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Briefing Note

Date: November 25, 2022

Topic: Impact of Supply Chain Pressures on BC Book Publishers

Prepared for: Hon. Lisa Beare, Minister of Citizens' Services and Tourism, Arts and Culture

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Overview:

The pandemic and its aftermath have exposed some glaring issues with the global supply chain and with logistics and systems that affect book publishing. Chief among these are printing, shipping, and distribution. All publishers are impacted by these challenges, whether they self-distribute or are part of a larger distribution group. Paper costs, in particular, have increased and continue to increase exponentially.

The ABPBC calls on government to assist the BC publishing industry in facing these extraordinary cost pressures by implementing a subsidy to assist publishers in meeting these challenges.

Details:

Since January 2021, **paper costs at Friesens Corporation, Canada's largest printer, have increased by 62%** for standard offset paper. Paper prices overseas have also increased dramatically.

Victoria's Orca Book Publishers has seen print cost go up by almost 15% on a standard book with black text. For full-colour projects the increases have been even more extreme. Some examples:

- Baby board books: increase of 21%.
- Hardcover nonfiction: 28% increase.
- Children's picture books up 33%;
- Longer-form nonfiction up 39%.
- Overall, Orca has seen an **average cost per book increase of 27% for printing** since the beginning of 2021.

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BC-based publishers have seen significant shipping price increases. General parcel rates for carriers like CanPar, Canada Post, and UPS have increased by almost 15% since 2020. This is in addition to fuel surcharges which continue to rise at higher rates than general shipping cost.

Less-than-truckload (LTL) freight charges have also increased. For a standard single pallet of books shipping from Friesens printers in Winnipeg to the West Coast, freight charges have more than doubled over the last eighteen months. And for publishers who need to print overseas – China and Korea in particular – there have been increases of more than 80% on container freight by sea.

Publishers and distributors are working hard to mitigate these increases in expenses through possible efficiencies with printing, shipping, and production. However, there are limited avenues available.

Publishing has always been a low-margin business, but the last two years have been particularly challenging because of the increasing costs of production and the increased challenges around getting products to market.

The Challenge:

- BC publishers are at a shipping disadvantage versus publishers in central Canada with our increased shipping costs on inbound shipments and those to accounts, many of which are located far from BC.
- An increasing number of accounts are demanding free or reduced-cost shipping and increased discounts to alleviate their increased costs.
- List prices on books can only be increased by minimal amounts if at all before orders start to drop off. We are competing against larger publishers and distributors with different economies of scale.

None of these realities are going to ease in the near future.

Proposed Solution:

The ABPBC proposes the Government of BC implement a subsidy to assist publishers in meeting these challenges. We believe this could be fashioned in a similar manner to the “Export Supplement” administered through the Canada Book Fund which supports export sales efforts for Canadian publishers.

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The ABPBC recommends that the BC Government implement a “Printing and Supply Chain Supplement” for BC publishers who receive block funding from the BC Arts Council to alleviate these ongoing pressures. This supplement would be added to the base amount that Publishers receive in the reference year based on number of titles printed. The amount divided between eligible publishers would be a designated budget line based on number of titles printed up to a maximum. Based on an average print cost increase of 30%, we envision that a supplement could contribute a portion of that increase on a certain number of titles.

For example (numbers for illustrative purposes only):

Eligible titles printed: 1-5 - \$600/title

Eligible Titles printed: >5 - \$300/title

The total budget for this initiative can be established by setting a maximum amount available per publisher. For example, if the limit per publisher was \$5000, the total cost to government would be \$125,000 based on 25 publishers applying for the credit.

The ABPBC believes that this strategy tied to printing and shipping costs could be successful in alleviating some of the impact of these increases. The implementation of such a strategy would have the following impacts:

1. Increase the viability of small and medium-sized Canadian publishers by alleviating some of the significant increase in cost of goods sold.
2. Encourage printing in Canada.
3. Enable Canadian publishers to offer competitive terms to Canadian accounts to play on a level field with multi-national publishers.

For more information:

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