



**Response to the Culture, Communications, Welsh Language, Sport, and International Relations Committee's inquiry into the impact of increasing costs on organisations within its remit.**

We welcome this opportunity to draw the Committee's attention to key pressures on the ability of the publishing industry to maintain its output and improve its resilience in the face of increasing costs.

**What impact has the increasing costs of living had on your organisation and sector so far?**

- Several publishers have contacted us, especially those publishing magazines, to highlight the increase in paper and distribution costs and the potential impact on their ability to maintain their publishing cycles. Since the outbreak of Coronavirus in 2020, the price of pulp, used as a raw material for producing paper and traded as an international commodity, has risen from £500 per tonne to £750–£900 in the world market. But the beginning of the Russia-Ukraine war on 24 February, saw another 20–25% increase. Due to the rapid increase in online shopping the demand for packaging materials has increased dramatically, putting additional pressure on the price of paper.
- Our Distribution Centre runs on a not-for-profit and self-funded basis with all profits reinvested by subsidising distribution services for publishers in Wales. The increase in costs detailed below directly impacts on the subsidies available to the book sector.
- Since April 2022, the costs of distribution by couriers have on average increased by 10%.
- The cost of packing materials increased 7% in May 2022.
- Fuel costs of fleet vehicles have increased substantially.
- Whilst not funded by the Books Council, the closing down of The National will have a knock-on effect on writers and contributors and impact on the plurality of news provision. We are awaiting a formal response from Newsquest as to how this material change in capacity may impact on the franchise contract for Corgi Cymru.
- A *Bookseller* magazine survey in May 2022 found that 'publishing staffers were merely surviving, not thriving', and the Book Trade Charity reported rocketing demand for grants due to the cost of living crisis.

**What impacts do you predict increasing costs will have on your organisation and sector? To what extent will these impacts be irreversible (e.g. venues closing, rather than a temporary restriction in activities)?**

- Most magazine publishers are micro-enterprises in rural locations. The budget for magazines has not increased for over 10 years which means budgets had already been under pressure before this crisis. With little room to absorb increases in paper and distribution costs, publications will face difficult decisions about how often to publish or whether they can afford to publish at all.
- This situation is precarious for Welsh-language magazines which have a smaller potential readership and market. Unlike in the English language where readers can still enjoy a vast selection, there is a limited number of Welsh-language magazines and a high risk of a loss of the provision available. Magazines are an important entry point for Welsh speakers who may have limited fluency, and Welsh language learners who may not have the confidence to read longer form content in the early stages of their learning journey.

- The weekly magazine Golwg has reported an annual increase of over £14.4k in printing costs. *The Welsh Agenda*, published by the Institute of Welsh Affairs, has reported an increase in printing costs of 23% and an increase in distribution costs of 4%.
- Books and magazines fall under discretionary spending and with disposable income shrinking, there is a real risk to sales and subscriptions already indicated by reduced consumer spending over the summer months. This could further impact on publishers ability to run viable businesses.
- Internally, the Books Council is on a fixed business tariff until 31 March 2023, but the cost of energy will increase threefold from the current price. Due to investment in photovoltaics at the Distribution Centre, the usage of electricity has been kept low. However, the cost of winter heating (gas and oil) will have a larger effect on the budget with current annual spend tripling for both sites from £29,000 to £87,000.
- 75% of the core budget of the Books Council is spent on salaries. Based on union discussions, we anticipate a substantial increase as average salaries at our organisation are below the average in Wales. We estimate that the proposed pay settlement (£1,945 to all members of staff or a pay increase of 4.04%, whichever is the highest) will cost £71,914.
- The core grant was £1.1m in 2005 and remains £1.1m in 2022/23. This represents a standstill budget for 17 years without considering real term inflationary increases, which would amount to £1.57m in 2021 (prior to the rapid inflationary growth). Please see Appendix A for further details. Without an increase to our core budget, we would need to remove at least two posts. This would result in a cut in services currently provided, as due to a reorganisation in 2021 there is no ability internally to absorb this loss of capacity. All of this at a time when the publishing industry requires more support and advice to maintain its output.

#### What interventions would you like to see from the Welsh and UK Governments?

- As publishing is a low margin business, relatively small sums tend to have a disproportionate impact on the sector. We would like Welsh Government to consider reviewing the current grant levels for publishers. We would be particularly keen to see increases in the funds for supported posts and magazine franchises, and additional investment in skills and apprenticeships for our sector.
- The Books Council of Wales re-organised in 2021 with the aim of making efficiencies to remain viable but without cutting the services provided. Beyond the furlough scheme, we did not receive any additional Covid funding. Instead, emergency funding was distributed to the book sector. The organisation is now facing decisions to cease core services to the publishing industry and increasing literacy programmes if further job losses are needed to remain within budget. The Books Council would appreciate a consideration by the Welsh Government of an increase to its core grant which has remained at a standstill for the last 10 years.
- Targeted support for independent booksellers and publishers with increased energy, paper and distribution costs, e.g. VAT and business rate cuts.

#### To what extent do the impacts you describe fall differently on people with protected characteristics and people of a lower socio-economic status?

- Through our New Audiences Fund, we have been able to reach the most ethnically diverse group of grant recipients thus far and have been able to support innovative and 'riskier' projects within the current core grant remit. The extreme pressure on budgets will mean that it may not be possible to support such projects supported through the fund which don't fall within our core business. Two new publishers, led by people from a Black, Asian and Minority Ethnic background, may also not be able to get the full support needed to develop their businesses further.

The Books Council has a long and successful track record in supporting the use of the Welsh language by more diverse audiences. It will be a challenge to maintain this support without the budget to recruit and retain suitable staff.

- Within the sector salaries are below the Welsh average and there is a real danger of a talent drain as remaining in or entering the sector is no longer viable for people. This would create additional barriers for

people from lower socio-economic backgrounds, who are already underrepresented, in terms of considering a career in the sector.