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### Book Biz Takes on Amazon.ca

Charles Mandel 08.08.02

OTTAWA, Ontario-- The Canadian Booksellers Association and Canada's largest book retailer, Indigo Books & Music, are trying to shut down Amazon.com's new Canadian operation, Amazon.ca. The CBA and Indigo have applied for a judicial review in the Canadian Federal Court -- Trial Division for Orders that would declare Amazon.com subject to the Investment Canada Act. If such a review were successful, it might mean that Amazon would have to close up shop in Canada.

Last month, the federal government let Amazon.ca open for business in Canada despite legislation designed to protect the country's book industry from competition outside its borders.

Todd Anderson, president of the CBA, said the government's decision to allow Amazon to operate in Canada was "especially troubling because Canada Post, a federal Crown corporation, is being used to circumvent the Act and to permit Amazon.ca to implement a massive onslaught into this Canadian cultural industry."

Amazon.ca uses Canada Post for product delivery.

Len Westerberg, a spokesman with the federal Department of Canadian Heritage, said they completed an informal review of Amazon.ca following the website launch in late June and determined they didn't have any jurisdiction over the American e-tailer.

"In order for the Investment Canada Act to apply to an investment by a non-Canadian, the investment must involve the establishment of a new Canadian business or the acquisition of control of an existing Canadian business," Westerberg said, adding that Amazon has hired Canada Post to work for them.

"That's a contract, not a business."

In the past, the Canadian government has prevented non-Canadians from entering Canada's book retail industry three times. In 1995, the government turned away a group of Canadian investors -- including Heather Reisman, owner of Indigo-- who wanted to enter into a joint venture with Borders.

In February 2002, a U.S. bookseller was refused permission to operate a retail store in the Halifax airport. And within the last 18 months, Amazon.com was told it couldn't run a call center in New Brunswick as its "Canadian operation."

Beyond the cultural industries, Canada also regulates foreign investment in telecommunications and broadcasting. The Telecommunications Act restricts outside investment in telecommunications companies owning their own transmission systems, while the Broadcasting Act stipulates Canadians should own and control the Canadian broadcasting system.

Although nothing can stop Canadians purchasing products from Amazon.com, they would have to shop in U.S. currency and would wait longer for delivery of their purchases than if they shop through Amazon.ca, according to Carrie Peters, an Amazon.com spokeswoman. Peters said the CBA and Indigo's action is "without merit" and that the heritage department had already determined the act did not apply to Amazon. "We believe Amazon.ca is good for Canadian cultural products, good for authors, artists and publishers both large and small, and good for Canadian customers."

Anderson said the other difference between the dot-com and the dot-ca is that Amazon can bring market pressure to bear and take advantage of things Canadians cannot take advantage of.

"If Canadian rules and laws don't apply to them, there's nothing to stop them from buying all their stuff from the states," he said. "How do we know when they say they're buying from Canadians? Why on earth would we believe them? Because they said it?"

Peters said Amazon.ca is "definitely" sourcing product from Canadian publishers and distributors and has been since they launched. It's not known when the court will hear the application, but Anderson said he requested a short time frame in order to have the hearing over before the Christmas rush.

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