

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Magazines Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

For Canada's magazine media, "stay the course." Clear, consistent and predictable support to the magazine media is the best approach to renewed growth and job creation. In this time of uncertainty, a consistent environment is critical to business planning and confidence in the sector. Like much of the Canadian economy, 2012 is proving to be a challenging year for Canada's magazine media. As the Bank of Canada has reported, global growth is weakening. Economic growth in the United States is below expectation while the economies of Europe have entered a phase of renewed contraction. Consumers are worried about the state of the economy. In this environment, industry ad revenue forecasters have downgraded growth projections globally across all media, including in the U.S. and Canada, given the continuing uncertain economic climate. Canada's magazine media relies on advertisers for 60 to 65% of revenues. While current economic conditions prevail, new spending growth in the magazine sector will be challenging. As reflected in a continuing and stable commitment to print, Canadians enjoy Canadian magazines and appear willing to continue to invest time and money to consuming Canadian content. However, until the economy improves significant growth in revenues and employment will be slow. For Canada's overall economic outlook, this is not good news. Canada's cultural industries, including its magazines, are a job-creation and economic-growth engine. Some 630,000 people work in culture sector, representing \$46 billion to the Canadian economy. When it comes to stimulating employment and economic growth, the Finance Committee should have a substantial interest in the state of the cultural industries. Priorities for Federal Government Budget Policy In this challenging economic environment, the federal government's budget policies should focus on maintaining a stable environment for Canada's magazine media, and the cultural industries generally. This is not a time for radical changes to the regulatory environment or investment programs. The federal government should continue on its course of cautiously and strategically modernizing its industry support structures and providing predictable, longer-term support to the cultural sectors. In recent years, Heritage Minister Moore has modernized and updated programs across the cultural sectors and then committed to ensuring a long-term, stable funding base so that cultural industries can innovate and invest with greater certainty. For the cultural industries, like any sector, business planning is critical. By providing clear, modern program objectives and consistent funding, the Minister has created an environment for growth and innovation. It is up to each cultural community to make the best of this environment and to be prepared to be measured on their success. The Canada Periodical Fund is an example. It replaces two previous programs that had similar but different eligibility and funding criteria and separate deadlines, and that each required administration by a team of officials. The program actually deterred innovation in new digital services by requiring magazines to use postal distribution. The new program helps the industry move forward, allowing publishers to use the investment in a manner appropriate to the unique needs of their magazine. Most importantly, it allows some of this investment to be put toward the growth of digital and online delivery mechanisms. Furthermore, the key measure for the program is consumer acceptance. Levels of support are based on whether or not Canadian consumers want and read the magazine. Clear, consistent and predictable support to the magazine media is the best approach to renewed growth and job creation. These are the best conditions under which the private

sector can invest and innovate as the economy allows and is the fastest route to economic recovery. Uncertainty of government commitment, on top of the current economic uncertainty generally through the economy, would be most debilitating. Recommendation: Magazines Canada recommends that the federal government maintain its commitment to a predictable environment for the sector, including continued investment through the Canada Periodical Fund (CPF) for Canadian magazines. Over the course of the next five years, the industry will use this predictable environment to maximize growth in the sector.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Canada should continue to diversify its economic relationships, including closer economic relationships with major economies outside of the United States. While doing so, Canada should maintain a strong commitment to its domestic cultural industries as it did in the Canada–U.S. Free Trade agreement and NAFTA. Canada should maintain a very strong focus on creating market access in major economies, including market access for the Canadian cultural industries. While Canadian magazines have a natural market in Canada, many titles are of interest among consumers in other countries. For example, Magazines Canada, with the support of the Canada Periodical Fund, introduced the Digital Newsstand program, which provides a platform for Canadian magazines to market editions online. The online delivery of magazines facilitates international exposure and sales. The Digital Newsstand is a modestly funded program that has shown very positive initial results. In less than a year, online unit sales went from zero to one million, with 60% of purchases to foreign buyers. We note that these were not free downloads or pages views but sales to individuals. Canada’s magazines will always primarily be sold in Canada and print will remain the preferred choice of Canadians. However, the Digital Newsstand demonstrates that there is a market for Canadian content wherever, whenever and however consumers demand it and, with the right approach, Canada’s magazine media can respond to those markets. Recommendation: Magazines Canada recommends that the federal government support industry-driven collective programs that develop markets with our new and developing trading partners.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Canada’s challenges with a shortage of skilled labour are an issue for today, and are not only about the coming demographic changes, but also ensuring that Canada’s existing workforce has the skills to make the changes needed as the digital environment evolves. For Canada’s magazine media, one of the most pressing and immediate challenges is skills training for the expansion of digital platforms. In recent Magazines Canada industry surveys, a staggering 97% of respondents said that skills development was the top-priority need in collaborative initiatives. Industry-run internships, mentorships and market intelligence studies all need a collective approach to ensure efficient and responsive programs for delivery to the entire sector. To underline the demand, we note that Magazines Canada’s professional development registrations grew 41% year over year (F2010-2011). Canada’s magazine media professionals are hungry for affordable in-career training. Well-educated young people with diverse backgrounds and interests want to work in digital media. Additionally, the skills they develop are transferrable to other non-media environments. These are the desired, smart, “cool” jobs that have long-term potential for stable and growing employment opportunities. Recommendation: Magazines

Canada recommends that the federal government support programs that facilitate increased investment and capacity building in the magazine media's digital environment, and that include in-career training for Canada's new skills workforce.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Please see the response to question 3.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?