

Parallel Importation of Books  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

**Email: [books@pc.gov.au](mailto:books@pc.gov.au)**

Dear Mike Woods & Louise Sylvan

I wish to write to you in regards to the upcoming review on the parallel importation of books into the Australian market.

Lonely Planet was founded in the early 1970s by Tony and Maureen Wheeler following a journey few thought possible – travelling overland from Europe to Australia via Asia. Urged by their friends, they stayed up nights at their kitchen table writing, typing and stapling together their very first travel guide, *Across Asia on the Cheap*, published in 1973. Through small bookstores in Sydney and Melbourne, they quickly sold 1500 copies and Lonely Planet was born.

Today the company has offices in Melbourne, London and Oakland, with over 500 staff and 300 authors. It publishes approximately 500 titles, distributed in over 118 countries in 17 languages. Over the years, Lonely Planet's portfolio has expanded to include television ([www.lonelyplanet.tv](http://www.lonelyplanet.tv)), a stock image library ([www.lonelyplanetimages.com](http://www.lonelyplanetimages.com)) and digital and online products, including the award winning website [www.lonelyplanet.com](http://www.lonelyplanet.com) and, more recently, digital mobile guides. Our first Concept retail store opens in Sydney airport July 2009.

A globally loved brand, we are nonetheless proud to call Australia home. Our head office has been in Melbourne for over 35 years and employs the majority of our global publishing staff. Whilst we expand into new areas of growth, book sales in the bookselling retail industry remain our most important channel, representing over 70% of our company revenue. Within that, Australia is in our top 3 markets worldwide, representing over \$11M in revenue and enjoying 60% market share, three times that of our nearest competitor. Approximately 90% of our published book titles have ISBNs taken from the Australian branch of ISBN, meaning they fall under the definition of Australian originated titles. What happens in the Australia market place and the rules and policies controlling its performance are therefore of paramount importance to us.

Our feedback to the commission fall into two categories: firstly, as a publisher in Australia, our support for some of the historically arguments for retaining the restrictions and secondly, some specific issues pertinent to our business that are at risk with changes in the policy

#### General support for retaining the restrictions

We support the arguments presented by the APA and others in three key areas:

- That the balance achieved by the current legislation is a successful one for all parties – publishers, booksellers and consumers alike. Individual customers are free to be 'savvy shoppers' and order online, or via Print on Demand options. Booksellers are able to import titles if they cannot get them in Australia, and publishers have a timely safety gap to manage their risk.
- That the current restrictions protect and nurture our culture. Approximately 60% of titles in bookshops are locally published. The restrictions on parallel importation allow publishers to make the long term investment in home grown talent to the benefit of booksellers and our society at large. Historically, publishers have presented arguments as to how this would be threatened by 'dumping' of overseas stock into the Australian market. With the globalisation and reduced costs of transportation and logistics, these arguments remain even more relevant today as they did during previous reviews in 1988, 1995, 1999, 2000 and 2001.

As can be seen in other areas of our culture – from fashion to music to films to television – Australian culture deserves the government’s protection. To open up a book bought in a local bookshop and read in US spelling with US references (‘dial 911’) is to create a creeping erosion of Australian culture that’s difficult to measure and impossible to reverse. Within Lonely Planet, this is a very real and tangible issue. The word ‘traveller’, for example, is spelt with one ‘L’ in American English. To use this spelling would irritate our customers in Australia. We pay close attention to this level of detail so as not to risk alienating our customers.

- Claims that books will be cheaper by surrendering current legislation cannot be supported. Indeed, key chain booksellers are increasing the retail price of books over and above the recommended retailing price put forward by publishers. The largest chain store in Australia, for example, increases Lonely Planet titles on average by \$4 over the rrp. Whilst the short term commercial advantage to this strategy is understandable, we are nonetheless concerned about its impact on longer term consumer demand. As a publisher and faced with these facts, we have to question the sincerity some areas of bookselling have in passing on lower prices to customers.

Simultaneously, Australian consumers are increasingly aware of the advantages of buying internationally online. The current legislation does not prevent Australians finding shopping bargains – often with free international postage - if that is their preference. The argument put forward for removing the restrictions in order to better protect disadvantaged consumers is becoming rapidly outdated by online shopping trends

#### Specific support for retaining the restrictions

- The importance of a diverse range of booksellers is paramount for Lonely Planet. Currently, 30% of our revenue comes from independent booksellers. They ensure that both our books and brand has a broad coverage throughout Australia and not just in the big CBD’s. They enable us to employ a dozen sales reps and, crucially, bring an important level of revenue diversity to Lonely Planet during a period of intense retail consolidation. This was demonstrated in 2008 by ACCC’s investigation into the merger of Borders and A&R (now called The Red Group).

The ability to import books on mass will undoubtedly benefit only those large retailers and Discount Department Stores that have the economies of scale to do so. The Australian book industry is unique in the world in that the independent booksellers still maintain a large and vibrant position within the retail industry. Our concern is that the removal of these restrictions will harm the smaller retailers that bring so much benefit to Lonely Planet and regional consumers. It’s doubtful that Tony and Maureen Wheeler’s very first book, *Across Asia on the Cheap*, would have been a success without the support from these independent booksellers. The origin of the Lonely Planet success story is due in large part to the health of this part of the retail sector.

- Piracy is a key concern for Lonely Planet. We estimate we lose approximately 20-30% of our revenue in Asia due to the prolific piracy of our books. This is due to both the brands popularity in Asia and to the regional copyright legislation. Our assumption is that this illegal business will be securing greater and cheaper access to technology, with improved speed-to-market and improved quality control. It is not unreasonable to imagine a near future where these pirated copies could find their way onto the Australian market without the protection the current legislation brings.

- Lonely Planet works with numerous publishing and media partners worldwide. We work with local partners to translate our content and to make changes to the product and pricing as suiting the local market conditions. It is not inconceivable to imagine that one of our Chinese, Korean or Japanese partners, for example, could secure the rights to sell our English language guides, and for an Australian retailer to import a Lonely Planet product ill suited to the Australian traveller. This would present a material risk to our business and would impact on our export business strategy.

In summary, it is understood that the commission is seeking to review any *net* benefit to the Australian consumer and if any changes to the current legislation could enhance Australia's longer term growth prospects. It is our view that the long term ongoing cultural, commercial and book industry risks outweigh any shorter term commercial benefit. As a publisher we are not seeking financial aid similar to, say, the Australian film industry. Rather, we look to the commission to help ward off any creeping long term cultural erosion, to help the Australian publishing industry compete on a level playing field with other territorial copyright markets in the world, and to help protect a diverse range of booksellers that offer customers one of the best book selling environments in the world.

Yours sincerely

**Howard Ralley**  
**Sales & Marketing Director**  
**Lonely Planet**  
**Australia**