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April 25, 2008

Laura Chattopadhyay  
Periodical Publishing Policy  
15 Eddy Street, 15-4-F  
Gatineau, Quebec  
K1A 0M5

Dear Ms. Chattopadhyay:

Ontario Media Development Corporation (OMDC) is pleased to submit the following comments on the Department of Canadian Heritage's proposed redesign of the Publications Assistance Program and the Canada Magazine Fund.

OMDC is an agency of the Ontario Ministry of Culture with a mandate to build the capacity and competitiveness of Ontario's cultural media industries. Through programs and services for the magazine, book publishing, music, film, television and interactive digital media industries, OMDC maximizes opportunities for growth and innovation in Ontario and abroad.

OMDC supports magazines through the OMDC Magazine Fund. The Fund provides support to Ontario magazine publishers proposing business development projects with clear objectives and measurable results, including circulation, newsstand and ad sales projects, magazine makeovers, the exploration and implementation of new content strategies and new magazine start-ups. In fiscal 2006-07, 27 projects were supported which have generated sales for those companies of over \$1.25 million.

OMDC also provides support to industry trade organizations for activities that broadly serve their members and match the mandate of the Agency. This has included projects and initiatives such as the inaugural MagNet conference, Magazines University and various newsstand marketing projects.

Group initiatives for the industry can also receive support through the OMDC's Entertainment and Creative Cluster Partnerships Fund. Initiatives such as Magazines Canada's Web Weekend, an intensive two-day digital initiatives training program created specifically for Canadian magazine publishing professionals, have received support through this Fund.

Given our role as supporters of Ontario's magazines, OMDC is pleased to have this opportunity to comment on the Department's proposal.

OMDC was also pleased to participate in the Department's roundtable held for industry trade associations in Toronto. The comments in this paper reflect some of that discussion. This paper has also been shared with OMDC's Magazine Publishing Industry Advisory Committee. While we applaud the scope of the Department's consultation, we will be limiting our comments to a few general issues.

OMDC is impressed by the Department's approach to the re-design of its programs for the magazine industry. Faced with the loss of a significant funding partner in the Publications Assistance Program, as

well as a rapidly evolving business environment for Canadian magazines, the Department's attempts to resolve these issues and provide meaningful and effective support to the industry are to be commended.

However, any time there are significant changes to programs, it introduces an element of uncertainty into the system. A sustained period of uncertainty could have significant and negative consequences for the industry, particularly those publications whose profit margins are already very thin. We therefore urge the Department to finalize its proposals and roll out its new programs for the industry as quickly as possible.

We appreciate that the Department has lost a major funding partner in Canada Post and that this may necessitate a reduction in the overall amount of funds available for the magazine industry. OMDC shares the concern of many of its stakeholders in the magazine industry that this could result in many magazines seeing a drastic reduction in the amount or even the elimination of the funds they receive. It is OMDC's hope that sufficient funds will be allocated by the federal government to the new magazine fund in order to maintain, if not increase, the current funding levels.

The proposed Canada Periodical Fund contains many elements that are attractive, including more flexibility for publishers to make strategic business decisions, support for publishers to transition to digital technology and streamlined program delivery that will increase efficiency for everyone, both the Department and its stakeholders. OMDC shares the Department's hopes that this will increase predictability and budget stability for the industry.

However, any increased flexibility in the eligibility guidelines in the new program should not come at the expense of those publications who currently receive funding from one or both of the Canada Magazine Fund and the Publications Assistance Program. Any expansion of the types of publications that will be eligible for the new Canada Periodical Fund should be accompanied by a comparable increase in the amount of funding available.

OMDC would also encourage the Department to seriously consider the impact that increased flexibility could have on the small and literary magazines that currently have access to federal funding. These publications tend to have smaller operating budgets with limited cash flow and fewer opportunities to make strategic investments in their businesses. OMDC has heard a concern from these publishers that a funding system based on percentages could put their smaller businesses at a disadvantage. We urge the Department to work with these stakeholders to develop a solution that will offset this disadvantage.

A final but extremely significant concern that has been raised regarding the proposed Canadian Periodical Fund relates to the proposal that publishers will receive funding from the program once a year. While OMDC certainly understands and appreciates the administrative efficiencies that such a change would mean for the Department, a once-a-year payment would be a drastic change from the current funding system.

Publishers who currently receive Publications Assistance Program funding have established their business models based on receiving a monthly postal subsidy through that Program. A sudden change to one yearly payment would have a severe and negative impact on those publishers' access to the cash resources that are required to pay for the costs of producing their magazines, particularly if there is any gap between the end of the existing programs and the funding decisions for the new Canada Periodical Fund. It is unlikely that any business could survive such a drastic reduction in monthly revenue, let alone the magazine publishers that already have very tight profit margins.

If a once-a-year payment does become the accepted model for the Fund, we ask the Department to consider a phased approach to implementing the new model, perhaps by starting with bimonthly or quarterly payments to allow publishers to adjust their business models as required.

OMDC is pleased to see that the new Fund contains a Collective Initiatives component. This component will provide opportunities for strategic partnerships within the industry and we look forward to seeing the interesting projects that will undoubtedly come out of those partnerships. We have heard suggestions that these could include publisher-led initiatives that support the transition to digital technologies, as well as environmental initiatives. We are pleased to see the federal government taking a leading role in supporting these types of initiatives.

In conclusion, OMDC would like to reiterate our support for the Department of Canadian Heritage's redesign of its current periodical programs and our appreciation of the opportunity to be included in the process. We believe that ongoing support for this cultural media sector is extremely important. While considering the redesigned programs, we ask the Department to also consider how these changes will or could affect other government support to the industry, both federal and provincial, in order to ensure that there is an efficient and consistent operating and regulatory environment in place that will continue to ensure success for the Canadian magazine industry. We would also like to repeat our request that the Department finalize its proposals and roll out its new programs for the industry as quickly as possible.

Once again we would like to thank the Department for the opportunity to participate in this consultation.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Thorne-Stone". The signature is fluid and cursive, with a long horizontal stroke at the end.

Karen Thorne-Stone  
President and Chief Executive Officer  
Ontario Media Development Corporation