, N.Y.

* Categories of book prices based on Canadian list price

Table 7A

BASIC STOCK LIST

TABLE 7B

Frequency Distribution of Price Differentials (Percentage)
Between Canada and U.S.A. (1979-1980)

PERCENTAGE RANGE	PAPERBACKS * LESS THAN $4	$4 AND OVER	TOTAL PAPER BACK	HARDCOVERS * LESS THAN $4	$4 TO $10.99	$11 TO $19.99	$20 AND OVER	TOTAL HARD COVER	TOTAL No.	TOTAL %	CUMULATIVE TOTAL No.	CUMULATIVE TOTAL %
Less than 0 ...	15	7	22	-	2	-	-	2	24	5.0	24	5.0
0	64	6	70	4	2	2	-	8	78	16.1	102	21.1
0 to 14.9	16	10	26	-	6	1	1	8	34	7.0	136	28.2
15 to 19.9	28	4	32	-	4	-	2	6	38	7.9	174	36.0
20 to 24.9	20	3	23	-	9	-	-	9	32	6.6	206	42.7
25 to 29.9	13	7	20	-	5	3	3	11	31	6.4	237	49.1
30 to 34.9	42	14	56	5	11	7	3	26	82	17.0	319	66.0
35 to 39.9	-	11	11	-	2	6	2	10	21	4.3	340	70.4
40 to 44.9	22	4	26	4	17	6	-	27	53	11.0	393	81.4
45 to 49.9	-	-	-	-	-	12	2	14	14	2.9	407	84.3
50 and over	10	11	21	2	22	28	3	55	76	15.7	483	100.0
TOTAL:	230	77	307	15	80	65	16	176	483	99.9		

Source: Developed from Canadian Booksellers Association BASIC STOCK LIST (1979-1980); Books in Print published by R.R. Bowker, N.Y.

* Categories of book prices based on Canadian list price

Table 7B

TABLE 8

BASIC STOCK LIST
Distribution of Price Differentials (Percentage)
By Category and Totals

PERCENT RANGE	PAPERBACKS		HARDCOVER		TOTALS			
	1977-1978	1979-1980	1977-1978	1979-1980	1977-1978		1979-1980	
					NO	%	NO	%
Less than 0..	1	22	-	2	1	.2	24	5.0
0...........	121	70	22	8	143	24.7	78	16.1
0 to 14.9....	28	26	21	8	49	8.5	34	7.0
15 to 19.9...	48	32	24	6	72	12.4	38	7.9
20 to 24.9...	34	23	40	9	74	12.8	32	6.6
25 to 29.9...	58	20	32	11	90	15.5	31	6.4
30 to 34.9...	30	56	30	26	60	10.4	82	17.0
35 to 39.9...	2	11	2	10	4	.7	21	4.3
40 to 44.9...	6	26	8	27	14	2.4	53	11.0
45 to 49.9...	1	-	4	14	5	.9	14	2.9
50 and over..	36	21	31	55	67	11.6	76	15.7
TOTAL	365	307	214	176	579	100.1	483	99.9

Source: Canadian Booksellers Association BASIC STOCK LIST (1977-1978) and (1979-1980);
Books in Print published by R.R. Bowker, N.Y.

* Prices of categories according to Canadian list price

TABLE 9A

GLOBE AND MAIL
Frequency Distribution of Price Differentials (Percentage)
Between Canada and U.S.A. (1977)

PERCENT RANGE	PAPERBACKS * LESS THAN $4	$4 AND OVER	TOTAL PAPER BACK	HARDCOVERS * LESS THAN $4	$4 TO $10.99	$11 TO $19.99	$20 AND OVER	TOTAL HARD COVER	TOTAL No.	TOTAL %	CUMULATIVE TOTAL No.	CUMULATIVE TOTAL %
Less than 0..	-	1	1	0	4	2	-	6	7	4.9	7	4.9
0	2	-	2	1	9	6	-	16	18	12.6	25	17.5
0 to 14.9 ...	-	1	1	-	25	12	1	38	39	27.3	64	44.8
15 to 19.9 ..	-	-	-	-	8	35	2	45	45	31.5	109	76.2
20 to 24.9 ..	-	-	-	-	16	3	-	19	19	13.3	128	89.5
25 to 29.9 ..	-	-	-	-	-	3	-	3	3	2.1	131	91.6
30 to 34.9 ..	1	-	1	-	2	5	1	8	9	6.3	140	97.9
35 to 39.9 ..	-	-	-	-	-	1	-	1	1	.7	141	98.6
40 to 44.9 ..	-	-	-	-	-	-	-	-	-	-	141	98.6
45 to 49.9 ..	-	-	-	-	-	-	1	1	1	.7	142	99.3
50 and over .	-	-	-	-	-	1	-	1	1	.7	143	100.0
TOTAL:	3	2	5	1	64	68	5	138	143	100.1		

Source: The Globe and Mail, Literary Supplement of Saturday Edition; Books in Print published by R.R. Bowker Co., N.Y.

* Prices of categories according to Canadian list price.

Table 9A

TABLE 9B

GLOBE AND MAIL

Frequency Distribution of Price Differentials (Percentage)

Between Canada and U.S.A. (1978)

PERCENT RANGE	PAPERBACKS * LESS THAN $4	PAPERBACKS * $4 AND OVER	TOTAL PAPER BACK	HARDCOVERS * LESS THAN $4	HARDCOVERS * $4 TO $10.99	HARDCOVERS * $11 TO $19.99	HARDCOVERS * $20 AND OVER	TOTAL HARD COVER	TOTAL No.	TOTAL %	CUMULATIVE TOTAL No.	CUMULATIVE TOTAL %
Less than 0	1	-	1	-	2	-	-	2	3	2.0	3	2.0
0...............	9	1	10	-	4	7	2	13	23	15.2	26	17.2
0 to 14.9........	2	-	2	-	8	8	1	17	19	12.6	45	29.8
15 to 19.9.......	2	-	2	-	2	13	4	19	21	13.9	66	43.7
20 to 24.9.......	-	2	2	-	6	5	2	13	15	9.9	81	53.6
25 to 29.9.......	1	1	2	-	3	22	1	26	28	18.	109	72.2
30 to 34.9.......	2	-	2	-	1	21	2	24	26	17.2	135	89.4
35 to 39.9.......	-	-	-	-	1	4	-	5	5	3.3	140	92.7
40 to 44.9.......	-	1	1	-	1	5	-	6	7	4.6	147	97.4
45 to 49.9.......	-	-	-	-	-	1	-	1	1	0.7	148	98.0
50 and over......	-	1	1	-	-	2	-	2	3	2.0	151	100.0
TOTAL	17	6	23	0	28	88	12	128	151		—	—

Source: The Globe and Mail, Literary Supplement of Saturday Edition; Books in Print published by R.R. Bowker Co., N.Y.

* Prices of categories according to Canadian list price.

Table 9B

TABLE 9C

GLOBE AND MAIL
Frequency Distribution of Price Differentials (Percentage)
Between Canada and U.S.A. (1979)

PERCENT RANGE	PAPERBACKS * LESS THAN $4	$4 AND OVER	TOTAL PAPER BACK	HARDCOVERS * LESS THAN $4	$4 TO $10.99	$11 TO $19.99	$20 AND OVER	TOTAL HARD COVER	TOTAL NO.	TOTAL %	CUMULATIVE TOTAL NO.	CUMULATIVE TOTAL %
Less than 0..	1	-	1	-	-	-	-	-	1	0.5	1	0.5
0...........	9	5	14	-	5	2	-	7	21	11.1	22	11.6
0 to 14.9....	6	1	7	-	3	5	2	10	17	9.0	39	20.6
15 to 19.9...	-	-	-	-	2	7	2	11	11	5.8	50	26.5
20 to 24.9...	-	-	-	-	4	12	2	18	18	9.5	68	36.0
25 to 29.9...	-	2	2	-	11	26	3	40	42	22.2	110	58.2
30 to 34.9...	-	1	1	-	4	40	6	50	51	27.0	161	85.2
35 to 39.9...	-	-	-	-	-	14	3	17	17	9.0	178	94.2
40 to 44.9...	1	-	1	-	-	2	2	4	5	2.6	183	96.8
45 to 49.9...	-	-	-	-	-	1	-	1	1	0.5	184	97.4
50 and over	2	-	2	-	-	2	1	3	5	2.6	189	100.0
TOTAL	19	9	28	0	29	111	21	161	189	99.8	—	—

Source: The Globe and Mail, Literary Supplement of Saturday Edition; Books in Print published by R.R. Bowker Co., N.Y.

* Prices of categories according to Canadian list price.

Table 9C

TABLE 9D

GLOBE AND MAIL

Frequency Distribution of Price Differentials (Percentage)
Between Canada and U.S.A. (1980)

PERCENT RANGE	PAPERBACKS *			HARDCOVERS					TOTAL		CUMULATIVE TOTAL	
	LESS THAN $4	$4 AND OVER	TOTAL PAPER BACK	LESS THAN $4	$4 TO $10.99	$11 TO $19.99	$20 AND OVER	TOTAL HARD COVER	NO.	%	NO.	%
Less than 0 .	-	-	-	-	1	-	-	1	1	0.5	1	0.5
0............	14	5	19	-	-	-	1	1	20	10.3	21	10.8
0 to 14.9....	4	2	6	-	1	6	1	8	14	7.2	35	17.9
15 to 19.9...	2	-	2	-	-	10	1	11	13	6.7	48	24.6
20 to 24.9...	1	2	3	-	2	13	-	15	18	9.2	66	33.8
25 to 29.9...	-	5	5	-	3	32	9	44	49	25.1	115	59.0
30 to 34.9...	2	1	3	-	2	34	11	47	50	25.6	165	84.6
35 to 39.9 ..	-	-	-	-	1	13	1	15	15	7.7	180	92.3
40 to 44.9 ..	2	2	4	-	-	3	-	3	7	3.6	187	95.9
45 to 49.9 ..	-	-	-	-	-	2	-	2	2	1.0	189	96.9
50 and over .	-	2	2	-	-	2	2	4	6	3.1	195	100.0
TOTAL	25	19	44	0	10	115	26	151	195	100.0	—	—

Source: The Globe and Mail, Literary Supplement of Saturday Edition; Books in Print published by R.R. Bowker, N.Y.

* Prices of Categories according to Canadian list price.

Table 9D

TABLE 10

GLOBE AND MAIL
Frequency Distribution of Price Differentials (Percentage)
By Category and Totals

PERCENT RANGE	PAPERBACKS				HARDCOVERS				CUMULATIVE TOTALS							
									1977		1978		1979		1980	
	1977	1978	1979	1980	1977	1978	1979	1980	No.	%	No.	%	No.	%	No.	%
Less than 0 .	1	1	1	–	6	2	–	1	7	4.9	3	2.0	1	0.5	1	0.5
0	2	10	14	19	16	13	7	1	25	17.5	26	17.2	22	11.6	21	10.8
0 to 14.9 ...	1	2	7	6	38	17	10	8	64	44.8	45	29.8	39	20.6	35	17.9
15 to 19.9 ..	–	2	–	2	45	19	11	11	109	76.2	66	43.7	50	26.5	48	24.6
20 to 24.9 ..	–	2	–	3	19	13	18	15	128	89.5	81	53.6	68	36.0	66	33.8
25 to 29.9 ..	–	2	2	5	3	26	40	44	131	91.6	109	72.2	110	58.2	115	59.0
30 to 34.9 ..	1	2	1	3	8	24	50	47	140	97.9	135	89.4	161	85.2	165	84.6
35 to 39.9 ..	–	–	–	–	1	5	17	15	141	98.6	140	92.7	178	94.2	180	92.3
40 to 44.9 ..	–	1	1	4	–	6	4	3	141	98.6	147	97.4	183	96.8	187	95.9
45 to 49.9 ..	–	–	–	–	1	1	1	2	142	99.3	148	98.0	184	97.4	189	96.9
50 and over .	–	1	2	2	1	2	3	4	143	100.0	151	100.0	189	100.0	195	100.0
	5	23	28	44	138	128	161	151								

Source: Globe and Mail Literary Supplement of Saturday Edition; Books in Print published by R.R. Bowker, N.Y.

Table 10

Table 11

The Domestic Book Market in Canada:
Total Market, Total Imports and
Volume of Publishing in Canada, 1975 - 1980
($ millions)

	1975	1976	1977	1978	1979	1980
Domestic Market	476.6	533.9	600.3	685.0	816.6	924.2
% Growth		12.0	12.4	14.1	19.2	13.2
Total Imports	353.8	388.7	431.9	496.5	608.3	675.0
% Growth		9.7	11.1	15.0	22.5	11.0
Publishing in Canada (Domestic)	122.8	145.2	168.4	188.5	208.3	249.2
% Growth		18.2	16.0	11.9	10.5	19.6
Own Titles as % of Domestic Market	25.8	27.2	28.1	27.5	25.5	26.9

Sources: Statistics Canada estimates from the Survey of Publishers and Agents, Imports by Commodity (Catalogue 65-007), and preliminary figures for 1980. All dollar figures are net sales (point of first delivery). Exports from Canada are not included. Imports include all countries.

Table 11

TABLE 12A Net Book Sales of Publisher/Agents, by Type of Activity, 1976-1980 ($millions).

	PUBLISHERS ALL	PUBLISHERS SAMPLE	EXCLUSIVE AGENTS ALL	EXCLUSIVE AGENTS SAMPLE	YEAR
Own Titles	172	77	--	--	1976
Exclusive Agency	123	84	74	32	
Totals	294	161	74	32	
(N)	(177)	(32)	(53)	(11)	
Own Titles	206	88	--	--	1977
Exclusive Agency	129	93	82	39	
Totals	334	181	82	39	
(N)	(163)	(32)	(44)	(11)	
Own Titles	250	97	--	--	1978
Exclusive Agency	148	104	92	41	
Totals	399	201	92	41	
(N)	(176)	(32)	(41)	(11)	
Own Titles	303	100	--	--	1979
Exclusive Agency	171	123	102	44	
Totals	474	223	102	44	
(N)	(200)	(32)	(42)	(9)	
Own Titles	350	105	--	--	1980
Exclusive Agency	194	134	110	42	(preliminary)
Totals	544	239	110	42	
(N)	(164)	(30)	(42)	(9)	

Source: Output from Statistics Canada Survey of Publishers and Exclusive Agents (estimates to population), and a special subsample (reported sales only).

TABLE 12B Net Book Sales of Publisher/Agents, by Type of Activity, 1976-1980 (Percentages).

	PUBLISHERS ALL		PUBLISHERS SAMPLE		EXCLUSIVE AGENTS ALL	EXCLUSIVE AGENTS SAMPLE	YEAR
	1	2	3	4	5	6	
Own Titles	59	-	48	-	-	-	1976
Exclusive Agency	42	-	52	-	-	-	
Totals	100		100		-	-	
(N)	(177)		(32)		(53)	(11)	
Own Titles	62	20	49	14	-	-	1977
Exclusive Agency	38	5	51	11	11	22	
Totals	100	14	100	12	11	22	
(N)	(163)		(32)		(44)	(11)	
Own Titles	63	21	48	10	-	-	1978
Exclusive Agency	37	15	52	12	12	5	
Totals	100	19	100	11	12	5	
(N)	(176)		(32)		(41)	(11)	
Own Titles	64	21	45	3	-	-	1979
Exclusive Agency	36	16	55	18	11	7	
Totals	100	19	100	11	11	7	
(N)	(200)		(32)		(42)	(9)	
Own Titles	64	16	44	5	-	-	1980 (preliminary)
Exclusive Agency	36	13	56	9	8	5	
Totals	100	15	100	7	8	5	
(N)	(164)		(30)		(42)	(9)	

Source: Computed from Table 12A.

Note: Columns 1 and 3 list percentages of sales of own titles and agency business for all publishers and sample of publishers respectively.
Columns 2 and 4 list the growth percentage for each activity and total activities over previous year for all publishers and sample of publishers respectively.
Columns 5 and 6 list the growth percentage of exclusive agents for agency business over previous year for all agents and sample of agents respectively.

APPENDIX 2

Effects of Inflation and the Decline of the Canadian Dollar on Book Price Differentials

Price comparisons in international trade are affected by relative rates of inflation and rates of exchange of currencies. This Appendix considers whether these factors might modify the conclusion of the analysis of price differentials, i.e., that book price differentials widened rather than narrowing as expected.

The following table contains selected price indices for the period under study.

Table 1 Consumer Price Index, Transportation Index, and Rates of Exchange Between the Canadian and US Dollar, 1976-1980.

Year	Price Indices (1971 - 100)				
	Consumer Price Index	% Change	Transportation	% Change	Exchange Can./US $
1976	148.9		143.3		1.014
1977	160.8	7.9	153.3	7.0	.940
1978	175.2	9.0	162.2	5.8	.877
1979	191.2	9.1	178.0	9.7	.854
1980	210.6	10.1	200.7	12.8	.855

Source: Bank of Canada Review. Bank of Canada, March, 1981. Table 65.

Inflation

Significant differences in the rates of inflation between the US and Canada during the monitoring period could have affected the differentials between US and Canadian list prices, as follows.

The potential effects are first summarized theoretically. Assuming that all other factors remained unchanged, a US rate of inflation significantly higher than that in Canada would be associated with decreasing price differentials. Conversely, a rate of inflation in Canada in excess of the US rate would, under the same assumptions, lead to a widening of price differentials.

The general rates of inflation in both countries (rates of change of the consumer price indices) did not differ significantly during the monitoring period. The Canadian rate of inflation ranged from 7.9 percent in 1977 to 10.1 percent in 1980, and US rates were at or above these rates. Therefore, differences in the general rates of inflation cannot have been responsible for the observed widening of price differentials.

The rates of inflation in general are not necessarily reflected in book prices. The only source of comparable book prices consists in the two samples of list prices analyzed for this study. The average annual rates of increase of the US and Canadian list prices for both samples have been calculated. For the Basic Stock List, the average rate of increase of US prices was 8.5 percent per year, compared to a Canadian rate of 11.1 percent. For the Globe and Mail list, the US rate was 6.4 percent, compared to 9.9 percent for Canada. Combining both lists, the average rate of increase of US book prices has been below the US rate of inflation, whereas the rate of change of Canadian prices of US books has been at or above the US and

Canadian rates of inflation. In general, the rate of increase of Canadian prices of imported books in the samples has been three percentage points above that of US prices. This result, of course, is reflected in the widening price differentials discussed in the report.

It could be argued that other components of costs of Canadian distributors caused the increase in differentials. By way of example, one may look at one major component of the cost of distribution that is not under the control of importers. Table 1 provides the transportation index and the rates of change of transportation costs in Canada; these rates range from 5.8 to 12.8 percent for the period under study. It is not known how much of the margins of the Canadian book trade goes toward transportation, but it could be a greater portion than in the US network of distribution. The average rate of increase in the transportation index has not been greater than the rate of price change of US books in Canada. It should also be recalled that Canadian distributors benefit from preferential book rates. Therefore, transportation costs do not stand out as a major factor to explain the widening price differentials.

Rates of Exchange

As is indicated in Table 1, the Canadian dollar declined between 1977 and 1980 from US $.94 to $.855, resulting in a total loss in value of 9.04 percent.

In view of the discounts of US books at the border discussed above, i.e., 50 to 60 percent, an adjustment of US import prices by 4.5 percent would be a generous correction for the decline of the Canadian dollar. This effect of the depreciation of the

Canadian currency is nearly equal to the theoretical effect of zero-rating upon Canadian list prices of US imports. If both these factors are applied, therefore, one would have expected no change in price differentials, rather than a decline of up to 5 percent.

The tables on price differentials (Tables 7 - 10) are arranged in increments of 5 percent. Thus the reader can assess how a move of titles into an adjoining category would change the distribution of differentials. Since the effect of zero-rating on list prices and the currency effect should offset each other, it was decided not to re-base the US prices in the book lists by applying the prevailing rates of exchange.

However, it may still be useful to determine how the observed differential would have been affected if zero-rating had not occurred and if the decline of the Canadian dollar had to be compensated. For this purpose, the median price differentials were calculated. The median is that value within a category such that 50 percent of the cases of a distribution are below, and 50 percent above it. In Table 7A, the median differential is 24.3 percent. This means that 50 percent of the 569 books in the 1977-78 Basic Stock List showed a Canadian price more than 24.3 percent above the corresponding US price. The median for 1979-80 is 29.9 percent. The Globe and Mail list for 1977 has a median differential of 17.0 percent, followed by a median differential of 29.5 percent in 1980. Therefore, if the distributions of differentials for 1979-80 and 1980, respectively, were changed by 5 percent, in effect inflating the US prices by that amount, the result would still be that the price differentials have not declined during the monitoring period. Medians were used in this calculation because the distributions of book price differentials are not normal. However, the arithmetic means of book prices were also calculated; they support the same conclusions.

This treatment of the data on price differentials is supported by recent evidence in the economic literature which suggests that currency fluctuations are generally not correlated with relative wholesale prices between the US and Canada.[1] The article cited concluded that institutional factors are more powerful determinants of Canadian prices of imports than the rates of exchange. For these reasons, US prices were not adjusted.

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1 J. D. Richardson, "Some Empirical Evidence on Commodity Arbitrage and the Law of One Price," Journal of International Economics, Vol. 8 (May, 1978), pp. 341ff.
I. D. Cravis, and R. E. Lipsey, "Price Behaviour in the Light of Balance of Payments Theories," ibid., pp. 193ff.

APPENDIX 3

Zero Rating - List of Selected English Language Publisher/Agents, Exclusive Agents and Publishers only.

January 1981

ZERO RATING

LIST OF SELECTED ENGLISH LANGUAGE

Publisher/Agents, Exclusive Agents

and Publishers only.

(To be used by Statistics Canada for producing tables on printing costs, number of titles, sales etc. from the Annual Book Publishing Survey and Exclusive Agents Survey)

List reflects changes suggested by the Committee on February 20, 1980 in Toronto.

Appendix 3

SAMPLE 1

SELECTED ENGLISH LANGUAGE "PUBLISHER/AGENTS"

1. Academic Press Canada Ltd.
2. Addison-Wesley (Canada) Ltd.
3. Book Society of Canada Ltd.
4. Clarke, Irwin and Co. Ltd.
5. Collier MacMillan Canada Ltd.
6. William Collins Sons and Co. Canada Ltd.
7. J.M. Dent & Sons Canada Ltd.
8. Doubleday Canada Ltd.
9. Douglas & McIntryre Ltd.
10. D.C. Health Canada Ltd.
11. Gage Publishig Ltd.
12. General Publishing Co. Ltd.
13. Ginn and Company
14. GLC Publishers
15. Grolier Ltd.
16. Holt Rinehart & Winston of Canada Ltd.
17. Hurtig Publishers
18. MacMillan of Canada Ltd.
19. McClelland & Stewart Ltd.
20. McGraw-Hill Ryerson Ltd.
21. Methuen Publications
22. Penguin Books Canada Ltd.
23. Prentice-Hall of Canada Ltd.
24. The Reader's Digest Assoc. Canada Ltd.
25. Scholastic-Tab Publications Ltd.
26. University of Toronto Press
27. Van Nostrand Reinhold Ltd.
28. G.R. Welch Co. Ltd.
29. John Wiley and Sons Canada Ltd.

SAMPLE 2

SELECTED ENGLISH LANGUAGE "EXCLUSIVE AGENTS ONLY"

1. Thomas Allen & Son Ltd.
2. Ballantine Books of Canada Ltd.
3. Book Centre Inc.
4. J.B. Lippincott Company of Canada Ltd.
5. Random House of Canada Ltd.
6. Saunders Book Wholesale
7. Saunders of Toronto Ltd.
8. Whitman Golden Limited
9. John Wiley & Son Ltd.
10. Wonder Books Publishers
11. World Book Childcraft Canada Ltd.

SAMPLE 3

SELECTED ENGLISH LANGUAGE "PUBLISHERS ONLY"

1. Lester & Orpen Dennys Ltd.
2. James Lorimer & Co.
3. Pagurian Press Limited