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16th January, 2008

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

To Commissioner Woods

Submission

I would like to lodge my formal objection to any proposed changes to the current copyright legislation on the parallel importation of books. There has been a lot of hype in the media over the supposed benefits of removing territorial copyright, however these benefits are unfortunately misguided at best, and some negative aspects have not been reported at all. I have noted my thoughts on these key areas in this letter.

I write on behalf of my business, QBD The Bookshop, of which I am a Director and co-owner. QBD has over 30 stores across 5 states and territories. I have been in the book industry for 24 years.

Author Tours

All of the major Australian publishers currently spend large amounts of their marketing budgets to bring international authors to visit Australia for the release of their books. The promotion and media this generates assists retailers to sell books and readers to find out about them. Should these publishers see a portion of their new title volumes decline due to Australian booksellers ordering from overseas wholesalers, there is no way the Australian publishers will be able to continue to bring these authors on tour. This would impact how many books Australian retailers could sell.

It could even be argued that the introduction of the 30 day rule in 1991 has resulted in fewer authors coming to Australia. The media are largely interested only in titles on publication date. Whilst I don't suggest the removal of the current laws, it must be noted that there are a lot of authors that don't tour Australia due to commitments in their home market on release.

Range of titles available to Australians:

Changes to the current laws will not mean broader range for Australian readers. All booksellers in Australia currently have the ability legally, to order every book available from the USA, UK and other markets as a

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special order for a customer through wholesalers in these countries who ship by air freight on a very regular basis to Australia. Australians also have the ability to order these titles through websites such as Amazon.com.

With the removal of territorial copyright we will see a tightening of the range of titles carried by Australian publishers in their warehouses here, as there will be no guarantee they will be able to sell them.

As many of the Australian publishers offer 'Sale or Return' on their backlist, most retailers are happy to keep a larger range instore, this will disappear if they are purchasing from foreign wholesalers on a firm sale basis.

Continued support for new Australian authors:

No one would argue that having an aggressive publishing program of untested new Australian authors is an extremely costly and risky venture. Whilst most of the major Australian publishing companies are owned by offshore multi-nationals, since 1991 and the introduction of the 30 / 90 day rule they have invested very heavily in growing and promoting new Australian authors. If territorial copyright is removed and their revenues are challenged by reduction in sales of their core overseas authors they will have no choice but to dramatically cut back on forward publishing programs, including Australian authors. Without this heavy investment by Publishers the talented Australian authors of the future will possibly never be discovered. This will be a terrible outcome for both Australian readers and booksellers.

Price of books in Australia:

Probably the biggest argument for opening the market has been that the RRP of books will drop in an open market.

There are price discrepancies between markets - some titles are more expensive in Australia and some cheaper - but I do not believe it is fair to just compare the RRP of books across nations as there are a lot of underlying factors that determine the RRP in each country. The United States has a population of around 300 million people and there are huge economies of scale that Australia will never be able to enjoy with only 21 million people. Distance is another obstacle that must be factored in and even for a bookseller who purchases a reasonable amount per order from a US wholesaler, freight from the US can add 10% to the cost price, which escalates once retail margins are applied.

Obviously the other factor is the exchange rate of the day and I give an example of this below. It is very easy to pick a great exchange rate day and say books are too dear, so for this exercise I have used a 3 month average of 66 cents USD and 44p against the UK pound.

The Associate by John Grisham is due in hardcover in February this year with an Australian RRP of \$49.95 including 10%GST. It will be published on the same day in Australia, the UK and the USA. In the USA the RRP with GST converted to Australian dollars is AUD\$46.05. In the UK the RRP with no VAT converted into Australian dollars is AUD\$43.16. So it's about 8% cheaper in the states before any freight is added,

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which would bring it back to the Australian retail price. The title is 13.5% cheaper in the UK, where there is no VAT. If the Australian GST was deducted and freight added it would be cheaper in Australia.

The difficulty in such examples is that they don't take into account Local Street pricing in each market and this type of exercise will differ on almost every title depending on the day. Everyone can find hundreds of examples that lean in favour of their argument. So why make any change?

Greater market powers to major bookselling chains:

An unknown factor from any change is what benefits will be delivered to the major chains including the Discount Department Stores (DDS). If the market opened, the largest chains, due to large volumes, may purchase directly from a US wholesaler or publisher - not necessarily at a better price - and dramatically undercut the volume for an Australian publisher. It's questionable whether the variation in profit, if there is any, would be delivered to the consumer.

The smaller chains and independents would then find it impossible to compete on these titles. They struggle at the moment even under the current territorial copyright legislation. If this happens it will be the end of independents in Australia and all that will be left will be the DDS's, department stores and a couple of the largest chains, at which point price competition will be severely diluted and the range of titles available on shelves in Australia will shrink drastically.

Conclusion:

If this change is allowed to happen it will be impossible to ever unwind, the result will be a smaller range of titles available to consumers in the Australian market place, less competition due to a smaller number of booksellers and prices still the same as today. There just isn't any upside to the proposed changes.

I hope that you will take my views seriously, as I noted at the beginning, I do have a vast amount of experience in the book industry. QBD The Bookshop would be one of the biggest winners should this change happen, as we have the size to source stock from overseas and it would make remainder buying, which is a large part of our business, far easier. But we would not be more profitable and the consumer would not be better off. When the company who has the most to gain from the proposed changes tells you it's a bad idea, I think you should try and take some notice!

Kind Regards

Steve Robinson
Director

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