



Submission to the Productivity Commission

About Pearson

Pearson is the leading educational publisher in Australia, with significant activities at primary, secondary, vocational, English language as well as at Higher Education level. We are part of the global Pearson media company which includes Penguin and the Financial Times.

Each year we invest many hundreds of thousands of dollars in developing local Australian content for Higher Education, activity which is underwritten by the revenues generated from the sale of imported Pearson product, mainly from the United States of America.

Efficient, timely supply, at fair prices

The University Co-operative Bookshop, the largest campus bookshop operator in Australia, measures supplier performance each year. This is where the on-time delivery rate of textbooks for the following semester is tracked. Pearson, like most other suppliers, shows a 99% supply rate. Given that many of these titles are imported from the US or UK, with the associated logistical challenges, this is an impressive statistic, and speaks to the productive and efficient relationship between publishers and booksellers.

Additionally, a recent survey undertaken by the Australian Publishers' Association¹ shows that, at an exchange rate of AUD1 = USD .70, major US-originated textbooks are, on average, 30% cheaper than they are in the US.

A hidden economy: publisher-provided instructor support

Higher Education publishers like Pearson play a much greater role in the successful delivery of many courses than just the provision of student textbooks. We in fact provide many ancillary teaching and learning items to instructors, and work closely with them to help in the successful implementation of those products. This is a 'hidden' but crucial part of the Australian textbook economy: the provision of 'free' but high quality and costly instructor support materials where the textbook is 'adopted' (ie. is a required purchase). The revenue from the sale of textbooks, therefore, has to cover not only the direct costs involved in development, production and distribution of the book itself, but also these ancillary supporting products, which consist of such items as online assessment, student websites, LMS-ready digital content, PowerPoint slides, lecture and tutorial guides and so on.

¹ See Attachment A

In order to provide these valuable resources for no charge, we need to know that we can rely on revenue from the print and digital products they support. The removal of copyright protection would create a market locally for low cost and low quality import editions, which may be either legitimate or illegitimate within their home (often developing) markets. Without the revenue from the sale of the associated textbooks, Pearson would have to reduce or withdraw instructor support. And without these valuable and often sophisticated learning materials, the quality of many courses would decline.

Threat to innovation

Pearson, like other Australian educational publishers, is developing new digital learning materials to take advantage of the enhanced learning environments made possible through technology. As is true in all emerging markets, this involves experimentation and significant risk of failure. Without the certainty of revenue from imported books, Pearson is likely to become more risk-averse.

Conclusion

The Australian Higher Education textbook publishing industry is competitive and efficient. Supplier performance is at a high level, and competitive pressures act to keep prices at reasonable levels; indeed, at levels well below those in the USA. Certainty of the supply of US books provides confidence which encourages companies like Pearson to invest in developing local Australian content, closely tailored for our market. In addition, this certainty encourages investment in developing 'free' instructor materials, central to the successful delivery of many courses and to overall student experience. The removal of copyright protection would create a market for low priced, low quality and unsupported editions. Finally, removing copyright protection for imported educational books would threaten ongoing innovation.

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