



LIVRES CANADA BOOKS®

# Selling Canadian Books in Australia

A guide for Canadian publishers  
2nd edition

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# Introduction

This guide updates *Selling Canadian Books in Australia*, the first edition of which was released in 2005. It intends to provide a snapshot of the Australian – and to a limited extent New Zealand – book industries for Canadian publishers who would like to explore the market potential of the region. It assumes no knowledge of the local industry and only passing knowledge of the countries themselves.

Since the first edition became available there have been significant changes in the book industry, many of them similar to those felt throughout the publishing and media industries worldwide, some unique to this region. Changes have been such that it is now fair to say that the Australian publishing landscape has been forever altered.

As elsewhere, the industry has been affected by the growth of digitization and – particularly in the trade sector – the emergence of the e-book, although it has happened a little slower than in the United Kingdom and the United States. Not only has the e-book hastened the globalization of the industry, it has also impacted on all aspects of the traditional supply chain, including the role of the author, the agent, the publisher, the printer, the distributor, and the retailer, and in particular the relationships between each of them. The traditional trading environment has been weakened, forcing significant investments in new technologies and new business models.

The high Australian dollar, cheap and reliable overseas delivery direct to customers, the impact of GAFA (Google, Amazon, Facebook and Apple), as well as the absence of a Goods and Services tax on imported books<sup>1</sup> has completely changed the face of the industry and severely reduced the geographic barrier that traditionally protected the Australian market. The result is a struggle to balance the relationship between e-books and “p-books” one consequence of which is the downward pressure on p-book prices over the past three years, at the same time as more books have been produced or released on to the market. It is now accepted by ANZ publishers that producing more books for less revenue is unsustainable, even in the medium term.

Recognizing the rapid evolution of the e-book and the scarcity of local research into its impact on the industry, in 2010 the Australian government and the industry formed

the Book Industry Strategy Group (BISG) to analyze and provide data on the Australian industry and investigate ways it could/should adjust to the digital environment and generally improve efficiency within the book supply chain. These and other issues have been canvassed extensively in the BISG’s final report.<sup>2</sup> The establishment of BISG followed the government’s decision not to abandon parallel importation restrictions on books as recommended in 2009 by the independent Productivity Commission,<sup>3</sup> a decision that on the surface flew in the face of the breakdown of territorial rights.

BISG’s report on the industry contains valuable insights into the culture and dynamics of the Australian industry and makes recommendations to ensure the industry’s viability.<sup>4</sup> It is recommended reading for any Canadian publisher wishing to understand the Australian industry.

An insight into the report’s findings can be summarized by its SWOT analysis of publishing (see box 1).

Fortunately, rather than the old dog-eat-dog environment in which the industry traditionally operated, as a result of the BISG report and after monitoring the massive changes taking place in other markets, the Australian industry is now working together to ensure it remains economically and culturally viable. As the BISG report highlights, in spite of the enormous challenges facing it (which this report discusses in detail), the industry is advantaged by its creative capacity, its efficient book printing, its strong independent book retailing sector, its efficient royalty collection and distribution system, and its proximity to new and emerging markets, all of which can be further exploited as the National Broadband Network delivers high-speed Internet throughout the country over the next decade.<sup>5</sup>

In addition, and after the first flush of an e-book experience, readers are starting to compare the advantages of p-books over e-books.<sup>6</sup> It doesn’t mean the e-book is not

here to stay and take a dominant share of many sectors of the industry, but it does mean that the p-book will continue to hold a significant market share into the future.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Parallel Importation regulations protect investment in local publishing</li> <li>• Vibrant independent publishing sector</li> <li>• Multinational parent company support for local publishing</li> <li>• Strong skills in the craft of publishing, underpinned by high-quality training</li> <li>• Trend in increased efficiency and profitability throughout the supply chain</li> <li>• Good publisher-specific data available</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution inefficiencies</li> <li>• Absence of digital distribution infrastructure</li> <li>• No metadata standardization</li> <li>• Lack of digital skills and strategy</li> <li>• Lack of international sales and marketing experience</li> <li>• Lack of price responsiveness in light of global pricing</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Export opportunities</li> <li>• Infiltration of emerging international markets, especially for educational materials</li> <li>• Diversification of delivery formats</li> <li>• Global barriers removed for digital formats</li> <li>• Development of a digital delivery system and its accompanying set of standards</li> <li>• Innovations in customization of products (e.g., educational, interactivity)</li> <li>• Rationalization and improvement in the distribution of p-books</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of territorial rights</li> <li>• Loss of income through piracy</li> <li>• Self-publishing opportunities for authors</li> <li>• Change in supply-driven balance with more power to consumers</li> <li>• Transitional issues facing booksellers</li> </ul>

**Box 1 SWOT analysis of Australian publishers, 2010.** The Book Industry Strategy Group's SWOT analysis covers authors, publishers, printers and booksellers. The publisher analysis has been included here as being of most relevance to Canadian publishers. (Book Industry Strategy Group, *Final Report to Government* (2011), 44)

# 1 The Australian Book Industry

## Publishing Output, Sales and Income

After years without detailed industry information other than that provided by Nielsen BookScan's trade sales figures,<sup>7</sup> some control group data limited to members of the Australian Publishers Association,<sup>8</sup> and industry analysis undertaken in the early 2000s which informed the first edition of this report,<sup>9</sup> Book Industry Strategy Group's comprehensive review of the industry was released in 2011.

Based on BISG research, in 2010, total book sales in Australia (print and electronic) exceeded A\$2.3 billion, 65% of them trade, 35% educational (of which 76% are for the school market, 23% tertiary/professional). Exports amounted to A\$225 million, two-thirds of which were trade titles, the balance educational, with exports accounting for 12.2% of publisher revenue in 2010.<sup>10</sup> The key export markets for the output of Australian publishers are the United States, New Zealand, the United Kingdom and Canada.

More than 18,000 new "Australian" titles<sup>11</sup> were registered by the Australian ISBN agency in 2010 from more than 4,000 separate publishing entities, over 70% of whom produced only one title a year, 8% more than five titles and only 1%

(or 23 entitles) more than 100 titles annually.<sup>12</sup>

These titles compete not only against the 100,000 or so new English language books published each year internationally and available to Australian consumers, they also compete against other entertainment options available to consumers, as table 1 shows.

Based on data collected by BookScan (table 2), the number of separate titles sold in 2012 dropped from 630,000 to 600,000. Australian trade book sales – the majority of which are p-books sold through traditional retail outlets – declined 9.3% in value and 6.3% in volume. The average selling price also continued to decline in 2012, dropping from \$A17.85 to \$A17.27.

**Table 1 Discretionary spending on entertainment, 2006–2012 (percent)**

	2006	2011	2012
Books	28	25	25
DVDs	33	30	30
Cinema	23	25	28
Games	16	21	17

Source: Nielsen BookScan (preliminary 2012 sales data provided to the author February 2013). Book data sourced from Nielsen BookScan, DVD and console games from GfK, cinema sales from Motion Picture Distributors Association of Australia.

Note: DVD sales for 2012 were valued at A\$952 million, a 9% decline on 2011. PC/console games dropped 22% to \$698 million in 2012, while cinema increased 2.8% to \$1.13 billion.

**Table 2 Trade book sales – total market, 2010–2012**

	2010	2011	2012
Volume (millions)	65.0	60.4	56.6
Value (A\$)	1.23 billion	1.08 billion	978 million
Average selling price (A\$)	18.97	17.85	17.27
Titles (thousands)	550	630	600

Source: Nielsen BookScan (preliminary 2012 sales data provided to the author February 2013).

**Table 3 Trade book subject category growth/decline, 2010–2012 (percent)**

	2010	2011	2012
<b>Non-fiction</b>			
Volume	+1.6	-5.6	-16.3
Value	-1.2	-11.7	-15.9
Value share of market	47.9	48.4	45.0
<b>Fiction</b>			
Volume	-3.9	-10.0	+4.9%
Value	-6.9	-16.4	-3.3%
Value share of market	27.9	26.6	28.3
<b>Children's</b>			
Volume	+2.3	-6.7	-5.3%
Value	-7.0	-10.2	-3.2
Value share of market	24.2	25.0	26.7

Source: Nielsen BookScan (preliminary 2012 sales data provided to the author February 2013).

**Table 4 Publishers and agencies by trade market share – all subjects, 2010–2012 (percent)**

	2010	2011	2012
Penguin and agencies	17.1	17.3	17.7
Random House and agencies	10.4	11.1	13.0
Hachette (no agencies)	11.8	11.1	9.7
HarperCollins and agencies	9.9	9.4	9.7
Allen & Unwin and agencies	6.3	6.6	5.9
Pan Macmillan and agencies	8.6	6.7	5.7
Scholastic and agencies	2.0	2.3	4.3

Source: Nielsen BookScan (preliminary 2012 sales data provided to the author February 2013).

Note: Hardie Grant is ranked ninth with 3.6% market share in 2012, Simon & Schuster tenth with 2.9%, and Parragon eleventh with 1.7%.

As p-book sales decline, e-book sales continue to grow, albeit from a low base. While data on e-book income for Australian trade publishers in Australia is difficult to measure, it is generally accepted that sales of Australian generated e-books will represent close to 20% of revenue by the end of 2013.<sup>13</sup> And this growth is taking place while publishers still struggle to

- settle on an e-book pricing strategy that is equitable to producers, retailers and consumers, instead of conditions that promote a particular e-tailer's monopoly;<sup>14</sup>
- determine financial models for e-book publishing that do not depend on the p-book's unsustainable advance and royalty models, but rather are based on some kind of profit sharing arrangement; and
- sustain jobs growth in a market where publisher revenues are increasingly uncertain leading to redundancies and a loss of skills – notwithstanding that many traditional jobs being lost in areas such as editorial, sales and production are being substituted by increasing numbers in marketing, social networking, and digital workflow administration.

## Category Sales

In 2012, non-fiction p-book sales in Australia recorded a significant drop in both value and volume, as the category share in table 3 shows.

At category level, based on 2012 sales, ten publishers (and the agencies they represent) have over 70% of the overall trade book market (table 4). Only two of the ten (Allen & Unwin and Hardie Grant Books) have local ownership, the others are offshoots of multinationals.<sup>15</sup> The fiction market (table 5) is even more concentrated, with the top eight publisher/distributors having a 95% market share. Non-fiction (table 6) is dominated by seven publishers who together hold 60% market share, while 80% of the children's/young adult market (table 7) is held by ten publisher/distributors.

## E-platforms and E-readers

While ePub has been adopted by the majority of Australian e-book publishers and has in effect become the industry

## 2 Making Contact with Publishers and Agents

Canadians and Australians both have a reputation for being active at international book fairs. Short of a trade visit to Australia by a delegation of Canadian publishers, building relationships at international book fairs or working through a Canadian agent as suggested in the foreword are still considered to be the best ways for Canadian publishers to meet their Australian counterparts.

While each publisher/distributor will have a different view, most Australian publishers would prefer stock or reprint licences when dealing with Canadian publications.

In the same way, while each publisher would determine the worth of buying Canadian titles, Canadian publishers already have a good reputation for producing titles that “travel” in particular niches, such as environmental studies, cookbooks, adventure books, etc.

While each negotiation is separate and may be expressed differently (as a unit price, or discount off the Canadian price), in general, Australian publishers buying finished copies or reprint licences require a mark-up of four to five times the landed price of the book. This will usually equate to 75%–80% off the Canadian retail price (excluding tax).

### Trade Associations/Groups

#### Australian Publishers Association ([www.publishers.asn.au](http://www.publishers.asn.au))

The Australian Publishers Association represents the majority of commercial book publishers. It publishes a range of material; its annual *Directory of Members* (available under “Publications” on the APA website) will be of particular interest to Canadian publishers.

#### Australian Booksellers Association ([www.aba.org.au](http://www.aba.org.au))

The Australian Booksellers Association represents the majority of professional booksellers (chain, independent and discount/department stores). The ABA’s quarterly newsletter, *News on Bookselling*, offers “insider perspective in industry issues, business insights, updates about the world of book-selling and engaging bookseller profiles.” Past issues are available on the ABA website.

#### Australian Literary Agents Association ([www.austlitagentsassoc.wordpress.com](http://www.austlitagentsassoc.wordpress.com))

The Australian Literary Agents Association represents the majority of professional literary agents in Australia, especially those based in Sydney and Melbourne. A list of members is available on the ALAA website.

#### Leading Edge Books ([www.leadingedgegroup.com.au](http://www.leadingedgegroup.com.au))

Leading Edge Books is Australia’s major buying group for independent booksellers. Leading Edge and the Australian Booksellers Association hold a combined conference/trade fair each year.

### Key Events for the Book Industry

The Australian Publishers Association no longer holds its annual industry fair. In its place, the major trade book exhibition now coincides with the annual **Australian Booksellers Conference** ([www.abaconference.org.au](http://www.abaconference.org.au)). The 89th conference and trade fair is scheduled to take place in Adelaide in June 2013.

The **Children’s Book Council of Australia** ([www.act.cbca.org.au](http://www.act.cbca.org.au)) holds its national conference and trade fair every second year. The next conference is scheduled to take place in Canberra in May 2014.

The **Australian Library and Information Association** ([www.alia.org.au](http://www.alia.org.au)) holds numerous special interest conferences and associated trade fairs throughout the year. See [www.alia.org.au/events](http://www.alia.org.au/events) for more details.

### Writers Festivals

Writers festivals have flourished throughout the country, with small and large events held in most regional centres.

# 3 Copyright in Australia

The federal Copyright Act 1968 (and amendments) protects copyright throughout Australia. Other areas of law available to protect intellectual property are trade mark, design, “passing off” (misrepresentation) and trade practices legislation.

Australia, like Canada, is also party to a number of international agreements and treaties dealing with various aspects of copyright, including the Berne Convention, the General Agreement on Tariffs and Trade (GATT), and the Universal Copyright Convention (UCC).

While Australia has not signed or ratified the World Intellectual Property Organization (WIPO) copyright treaties adopted in 1996, the Digital Agenda amendments to the Copyright Act 1968 bring Australian law into line with most of the provisions of the WIPO agreements.

Australia also has bilateral copyright treaties with Singapore and Indonesia and, since January 2005, the Australia/USA Free Trade Agreement. These international agreements ensure that Australia provides copyright protection to Canadian material and vice versa.

While not exhaustive, the following points summarize key aspects of copyright protection in Australia:

- There is no formal copyright registration system in Australia. Copyright applies automatically when material is created.
- Copyright protection is free and can be created and protected by anyone, regardless of age.
- Copyright protects original textual material (literary works), computer programs, compilations, artistic and dramatic works, musical works, films and sound recordings, as well as published edition rights.
- The copyright notice © does not need to be on a work for it to be protected. However, common practice is to include it.
- After January 1, 2005, copyright lasts from the time the material is created until 70 years after the creator’s death.
- Generally speaking, the creator owns copyright in Australia. However, when employees (not freelancers) create the work as part of their job, the employer will generally own copyright.
- Freelancers usually own copyright unless they assign it in

writing. Photographers own copyright unless the photograph was commissioned for private or domestic purposes. Those who pay for engravings or portraits will usually own copyright. Federal, territory and/or state governments will usually own copyright in material created, or first published, under their direction or control.

- Copyright owners have the exclusive right to reproduce their work, to make their work public for the first time, perform their work in public, make an adaptation of their work, and communicate their work (via cable, internet, fax, email, broadcasting, etc.).
- Copyright owners also have the exclusive right to license and/or assign (sell) all or part of their rights. Any assignment must be in writing, although normal practice in Australia is that all agreements relating to copyright are in writing.
- Individual creators also have moral rights, whether or not they own copyright. They have the right to be attributed as the creator of their work in a form agreeable to them; to take action if their work is falsely attributed as being someone else’s or altered by someone else but attributed as if unaltered; and, to take action if their work is distorted or used in a way prejudicial to their honour or reputation. While in Australia there is no need for a creator to “assert” moral rights (as in the UK and New Zealand, for example), there is an increasing tendency to include an assertion statement in Australian books.

Since first enacted, the Copyright Act 1968 has been amended a number of times. The changes that most affect the book industry are:

- **Copyright Amendment Act 1980** The 1980 amendment allows universities, on payment of a royalty, to make multiple copies for teaching purposes. Revenue from copying under “statutory licence” from both schools and universities now generates over \$100 million a year to creators and publishers through Copyright Agency Limited (CAL).



## Appendix A

# Australia – Some Facts and Figures

Australia is the largest island and sixth largest country in the world. It's also the smallest, lowest, flattest and, apart from Antarctica, the driest continent on Earth. Federated in 1901, the Commonwealth of Australia is an independent member of the British Commonwealth. Queen Elizabeth II is officially Queen of Australia, and she is represented in the country by the Governor-General of the Commonwealth of Australia.

The country is divided into six self-governing states: New South Wales (capital Sydney), Victoria (Melbourne), Queensland (Brisbane), South Australia (Adelaide), Western Australia (Perth) and Tasmania (Hobart); and two self-governing territories: Australian Capital Territory (capital Canberra) and the Northern Territory (Darwin). External territories include the Australian Antarctica Territory, Cocos and Christmas Islands in the Indian Ocean, Norfolk Island in the Pacific, as well as a number of smaller island groups (including the Heard, McDonald, Ashmore, Cartier and Coral Sea island groups).

## Population

Population is 23 million with 7.2 million in New South Wales (64% in the capital Sydney), 5.6 million in Victoria (75% in Melbourne), 4.5 million in Queensland (50% in Brisbane), 1.6 million in South Australia (75% in Adelaide), 2.4 million in Western Australia (75% in Perth) and 500,000 in Tasmania (40% in Hobart). The population of the Australian Capital Territory is 400,000; Northern Territory 200,000.

Ethnic composition is roughly 92% white, 7% Asian, 1% indigenous (Aboriginals and Torres Strait Islanders, the majority of whom live in rural areas). Over a quarter (26%) of Australia's population was born overseas and a further 20% have at least one overseas-born parent.

In terms of religious affiliation, 64% of Australians claim affiliation to Christianity, though Australians generally consider that they live in a secular society.

## Political and Legal Systems

The federal parliament is bicameral, with a 150 member House of Representatives and a 76 member Senate (12 from each state and 2 from each territory). The House

of Representatives' members are elected for three-year terms,<sup>44</sup> senators are elected for six-year terms, with half the Senate changing every three years. The Prime Minister and Cabinet run the federal government; Premiers are heads of the different states and Chief Ministers are heads of the territories. Attendance at a polling booth (in effect voting itself) in all elections is compulsory for all citizens over 18 years of age.

The federal parliament is based in the national capital, Canberra, situated in the Australian Capital Territory (ACT). State government legislatures sit in state capitals. Major parties are the right-of-centre coalition of the Liberal Party of Australia and the rural/regional National Party of Australia, and the left-of-centre Labor Party of Australia. The significant minor party is the Greens and a number of smaller special interest parties hold seats in the Australian Senate.

The Australian legal system is based on Common Law and legislation and generally mirrors British practice.

## Economy

The Australian economy is robust and, like Canada's, is considered to have weathered the global financial crisis well, due in the main to a highly regulated banking system. Economic growth is around 3%, inflation 2.2%, and cash rate 3%. Unemployment is 5.4%, the minimum hourly wage is A\$15.96 and the average weekly wage for full-time workers is A\$1,124.50.

There are no state-based retail taxes in Australia. The federal government collects the 10% Goods and Services Tax (GST), which applies to all goods and services other than food, rents and some other minor exceptions, and distributes it to the states and territories according to an agreed-upon formula.

## Appendix B

# Resources

### Current News and Information

The emailed *Weekly Book Newsletter* and the bimonthly *Australian Bookseller + Publisher* magazine (both available at [www.booksellerandpublisher.com.au](http://www.booksellerandpublisher.com.au)) are considered essential for those wishing to understand the Australian book industry. Publishers, booksellers and librarians also subscribe to the UK's *Bookseller* and, to a lesser extent, the USA's *Publishers Weekly*. *Quill & Quire* is understood to have very low circulation in Australia.

Probably the most relevant monthly magazine/website pitched to the general public and community libraries is *Good Reading* ([www.goodreadingmagazine.com.au](http://www.goodreadingmagazine.com.au)).

Copyright Agency Limited ([www.copyright.com.au](http://www.copyright.com.au)) and the Australian Copyright Council ([www.copyright.org.au](http://www.copyright.org.au)) are excellent on all matters copyright, both offering free information services.

### Other Industry Reports and Analysis

As mentioned in the body of this report, a number of industry reports have been published over the last decade. They complement key industry references published annually by the major trade organizations. The key reports and reference works include:

#### **Book Industry Strategy Group, *Final Report to Government* (2011)**

The Book Industry Strategy Group (BISG) was established to develop viable strategies to assist the book industry to adjust to the digital environment and to improve efficiency within the book supply chain. The BISG consulted widely with the book industry, librarians, educational institutions and consumers over its 12 month term and released its final report to the Australian Government in November 2011. The report contained 21 recommendations for industry reform, ranging from efficiency improvements for book distribution to increasing the digital skills of industry workers.

- [www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGFinalReport.pdf](http://www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGFinalReport.pdf)

#### **Book Industry Strategy Group, *Review of Public Submissions* (2011)**

A public submission process captured the views and concerns of consumers and industry operators. The 138 submissions received contributed to the debate on the future of books in Australia and formed a vital part of the research undertaken by the BISG to determine how the book industry can respond to the emerging needs of Australian consumers.

- [www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGPublicSubmissionsReview.pdf](http://www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGPublicSubmissionsReview.pdf)

#### **Book Industry Strategy Group, *Australian Books in the Digital Era* (2011)**

This report is a summary of the research findings from the studies commissioned by the BISG, combined with input from other data sources. It provides an overview of the state of the Australian book industry (as at June 2011) and the broader operating environment for books. The report is a precursor to the BISG final report and recommendations.

- [www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGResearchReport.pdf](http://www.innovation.gov.au/Industry/BooksandPrinting/BookIndustryStrategyGroup/Documents/BISGResearchReport.pdf)

#### **PwC Australia, *Cover to Cover: A Market Analysis of the Australian Book Industry* (BISG, 2011)**

In the course of undertaking its deliberations, the BISG commissioned a number of major research and consultation projects. The primary research project provided the BISG with an analysis of the Australian industry and a review of its competitiveness against parallel industries in other major English speaking markets.