



# The Writers' Union of Canada

## Submission to the 2015 Federal Budget Consultations

*“People who risk years of their lives and much of their personal wealth to start new businesses are motivated by more than money. Entrepreneurs are drawn to countries and to communities where hard work, risk-taking and success are met with approval...”*

- Canadian Council of Chief Executives

The Writers' Union of Canada (TWUC) represents over 2000 professional authors of books across the country, each one of whom is an individual cultural entrepreneur risking time, personal savings and overall income potential in order to contribute content and a unique creative vision to Canada's growing international cultural reputation. While it may never be *easy* to make a living as a professional author in Canada because of the relatively small size of our domestic market, the increasing attraction of international markets to Canadian books suggests the value of Canadian works is on the rise. The potential for increased success is encouraging.

Ironically, this promising development comes at a time when conditions for professional creation in Canada have never been more challenging. Canada's cultural entrepreneurs have faced steadily declining incomes over the past decade, a precipitous loss of earned royalties despite growing use of our work in the educational market, a damaging stasis of the revenue tools already in place to encourage cultural production, and an unsustainable downloading of financial risk following across-the-board changes in the publishing industry.

The Writers' Union of Canada recommends five new revenue tools (or tweaks to existing tools) designed to build on Canada's growing profile as a country of international cultural prominence. These are not hand-outs intended to increase the ease of writing in Canada; rather, they are capped and time-limited tools meant as investments in a promising future. Canadian authors are not risk-averse. We are driven entrepreneurs who ask only for an environment that encourages the creative professionalism we consistently deliver. In this way, we often find ourselves in agreement with the broader Canadian entrepreneurial sector, such as that represented by the Canadian Council of Chief Executives. The proposals we advance are, in fact, aligned with much that has been previously suggested by this country's business leaders.

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<sup>1</sup> *From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World*, (Canadian Council of Chief Executives, 2006), p. 10

# The Importance of Canadian Cultural Production

In October 2013, Canadian author Alice Munro (a founding and lifetime member of TWUC) won the Nobel Prize for Literature, the first Canadian to do so. In the week following the prize announcement, industry metrics tracked a resulting increase in Canadian sales for Munro's work of over 6000 per cent. Percentage increases were equally impressive around the world, in both English language and translation markets, and unit sales numbers sky-rocketed (from 3000 to over 32,600 units sold in the US alone).<sup>2</sup>

*When Canadian works are consumed,  
Canada's brand is strengthened.*

The worldwide profile of Canadian literature has never been higher. The work of Canadian authors is being bought, translated, licensed for film and television, read and taught around the world, and when Canadian works are consumed, Canada's brand is strengthened. For many people living outside Canada, their very first introduction to our country is through the work of our authors.

Cultural production is a domestic economic generator as well:

- Canadians spend on cultural goods and services more than three times the overall government cultural subsidy.<sup>3</sup>
- Cultural creators and producers also generate more than three times the amount of money in tax revenue back to the national purse than they receive in public funding.<sup>4</sup>
- In 2010, arts and culture production benefited from 97 million volunteer hours, the equivalent of approximately 51,000 full-time jobs.<sup>5</sup>

Canada's economy benefits significantly from a generous, professional, entrepreneurial sector of artists, authors and other cultural workers.

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<sup>2</sup> *Alice Munro, at Home and Abroad: How the Nobel Prize in Literature Affects Book Sales*, (BookNet Canada, 2013)

<sup>3</sup> *Consumer Spending on Culture in Canada, the Provinces and 12 Metropolitan Areas in 2008*, (Hill Strategies Research, 2010)

<sup>4</sup> *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, (Conference Board of Canada, 2008)

<sup>5</sup> *Canada Survey on Giving, Volunteering and Participating*, (Statistics Canada, 2010)

# State of the Cultural Economy for Individual Authors

## Declining Earnings

While over 39% of artists have contributed significantly to our education system by completing post-secondary degrees, certificates or diplomas, the average annual income for an artist remains significantly lower than the overall average in Canada. The latest Statistics Canada findings put the average annual income for artists at \$27,700<sup>6</sup>, 37% lower than the average across all other sectors. Writers' Union of Canada members have indicated through member surveys an average annual earnings *even lower* for book authors. A recent report from the Authors Licensing and Collecting Society in the UK indicates this trend is not isolated to Canada.<sup>7</sup> Canada has the opportunity to lead the world in addressing and helping to reverse this troubling global trend.

## Loss of Earned Royalties

The figures above were obtained before significant changes to the Copyright Act came into effect in 2012. Broad, expansive and contentious interpretations of fair dealing in the educational sector have resulted in a potential ongoing loss of collective licensing royalties to writers estimated at \$7.5 million per year collectively.<sup>8</sup>

## Static Revenue Tools

While Canadian authors continue to benefit from yearly Public Lending Right Commission (PLRC) payments, the latest figures from the PLRC show the pool of Canadian books in the PLR program (and therefore collected in Canadian libraries) has increased significantly, as have the number of authors registered in the program, while the budget for the PLR has remained static. The result is a significantly reduced (10%) median payment to authors in the program.<sup>9</sup>

The same numbers apply across the board for public funding opportunities for authors. Programs for authors through the Canada Council, while greatly appreciated, are under ever-increasing applicant pressure as Canada's pool of professional authors grows.

## Increased Risk

As the publishing industry continues to change and adjust to a growing digital marketplace, internal consolidations and market challenges, a greater portion of the traditional financial risk in publishing has been downloaded to the author. Advances on sales have steadily decreased, in-house promotion and marketing have been reduced in favour of author-generated touring and PR. Furthermore, sales royalty percentages on e-books have so far failed to reflect the decreased hard costs of digital title sales. All of this has increased the financial burden and risk inherent in being a professional author.

It is now increasingly challenging for professional authors to afford the benefits of extended health insurance, increasing again the risk of a full-time career in authorship. TWUC lead the development of the Writers' Coalition Program of benefits and insurance for independent Canadian writers, but this program would benefit from a strategic, time-limited, kick-start subsidy to encourage enrollment.

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<sup>6</sup> *New Report Reveals 10 Key Facts About the Working Lives of Artists in Canada*, (Hill Strategies Research Inc., 2008)

<sup>7</sup> *What Are Words Worth Now? A Survey of Authors' Earnings*, (Authors Licensing and Collecting Society, 2014)

<sup>8</sup> Analysis of Access Copyright Annual Report, 2012.

<sup>9</sup> Public Lending Right Commission Annual Report, 2014

# How to Regain Ground – Five New Tools

## I. Copyright-Income Deduction

*“...an obvious step would be to slash the tax burden imposed on economic gains from intellectual property.”<sup>10</sup>*

The Writers’ Union of Canada recommends a capped federal deduction on income gained through the production of copyrighted works.

In 1995, Quebec instituted a copyright-income deduction. This entitles artists to a deduction if they earn less than \$60,000 in copyright income. The Quebec copyright-income deduction has proven easy to administer. A federal copyright-income deduction would provide an incentive to those who create the nation’s cultural products.

Setting a reasonable upper limit of copyright income would ensure those writers and artists most in need of incentive would benefit from the deduction.

*The impact of taxation on a grant recipient can be severe, significantly reducing the overall cultural benefit of grant programs.*

## II. Tax Exempt Subsistence Grants

*“One fundamental principle of taxation is to avoid taxing what you wish to encourage.”<sup>11</sup>*

Subsistence Grants to writers are administered (federally) by the Canada Council for the Arts. They provide minimal stipends for artists to live for several months while they work on a specific cultural work, and they are not a consistent or predictable source of income. TWUC believes these grants should be tax-exempt.

An author working with a subsistence grant will often have little to no other opportunity for income production during the period of the grant. Given the relatively low maximum value of a grant (Canada Council Grants to Writers range from \$3,000 to \$25,000 for up to a year’s work), the overall tax revenue these grants produce is minimal, but the impact of taxation on a grant recipient can be severe, significantly reducing the overall cultural benefit of grant programs.

## III. Spectrum Auction Redistribution

*“The extent of our prosperity as a country depends on how much value Canadians can create through their labour...”<sup>12</sup>*

A recent federal wireless signal spectrum auction raised in excess of \$5.3 billion from telecommunications companies who intend to fill that spectrum, in large part, with creative content. As our national goal is undoubtedly to maximize the amount of Canadian-created and -produced

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<sup>10</sup> *From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World*, (Canadian Council of Chief Executives, 2006), p. 18

<sup>11</sup> *Ibid*, p. 18

<sup>12</sup> *Ibid*, p. 7

content across that spectrum, The Writers' Union of Canada supports the recommendation of other arts groups that a significant portion of the revenue raised from spectrum auctions (past and future) be invested in arts funding to address the stasis now plaguing existing revenue tools. Specifically, Public Lending Right and Canada Council efficiencies would be increased by new targeted investments from these revenues.

#### IV. Income Averaging for Authors

*"Tax spending rather than earning."*<sup>13</sup>

Artists, including and especially authors, more than any other labour sector, experience severe fluctuation in income over a series of years. It can take up to 5 years (or more) to complete a professionally published book project, during which time an author is often subsisting on an extremely low income derived from the savings on sales of the previous book.

This is true now more than ever as the trend within worldwide publishing is to declining advances for authors in book contracts, and single rather than multiple book deals. Should an author realize significant sales income after that working period the resulting in-year income fluctuation will result in a punitive tax increase. A simple income averaging option (3 to 5 years) for income derived from professional writing in Canada would directly address this problem for Canada's authors without significantly decreasing overall tax revenues for government. TWUC strongly recommends such a mechanism.

#### V. Investment in the Healthy Artists' Trust (HEART)

*"Federal and provincial governments need to put more emphasis on... reforming the delivery of health care to ensure that it generates better health outcomes for every dollar spent."*<sup>14</sup>

The Writers' Union of Canada is a founding member in the growing coalition of arts organizations requesting a one-time federal government investment of \$10 million into HEART, the Healthy Artists' Trust. HEART would provide a time-limited premium subsidy for eligible arts professionals, like authors contemplating the Writers' Coalition program. Federal investment at this time would encourage a critical mass of enrollment into this and other private sector programs.

As the HEART coalition suggests, such an investment would *"respond to the efforts of the current government to help independent workers achieve some insurance protections and financial stability, and will save Canadians millions in health costs in the coming years."*<sup>15</sup>

Respectfully submitted,



Harry Thurston, Chair



John Degen, Executive Director

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<sup>13</sup> Ibid, p. 22

<sup>14</sup> Ibid, p. 12

<sup>15</sup> *Medical, Dental and Life Insurance for Arts Professionals: A Proposal for a Public-Private Partnership* (HEART coalition, 2014)