



The Author as Producer, the Author as Business

Aside from a limited number of high profile authors drawing substantial advances and royalties, the bulk of the intellectual property that makes up the Australian component of local publishing (and thus a significant part of the revenue), is delivered by many thousands of ordinary ‘working authors’. These authors are paid far less per annum than the few high flyers and most have to perform other paid work to supplement their income.

The situation for authors’ income based on the conventional royalty payment model (which is usually also supplemented by PLR/ELR and other minor sources of additional funds) suggests that something is not working. Information available indicates little or no improvement in Australian authors’ earnings over time, with some evidence that it has diminished rather than grown over the past ten years. Though detail is missing, the poor state of remuneration for Australia’s is generally acknowledged (see Throsby & Zednik, 2010).

Why should this be so? Of the various answers possible I would argue that insufficient attention has been paid by government to the contribution of authors as ‘producers’ in Australia, in commercial as well as creative industry contexts. The defaulting to an ‘arts grant’ model of support for certain book genres, along with an almost total reliance on traditional royalties as the general author remuneration system, has been detrimental to the greater health of Australian authorship.

1. The author as producer

Is the publisher the only or best source of ‘value adding’ in the book production equation? Depending on how one answers this, it is possible to see the author as a producer, or as a supplier, or some combination, or none of these. It is a fact that in the book world the author supplies something more than basic ‘raw materials’, for transformation by others such as publishers. The manuscript is rather more a finished product at the outset than highly transformed products such as steel. (The nearest best comparison may well be to a production activity such as making milk!)

A large proportion of the material supplied to the challenged edifice (in the business, not cultural sense) of the Australian book industry is provided to publishers by ‘small producers’, ie authors. Like their counterparts on the land, authors work their available resources to produce a tangible product (for the grass and cows that add up to milk, substitute the words and ideas that go to make a book), and from this they hope to receive a return.

Our tax system has for a long time accepted that authors have a basic production function. However, the tax regime is no longer up to the task of accommodating the new realities of production in the digital economy for individual authors, or more

broadly how it might better support cultural and creative production in the internet era.

If raw dollars haven't gone up for authors, it's also the case that tax relief or other forms of support has not compensated for that fact either. Federal government tax treatment of artists' incomes in Australia can be summarised as indifferent to inadequate. There are currently some useful blunt instruments available to authors and artists to reduce the tax imposts on earnings that are already low. Income averaging is one such.

Tax case law over the years has produced many definitions of just when and where a creative person may be said to be 'carrying on a business', and more recently in the further sense of 'professional arts business'. The idea that writers are engaged in a form of commerce may be an improvement on being called amateurs and hobbyists, but it is hardly the best or only premise for a tax methodology and policy covering creative work.

Based on current business terminology, for instance, ATO rules provide for an exemption from the 'non-commercial loss' tax provisions. These allow professional artists to deduct losses from their professional arts business against income from elsewhere. But where income earned from other activities exceeds \$40,000, 'standard' commercial loss provisions apply, which mean the loss is not deductible unless certain tests are passed.

The word most frequently encountered in the ATO's lexicon for authors is 'loss'. But why this focus on 'loss' as the foundation of tax relief for authors at all? Why not instead a recognition of the nature of creative work itself as inherently risky at the same time as it is beneficial to society, and therefore worthy of a different kind of treatment?

It is undeniable that artists subsidise themselves when they use their own 'capital' – skill, time, money – and a great deal more of it than they get from anywhere else. They develop their intellectual property with all sorts of creative ends in mind, as well as with the hope that it should bring a financial return.

Many of the premises underpinning tax treatment of the creative classes are useless in dealing with the realities of contemporary cultural and artistic production. The ATO's current approach is founded on old-style binaries which are less and less relevant to working lives and definitions in the digital age; 'professional vs. amateur', 'business vs. hobby'...

Fact is authors today are multifaceted beings. They may seek and deserve to earn income through their writing, but not necessarily want to be measured in terms of 'profit'. And yet our tax system meanwhile misses something critical about authors: that they sacrifice or forego to make a valuable investment, and that investment is in themselves. It is an investment that commonly brings economic and cultural benefits to the wider community.

2. Authorship as a business model

Just as there is insufficient recognition of authors as producers, too little acknowledgement is given to authors as 'businesses'. Reasons for this may be cultural – eg, authors are 'above all that' – or the answer may simply lie in confusion as to where exactly authors sit in the system of production, distribution and exchange, the economy generally.

Among the questions when considering whether authors qualify to be treated in production and business terms is 'who should pay for what'? Publisher-paid royalties may not be the best main way of continuing to remunerate authors. Although this has been a successful model and has traditionally provided the bulk of payments to authors, it is being eroded for various reasons, including the reduced profitability of bricks and mortar publishers.

As the print book publisher's role is challenged by changes to author/publisher/bookseller relationships in a world of burgeoning e-commerce and of self-publishing authors, so too are the basics of print book economics. Publishers' economics are further challenged by the arrival of the e-tailer as publisher (eg, see Montlake Romance, a recent publishing imprint initiative from Amazon, among others), keen to take a portion of the publishing business.

There is little doubt that the digital platform for the delivery of books to readers is starting to work and will continue to be improved to the benefit of many of the more adaptive publishers, retailers and readers. What effect e-book technology and retailing will ultimately have on authors' incomes is unknown, but there are already some visible hints and clues of the potentialities.

Nearly all the interesting models that have begun to appear are coalescing around the 'author as vertically integrated business', rather than the author as 'parts supplier' to others. Examples of overseas authors who are working to new production and business models online are Joe Konrath and Amanda Hocking.

Efforts towards the further professionalisation of Australian authorship – including a push to encourage authors to see themselves as part of 'commerce' as much as 'culture' make sense on many fronts. More paid-for working time will lead to a better quality of product with all that holds for the market, as well as a healthier return to the 'author business'.

Without need for print book publisher intermediaries, authors are working out ways for turning the new forms of internet communication into paying mediums. Many blogger authors are not only thinking about reaching or developing new readerships online, but also figuring out how to establish direct, peer-to-peer transactions with these readers. Page view payments, bonuses based on clicks – these and others forms of internet remuneration for authors are becoming increasingly viable. Meanwhile, traditional long-form authors are entering into sales arrangements for their e-books direct with the e-tailers.

The idea of the author as a small business is coming to be known as the ‘Authorpreneur’ model (vide Hazel Edwards). It is not known just how many individual Australian writers have embraced authorship formally as a ‘business’; however, it is safe to say that many hundred if not thousands of local practising authors operate under ABNs or have small company status.

There are support programs aimed at small enterprises, theoretically also available to be accessed by authors (eg, Creative Industries Innovation Centre, Enterprise Connect); however, these have no industry-wide development focus or efficacy for the authoring *sector* as such. There is much to be gained by reimagining authors and authorship in ‘industry’ terms and drawing them in more effectively *as a business sub-sector* of the book industry.

3. Investing in the ‘business’ of authoring

Many individuals can and do subsidise themselves, commonly for a period of training, such as the completion of a degree or other qualification. During that time they accept less regular or lower pay so they can prepare themselves for their working futures. But an author’s ‘development phase’ continues throughout their working life. It is through this commitment to a personal investment and reinvestment that authors not only uphold cultural, intellectual and a host of other values, but also deliver particular benefits to the broader community.

Authors’ efforts are generally rewarded after periods of research and preparation, the rewards typically reflected as ‘spikes’ in their earnings when they achieve publication. But the non-earning periods are, as we know too well, often very difficult to deal with. It does not help to think of these as ‘loss’ periods or periods of idleness, nor problem periods in any other sense except for remuneration, and perhaps for the tax office.

It may be possible to develop new kinds of investment definitions and incentives to be implemented through the tax system for authors. This could include a tax-reducing, ‘cultural investment’-style of measure, with a payback system attached for the author if and when they secure publication/advances. Or it may be possible to reconfigure the investment models current in the film industry. The latter allows risks to be taken on new ideas, with the view that these will eventually reach audiences; in the case of books, they may also contribute to the overall development of new work available to publishers. Investments funds could be sourced from:

- Government appropriation, with return on investment terms set out in agreements;
- Private investment, supported by Government tax incentives.

Although, investment and tax incentives are commonly thought of as means to underwrite risky ventures, they can just as readily be seen as a means of financing ‘routine’ production. In the world of books, that could mean support for the writers and writing of works in dozens of commercial genres beyond the realm of literary novels and biographies.

There are at present two sources of financial investment available for film development and production: Script and project development is funded by investment administered by Screen Australia. 'On a case-by-case basis funding contracts require repayment if certain revenue levels are achieved. Here the government has assumed the role of investor, presumably because private investors see little opportunity of return at this stage.' (Arts Plus: New Models New Money, Australian Survey, p. 42). If there is a return, it will come later. The advantage of an investment approach of this kind over a direct grant system is that, should the risk pay off, funds will accrue for further investment.

For Australian films that qualify, there is a 40% tax offset available. This is an investment for production and presentation scheme that connects film producers with the private sector. Specialised film businesses also access investment funding to build their 'slate' of productions, or to establish film business partnerships. (Source: www.screenaustralia.gov.au/producer_offset/)

Such schemes could readily be adapted as part of efforts to encourage new digital-specialised publisher start-ups in Australia; or in support of the work of those print book publishing companies that might be prepared to break with the old paradigms; or indeed individual authors working through their own incorporated or other businesses.

What else is required? Authors need more than individual ABNs or personal company structures in order to be effective economic operators. In addition to a new investment scheme, the acquisition of financial and self-management skills would be of practical benefit to many authors. Incidental training of this kind is on offer currently from private providers or through writers' centres, but government could auspice more professional forms of such training, whose effect would be to contribute to the growth of a better performing author sector and a better book industry overall.

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