

National Cultural Policy submission

Professor David Throsby, Department of Economics, Macquarie University

Dr Paul Crosby, Department of Economics, Macquarie University

Dr Jan Zwar, Macquarie Business School, Macquarie University

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The economic and cultural value of the Australian book industry

1. Introduction

This submission is based on research carried out over the last twelve years by members of the REACH network at Macquarie University (Research in the Economics of Art, Culture and Heritage), based in the University's Department of Economics. The work involved several projects carried out under the title *The Australian Book Industry: Authors, publishers and readers in a time of change*, funded by the Australian Research Council and the University. The projects range from large-scale, nationally representative surveys to novel experiments designed to investigate the economic and cultural values that stem from the work of Australian writers. Further work carried out in 2021 examined the success of international rights sales of Australian-authored books. Current research includes the economic and cultural impacts of literary festivals and a 2022 survey of book authors.

At the outset of this submission, we draw the Committee's attention to the final report of the Book Industry Collaborative Council (2013) which deals with many of the issues confronting this inquiry as they relate to the book industry.¹ The issues raised in the report remain relevant and we commend the report as a useful source of information and discussion about the industry.

2. Structure of the book industry

The Australian book industry is a mid-level English language market, smaller than the major US and UK markets but of sufficient size and scale to generate its own first-rate books for readers of all ages and to export bestselling and other significant works to the rest of the world. Book publishing is traditionally divided between trade publishing (for the general public) and education publishing (for primary and high school, universities, vocational training and continuing education).

As a mature industry that has operated in Australia for more than a century, it is a sector exposed to an unusual degree to risk at every level of the supply chain.

- Authors take a risk in devoting years to writing a book which may or may not be accepted for publication. Even if an author is paid an advance it is unlikely to reflect the length of time it takes to write the final manuscript (except in the rare case of bestselling authors).
- Publishers take a risk in paying advances and publishing books which may or may not make significant sales. Unlike other retail goods, trade publishers accept returns, and a refund is generally paid.
- Booksellers take a risk in choosing which titles to stock and promote from the thousands of new books which are published each year. Independent bookstores in Australia play a particularly important role in 'hand-selling' Australian books and new Australian authors through personal recommendations by staff.

Despite the riskiness, the longevity of the Australian book industry -- which has sustained itself despite extensive transformation due to digitalisation and global disruption -- suggests that the Australian book industry can continue its success with the appropriate policy settings, as detailed further below.

3. Direct and indirect economic benefits

The industry makes a significant contribution to the Australian economy. Recent data for the book publishing industry from Ibisworld indicate a market size of \$1.7 billion, with almost one thousand businesses and employment of 3.65 thousand.² The largest profits in trade book publishing for the public usually come from bestselling titles. Apart from bestsellers, which are a minority, there are 'mid-list' titles and a long tail of books which sell in very low numbers per annum.³ While the success of bestselling titles is celebrated within the industry for the strong reader response and the important contribution to the industry's economic health, these books constitute a very small proportion of all the books published.

¹ See: <https://www.scribd.com/document/165689163/Book-Industry-Collaborative-Council-Final-Report-2013>

² See: <https://my.ibisworld.com/au/en/industry/j5413>

³ See: *Monster the Midlist: Implications for Author Income and Publishing Sustainability*

<http://australianhumanitiesreview.org/2020/05/31/monstering-the-midlist-implications-for-author-income-and-publishing-sustainability>

The industry is also an important exporter of Australian cultural products. A study by Macquarie University released in 2021 found that Australian books are read globally. International rights sales provide significant revenue to the entire book publishing industry. Rights sales also play a key role in international literary exchange, enhancing Australia's reputation overseas.⁴

There are significant indirect economic benefits generated by the book industry, with a range of employment and other impacts in other sectors of the economy. For example, creative works that originate within the industry frequently provide the raw material for successful film and television adaptations. In addition, authors who gain training and experience in the industry apply their skills in other industries – a recent survey showed that 60 percent of writers use their artistic skill in some other industry outside the arts.⁵

4. Non-economic benefits

As with the other cultural industries in the Australian economy, it is the social and cultural benefits generated by the book industry that comprise one of its most important contributions to Australian society. Books provide entertainment, education, imagination, inspiration and solace in Australian contemporary cultural life. Our national survey of Australians found that both book readers and non-readers recognise and value the contributions of Australian books to our cultural life. In 2017 our research team surveyed a nationally representative sample of over 3,000 Australians to ask them how they value the contribution books and book publishing have made to their own lives and Australian society in the broadest possible sense⁶.

The results of this survey provide a clear indication of the importance of the book industry to Australian society and culture. For example, the research found that:

- The vast majority of Australians believe that books have a value that's greater than their monetary cost.
- The majority of Australians also acknowledge the cultural impact of Australian books.
 - 71 percent think it is important for Australian children to read Australian books.
 - 61 percent think an Australian book industry is part of Australian culture.
 - 63 percent say that books written by Indigenous Australians are important for Australian culture.
- Respondents were asked how important they thought it was that books written by Australian authors be published in Australia.
 - A majority (60 percent) regarded this as important or extremely important.
 - Just over half (54 percent) of respondents agreed or strongly agreed with the direct proposition that there should be public funding specifically for Australian writing.

Further evidence for the cultural impact of the Australian book industry is seen in the essential role that books play in promoting discussion about the concept of Australian identity. The survey of readers noted above found that 69 percent of Australians think that Australian books help people understand themselves and the country in which they live. Australian publishers are promoting increased opportunities for authors from diverse backgrounds, for example through a new Allen and Unwin imprint, JOAN⁷ and the industry is a strong supporter of the Indigenous Literacy Foundation. Authors promote Australia's national identity by writing about themes, events and ideas that challenge and inspire us -- for example, *See What You Made Me Do* by Jess Hill, winner of the 2020 Stella Prize, about new insights into domestic violence and strategies to counter it.

5. Impact of Covid-19 on the book industry

As part of our 2021 research project on international rights sales of Australian books and in a 2022 survey of Australian book authors, we investigated the impact of Covid-19 on Australia's book industry. Firstly, the precarity of book authors' incomes has been exacerbated by the pandemic. Writers have experienced reduced cash flow from personal appearances such as school visits and other paid activities.

In the export arena, the upward trajectory that the Australian book industry had been achieving in international rights sales from 2008 to 2018 was arguably heralding a new era of onshore export capability. However, it is unclear when this level of success will be restored – or what the new business settings will be in some post-pandemic form. Our research shows that trade is usually only effective where an established relationship already

⁴ See: Paul Crosby, Jan Zwar, Airlie Lawson and Sunny Y. Shin (2021) *Success Story- International Rights Sales of Australian-Authored Books: Main Report* ISBN 978 1 741384819; Jan Zwar and Airlie Lawson (2021) *Success Story - International Rights Sales of Australian-Authored Books: Case Studies* ISBN 978 1 741384826.

⁵ See: David Throsby and Katya Petetskaya (2017), *Making Art Work: An Economic Study of Professional Artists in Australia*. Sydney: Australia Council, Table 11.1, p. 113.

⁶ For the full results of this study, see: David Throsby, Jan Zwar and Thomas Longden, (2017) *Australian Book Readers: Survey Method and Results*. Research paper: 1/2017. Macquarie University. Accessible at <https://www.goto.mq.edu.au/readers>

⁷ See: <https://www.allenandunwin.com/browse/news/1687-a-u-new-imprint-joan-curated-by-nakkiah-lui>

exists, and maintaining those relationships is likely to be difficult without further industry support. We find that this support is vital for the continued international success of the industry.

6. Policy measures for growing the Australian book industry

Although the Australian book industry is an independent commercial sector, its importance to the economy through its contribution to value added, export income and employment makes it an industry deserving of government attention. Moreover, and in some respects more importantly, it is an industry essential to the wellbeing of Australian society and the health of Australian culture, as has been noted above. There are multiple avenues for policy implementation at all levels of government from federal to local which can assist in maintaining the strength of the industry into the future. Some suggested policy measures are as follows.

Firstly, in regard to authors, we note that writers develop and craft their skills over many years and often over a number of books. Therefore a 'sustainable ecology' is needed for authors to maintain their professional practice. Funding support for innovative writers and publishers contributes to a diverse arts ecology which is able to renew and reinvent itself rather than becoming stale and dated, and possible risks being overtaken by innovative writing from other countries. Innovation in forms of writing may not be commercially successful in the short-term but may enter the mainstream over time. Initiatives to support First Nations authors and authors from diverse backgrounds to build careers as authors over the long term are crucial. This international interest in diverse authors is a widely noted development in international markets for books and requires a long-term commitment.

A recognition of the social and cultural value of Australian books provides a clear rationale for public support for writers, for example through the grants awarded via the Literature Board of the Australia Council, support for writers' centres and professional associations, and a continuation of the Public Lending Right (PLR) and Educational Lending Right (ELR) schemes. PLR payments are public payments to Australian authors whose work is held in significant numbers in Australian libraries. ELR payments are made to Australian authors whose books are held in significant numbers in school, TAFE and university libraries. One practical policy initiative would be to recognise the digital component of book borrowing by extending PLR and ELR payments to include digital lending by libraries.

Turning to the need for policy support for book publishers, we note that it is the small independent publishers who are most at risk in these uncertain times. Survey data from our project⁸ point to some possible structural disadvantages faced by small publishers, some of whom may be unable to participate in benefits from changes in bookselling such as the rise of online booksellers and the increased significance of discount department stores as retail sales outlets for books. Small publishers have less capacity to invest large sums of money in promoting their titles, and hence they see an important role for government in audience development for books and reading.

Indeed it was reduced government support for the promotion of books and reading in 2015 that around four-fifths of our sample of publishers saw as a key constraint on their operations. Many small publishers have a high proportion of Australian authors on their lists, so they are the most likely to have benefitted in past years from direct government support provided to publishers or authors of Australian literature via the Australia Council. Thus, any reductions in support from this source because of reductions in funding to the Council are likely to have hit small publishers hardest.

Finally, in regard to the export market, there is a need to support the industry's international networks for continued commercial success overseas. While international success will not substitute the need for public funding support, it provides valuable additional income streams for authors, agents and to a lesser extent book publishers. It engenders a sense of national pride when Australian books are successful internationally and is an important form of cultural exchange which adds to Australia's profile and international standing.⁹

In summary, overall a key policy challenge for the future of the Australian book industry is to maintain the vitality of the industry and its capacity to produce engaging and compelling books for Australian and international readers. Policy-makers should recognise the need for support for the industry to maintain the skills and expertise in the sector so that it can recover and regain momentum after the pandemic.

⁸ See further in David Throsby, Jan Zwar and Callum Morgan, (2018) *Australian Book Publishers in the Global Industry: Survey Method and Results*. Research paper: 1/2018. Macquarie University. Accessible at <https://www.goto.mq.edu.au/publishers>

⁹ See Paul Crosby, Jan Zwar, Airlie Lawson and Sunny Y. Shin (2021) *Success Story- International Rights Sales of Australian-Authored Books: Main Report* ISBN 978 1 741384819 for a full list of recommendations with regards to supporting the export of Australian books.