

## **Wiley Australia: Submission to the Productivity Commission: Copyright Restrictions on the Parallel Importation of Books**

Three key issues have triggered the renewed debate about the parallel importation of books into Australia:

- Books are perceived as being priced uncompetitively in Australia and considerably cheaper in key overseas markets (particularly the US and the UK);
- The majority of overseas-published books are perceived as being less easily available in Australia than they are in those overseas markets, due to insufficient stock holdings by the Australian distributor or by that distributor not being as responsive as they should be when supplying out-of-stock titles; and
- The levels of customer service from publishers to booksellers—and thus the end-customer—are perceived as being not as good as they should, or could, be.

In short, there is a widespread perception that the book-buying public in Australia is frequently over-charged and under-served.

On all of these fronts, Wiley Australia has always taken a professional, fair and customer-focussed view in all of the book markets in which it operates: Higher Education, School and Professional/Trade. As detailed in the Overview section below:

- we price all of our titles competitively;
- we have an enviable reputation regarding the supply of our titles;
- we are frequently held up as the benchmark for customer service in the local industry, and we are told this regularly by booksellers.

However, this is not a position shared by all publishers in Australia: there has been widespread over-pricing (particularly during the recent period of a strong Australian dollar, when we heard anecdotally that we were one of only a very small group of publishers to reduce the price of our imported trade titles as the Australian dollar strengthened against the US dollar and the pound) as well as inefficient and ineffective distribution and customer service. And the end-customer is well aware of all of this, and many are voting with their feet (or rather their mouse). These are the main reasons why so much revenue from the sale of overseas-published titles to Australian consumers is lost to global players such as Amazon: despite these titles notionally being available in Australia, many local consumers choose to use such sites because they believe that their orders will be supplied more quickly and reliably and at little or no additional cost.

Wiley supports changes that would lead to more competitive pricing and the improved supply of books to the Australian consumer across the board. But we don't believe that the removal of the current 30/90 day provisions is the way to achieve this.

Removing the provisions would not cause the disappearance of Australia as a rights territory: rights would still be sold by one publisher to another, as they are now. However, booksellers would be able to go to overseas suppliers to source any title. They would not be able to obtain stock from the overseas offices of local publishers/distributors—as the rights arrangements would continue to prevent this—but they could go to wholesalers and other 3<sup>rd</sup> party intermediaries.

It is the possibility of such wholesalers or other 3<sup>rd</sup> parties supplying the Australian market from Asia that is causing us grave concern. Why? In order to increase the size of the (low-priced) book markets in Asia, overseas publishers including Wiley have supplied their sister companies or local distributors at prices that are significantly lower than those in other markets around the world, including Australia, the US and the UK. Therefore, wholesalers in Asia are able to source stock of these titles at prices that are significantly cheaper than in those other markets.

Currently we are not aware of any wholesalers in Asia that offer a sufficiently quick and reliable service, with the desired trading terms (particularly the right to return over-stocks), to make them an immediate threat if the 30/90 day provisions were removed. However, given the potential market size that Australia would present in these circumstances, we believe that one or more wholesalers would soon set up in Asia (and offer the required trade of terms) and represent an attractive source of supply to booksellers in Australia.

It could be argued that Wiley in particular would not suffer in such a scenario because our service to the local market is so good that the booksellers would still order from us. Yes, the local booksellers would continue to come to us. But we believe that the temptation to obtain bulk stock of our more popular titles from Asia-based wholesalers at a price that is lower than even we can supply with our very competitive pricing policy would be too great to resist. And, as a result, their orders to us might be reduced to primarily the difficult-to-source titles and the less-profitable smaller orders.

If this was to happen—with the consequent loss of revenue for our Australian operation (whether through the importation of overseas-published Wiley titles or the re-importation of Australian-published titles that we had exported in the first place)—we would be forced to look at the structure and scale of our operations. We have invested heavily in our local publishing programme: 100% of the product sold by our School business, Jacaranda, is developed and published by us here in Australia. Our Higher Education business earned more than 60% of its revenue from locally-published product in our last financial year (up from 34% in 2000), and our Professional/Trade business earned 30% of its revenue from Australian-published titles in the same period, up from zero in 2000. Overall, local publishing accounts for nearly two-thirds of the revenue of Wiley in Australia.

Successful local publishing is the most profitable part of our business: without this we would be a much smaller organisation. Lower revenue earnings in Australia would lead to a contraction of the local operation, with several potential outcomes:

- Loss of jobs;
- Contraction of our local publishing programme, in terms of both the number of titles published and the amount of support material that is made available free-of-charge to

lecturers and teachers, and so we would not be able to support the local market as well as we do now;

- Increased emphasis on the sale of digital product direct to customers, thus cutting out booksellers, which could also lead to significant job losses in the industry;
- Reduced marketing spend, which would mean that we would have fewer dollars for cooperative marketing with booksellers, which would have a negative impact on both the booksellers and us.

Finally, we believe that the contribution that Wiley makes to the local society and culture would be under threat. Wiley is committed to life-long learning by providing products and services to advance knowledge and understanding, whether to students in secondary and tertiary education, to professionals who want to enhance their expertise, or to individuals who wish to learn more about a particular subject. The role of Wiley and other publishers as providers of such material is essential to progress in a healthy and prosperous society, but our contribution would be diminished if we had to scale back our operations in Australia.

Please do not hesitate to contact us if you would like any further information in support of this submission or if you would like us to participate in any face-to-face meetings and discussions, whether in our offices in Brisbane or Melbourne, or of another location of your choice.

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## Appendix 1: Wiley Overview

John Wiley & Sons is a global publishing company founded in New York in 1807. It has bases in six main locations around the world: US, Canada, UK, Germany, Asia and Australia. The Australian operations were founded in 1954 as Jacaranda Press, which Wiley acquired in 1976.

Wiley operates in three markets globally:

- Higher Education
- Professional/Trade
- Scientific, Technical, Medical & Scholarly (STMS)

Additionally, in Australia, we operate in the high school market.

For the purposes of this submission, the journal part of our STMS operations is not relevant, and so the focus will be on our three book businesses, which earned A\$58.3 mn of revenue in our most recently completed financial year:

- H/E: we are #4 in this market. We publish locally through the Wiley imprint and we sell imported product under this same imprint. We also act as the local agent for US publisher W W Norton.  
(Refer to Appendix 2.1 for more information on how an open market would affect this sector)
- P/T: we are a niche player in this market—as we don't publish fiction—but we are market leader in the business and technology categories. We publish locally through three imprints: Wiley, Wrightbooks and *For Dummies*. We sell imported product under many Wiley imprints including Wiley, *For Dummies*, Frommer's and Jossey Bass. We also act as the local agent for US publisher WW Norton.  
(Refer to Appendix 3 for more information on how an open market would affect this sector).
- School: we are number #2 in this market (we were #1 for more than a decade until Pearson's recent acquisition of Harcourt), publishing and marketing under the Jacaranda imprint.  
(Refer to Appendix 4 for more information on how an open market would affect this sector).

In the last financial year:

- Nearly two-thirds of our book revenue was from the sales of product that was created and published in Australia;
- The other one-third of revenue came from sales of product imported from overseas, principally Wiley titles published by Wiley in the US, but also titles published by Wiley in the UK, Germany, Asia and Canada as well as titles published by W W Norton in the US.

Of the revenue gained from Australian-published material:

- 89% was sold within Australia

- 11% was exported, principally to booksellers and other customers in New Zealand, but also to our Wiley sister companies in the rest of the world, and to School booksellers who export to the rest of the world (Wiley does not distribute the Australian School titles in the rest of the world).

Wiley has a strong focus on customer service and it is frequently referred to as setting the benchmark in the Australian industry, achieved through:

- ***Fast and efficient distribution and customer service:*** our Distribution Centre is based in Brisbane (for legacy reasons) and yet we consistently supply customers in the major markets of Sydney and Melbourne more quickly than our competitors based in those cities. If we don't have a particular title in stock (although our stock holdings are generally excellent), we order it by air freight, and thus have it available to the customer in 2-3 weeks, assuming that it is available from the overseas publisher: we don't ever make a customer wait the 10-12 weeks that would be necessary if we relied on sea freight in such situations. Our Customer Service team is widely regarded as the best in the industry. Reinforcing this, we have won the Australian Campus Booksellers Association (ACBA) Tertiary Publisher of the Year Award every year since 2001, and we have won the APA's School Publisher of the Year award seven times in the last nine years.
- ***Competitive pricing of all titles:***
  - All Australian-published titles are priced to market (whether that market is Higher Education, P/T or School)
  - Our imported product is either:
    - priced at parity plus a small mark-up (of 5-8%) to cover the costs of importation, warehousing and distribution (this is the policy for our Trade titles), or:
    - priced to market in the same way as our local titles, which is 30-40% lower than the US price (this is the policy for our Higher Education titles).
- ***High quality and transparent price, availability and bibliographic information:*** When we launched our Web-based eCustomer Service site in late 2000, we were the only publisher to provide price, availability and bibliographic information on a real-time basis for all of our active titles (which number 55,000-60,000), and this is still the case more than eight years later. We are also the only publisher to provide absolute stock figures for every one of those titles, whether through our own Web site or the APA's price and availability site TitlePage. Why do we take such a transparent approach? Because it is what our customers have requested, and also because such transparency represents a wonderful discipline for our staff to ensure that this information is kept accurate and up-to-date at all times: there is nothing like knowing that the world is (potentially) always looking!
- ***Terms of Trade that encourage booksellers to maximise their sales of Wiley titles:*** these include:
  - ***Returns policy:*** in order to assist booksellers in their stock holdings of our titles, we accept returns of ALL titles within 12-18 months of the placement of the order, both frontlist and

backlist, in the Higher Education and Trade markets (with some qualification to prevent excessive returns) and limited returns in the School market (in which stock is generally sold on a 'firm sale' basis')

(NB: Many other publishers do not accept returns of their backlist titles).

- *No 'small order' surcharge*: unlike many other publishers, we do not apply a surcharge (of \$10-20) to small orders (typically of less than \$100-200 of net value): if a customer wishes to order a single title from us, we supply it to them happily and efficiently.
- *Credit Terms*: during the 'back to school' period for booksellers in both the higher education and school markets, we offer extended credit terms (or 'forward orders'), enabling them to take supply of their orders as early as the beginning October, but not have to pay for them until the end of February. Why do publishers offer this? It enables the booksellers to take phased delivery of their stock, which is much easier for them than having to process a huge quantity of inventory in the weeks immediately before the start of the new academic year. In the School market, where the major suppliers create packs containing all the books that a pupil will need in the coming year, it also affords them plenty of time to receive the relevant stock and incorporate it into these packs.

We have just over 300 staff in Australia, working on a full-time or part-time basis. When one excludes the 60 or so in our journal business, the majority of the remainder (nearly 200) work directly to support our local publishing programme, through roles in commissioning, contracts, royalties, editorial, design, composition, manufacturing, marketing, sales or distribution. The remaining 40 staff provide support across our entire workforce, through administration, finance, human resources or IT functions.

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Managing Director  
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## **Appendix 2: Overview of Wiley's Higher Education group—and how it would be affected by an open market**

### **Executive Summary**

The business model operating in this segment is very different to what is known as the 'trade' segment which most people think of when talking about parallel importation of books.

The textbook market uses a 'referral' business model. Doing away with current territorial copyright arrangements would be particularly harsh to local higher education publishers. Essentially, a 'free rider' problem would be created enabling campus bookstores and other retailers to exploit our sales and marketing efforts by substituting a different supplier.

In the short term there may be small benefits but in the longer term this will be devastating to local higher education publishing in this country. There would be loss of local jobs in the higher education sector of the publishing industry, the development of talent and skills in local higher education publishing would cease, there would be a loss of investment in publishing locally (customer service, warehousing etc) and of course there would a loss of business for the local printing industry. Textbook exports would plummet, the local higher education sector would lose its quality edge, and local lecturers would be even more overloaded.

Additionally, no new jobs would be created in Australia; no new skills would be imported; no new investments made and students and lecturers would be deprived of locally developed textbooks.

At a time when Australian textbook prices are appreciably cheaper than their US and UK counterparts, and the Higher Education industry is looking to implement an education revolution, the removal of Australian territorial copyright simply does not make sense.

### **Submission**

Textbooks are sold into the higher education market on a 'referral' basis—that is, the individuals that higher education publishers 'sell' to (in order to win an 'adoption' of a textbook as the one prescribed for a tertiary course) are not the individuals that buy the textbooks through bookshops. Lecturers are the decision-makers and they determine which textbook a student buys for a particular course from the campus bookstore and which textbook a campus bookstore orders from a publisher.

The business model works in the following way. Higher Education sales representatives, who are based in each state across Australia, visit coordinators (decision-makers) from each course on their various campuses to discuss their course needs. For the large first year courses, where competition is fierce, this process can take up to 10 face-to-face visits, with many decisions being made by committees. This process requires a significant investment in time and sales and marketing staff, which is essential if we are to be able to win any business from competitors or fight to keep our existing 'adoptions'.

This is a zero-sum game — you either win or lose. If, for example, we lose a first year psychology adoption then our competitor's text is listed as the text the campus bookstore is to order in. No other texts are listed, so the winner takes all. This is important to understand because prescribed textbooks at the first year level are where most of our revenues are derived.

Most undergraduate courses in Business (accounting, management, marketing, economics, information sciences, human resource management) and the Sciences (mathematics, chemistry, physics, engineering, biology, medicine, psychology and computer science) have a prescribed textbook. The Humanities courses (history and English), however, are much more 'reference markets' where a list of books is recommended for purchase. A 'recommended' status is the death-knell for sales because these books are not *prescribed* and students will not see any real reason to buy them if they are only reference material. They more often than not borrow the text from the library or photocopy the pages that are referenced in their lectures and tutorials. Students will only buy textbooks that they are likely to use for the whole semester or whole year and which their lecturer has advised they will need to read and study to pass the course.

Even then, there is much 'leakage' in the system. For example, average sales for a text's 3-year life cycle for a course with 1000 enrolments per year is not 3000, but usually 70% of enrolment sold to the bookstore for the first year (i.e. 700 copies), 50% of enrolment for the second year (500 copies), and 20% of enrolment in the third year (200 copies). That is, over a 3-year period, we will sell approximately 1400 units for an enrolment of 3000. The leakage relates to availability of second-hand copies, availability of the text at the library, private photocopying, sharing of texts, some pirated Asian copies being imported, and just plain doing without.

Once a decision to adopt/prescribe a textbook for a particular course has been made, the lecturer advises the campus bookstore which then orders the inventory from the publisher. The campus bookstore then sells the prescribed text to students after the student attends their first lecture.

A largely hidden transaction (unknown to few outside the higher education sector) is the agreement between publisher and lecturer that means that all the teaching and learning resources that have been developed in conjunction with an adopted/prescribed textbook will be provided **free-of-charge** by the publisher to the lecturer and tutors. These teaching and learning resources are expensive to develop. For a typical first-year textbook we invest from \$50 000 to \$70 000 per title. Of course, these investments in pre-adoption marketing and the development of teaching and learning resources, as well as our ability to provide these resources free to lecturers, is all predicated on sales of the textbook.

Approximately 10 years ago, the main teaching and learning resources that would be provided were Solutions Manuals, Test Banks (banks of questions for student self-assessment and exams) and PowerPoint presentations. These were all developed and paid for by publishers (and they continue to be to this day) and given to lecturers who prescribed the textbook. In 2008, the amount of teaching and learning resources supplied at first-year level has grown to such an extent that this is often what drives adoption decisions and a publisher's ability to win new business.



Nowadays, in addition to Solutions Manuals, there are also Instructor Resource Guides which not only include the solutions to end-of-chapter questions but also provide teaching tips, guides on how to handle group activities and additional content to some of the chapters. The Test Banks are now much larger and varied (different types and varying levels of difficulty) so that lecturers do not run out of questions. The questions are refreshed each year because once answers are in the public domain (and the Internet makes sharing very easy) the questions are useless. Further investments have been made into algorithmic questions (to prevent cheating) and sophisticated software developed to handle step-by-step tutorial assistance when solving self-assessment questions — for example, helpful hints for students when answering long equation-based questions for physics, mathematics or chemistry.

We have also invested in media-enhanced PowerPoint presentations. These might be enhanced with video or Flash interactives developed by the publisher sometimes using third-party elements — for example, video from the ABC (for a permissions fee). This video or interactive is then further developed by us to bring real world examples into the classroom by tying them back to the theory in the textbook. Other examples are locally developed economics interactives to demonstrate opportunity cost, trade, comparative advantage, and the forces of demand and supply.

Additionally, online books and ebooks are developed alongside the print book that have embedded links relating to media elements and testing so as to provide scaffolding to enhance student learning.

This content is also made available in learning management systems (LMS) such as BlackBoard or Moodle so the academic can direct their students to one place where all of these resources reside. This is all developed and assembled (and increasingly customised to the individual lecturer's requirements) by publishers and provided free-of-charge when a text is adopted for a specific course. Publishers take a leap of faith that the lecturer will then support the textbook in the classroom and encourage students to purchase a copy at the campus bookstore.

Additionally, Wiley has developed a mobile phone response system whereby the lecturer can pose a question via a PowerPoint presentation and students can answer the question based on a choice between (usually) 4 options. This 'polling' system can be a powerful tool to engage and motivate students. This technology was developed by Wiley in Australia and is now being adapted by colleagues in the US for roll out in the US markets and eventually to other markets in Europe and Asia.

The other important change that has occurred over the last 10 years (and in particular the last five) is the amount invested into publishing local textbooks. Previously, most textbooks came from the US and lecturers and students had no local alternatives. Most local higher education publishers now publish either fully indigenous texts or adapt US textbooks for local conditions.

In our own business, we have increased our sales of locally published textbooks from 34.3% of revenues in 2000 to 61.3% of revenues in 2008, which in turn has required a significant increase in the number and type of staff we employ locally — including publishers, marketing staff, sales staff, digital and media staff, and staff to develop and edit manuscripts.

In the past, Wiley was a significant importer of copyright material but this has changed to the point where we are not only publishing 61.3% of locally developed textbooks but we are also **exporting** into Asia and **growing our exports** into the US and UK.

Of course, 38.7% of our sales are still sourced predominantly from the US, but with our recent acquisition of Blackwell the importing of UK titles has also increased. The main revenue generation, however, is local publishing with all publishers, developers, editors and digital/media staff employed specifically for this local publishing activity.

***How would our business change if Australian territorial copyright were removed?***

Campus booksellers would not have to source textbooks from Wiley in Australia **and would be free to order from anywhere in the world**. If campus bookstores sent orders to Wiley offices outside of Australia they would be referred on to our local office for supply. The likely outcome of an open market therefore is that campus bookstores would search out intermediaries to supply textbooks because they would be willing to supply them. In the US and UK it could be Amazon.com or Amazon.com.uk but these are likely to be priced too high to warrant local campus bookstores trading with them. Local campus bookstores would naturally look to Asia where they know prices are much cheaper. Once they have established a relationship with one of the many family-based distributors who work between the publisher, lecturer and the campus bookstore in Asia, local campus bookstores would be able to source textbooks at much lower prices because of publisher local pricing policies in developing countries, even though the pricing was meant for local supply only.

Textbooks sold into Vietnam, China, Malaysia, Indonesia and India are priced to local markets. In fact the differential pricing in these (developing nation) markets is heavily subsidised by the US, UK and Australian pricing models. If there was a 'world price' for each textbook and it was based on the average price we receive in Asian markets then textbooks would be unviable and certainly would not include the free learning and teaching material discussed above. The Asian markets currently provide only marginal revenue and sometimes textbooks are sold in these markets at a loss. This is done to establish relationships and our brand in new developing markets. Publishers are only able to offer textbooks at lower prices into these developing markets while reasonable and fair prices are attained in the traditional and developed countries like the US, UK and Australia.

In general, our local pricing model is as follows: a textbook selling for US\$100 in the US sells in Australia for AU\$100. On average, a US textbook in Australia is 30% cheaper than in the US (Refer to Appendix 2.2: Wiley Australia's Top 20 selling US Higher Education titles showing US list price, converted price and the Australian Recommended Retail Price (ARRP) which includes GST).

In the last 10 years, we have seen an explosion of higher education offerings in Asia, and Australia has benefited from this enormously. Higher education is now Australia's third largest export — ahead of tourism and only behind coal and iron ore. Many domestic universities have either twinning arrangements with universities in Asia or sometimes run whole programs there. This has

meant an increase in the demand for textbooks in the region. Wiley has a Singapore based office that is a central point for servicing Asia with staff in almost all Asian countries.

Wiley Australia has developed an export business into Asia for our indigenous and adapted titles. We have developed texts particularly in accounting, management and marketing for the Asia Pacific region as lecturers in Australia (who are responsible for selecting the texts for courses they are teaching in Asia) are looking for content that will travel and resonate for Asian students (as well as Australian students) whether they are Asian students taught in Australia or in their home country.

If campus bookstores could buy-in textbooks from Asian countries there is no guarantee that these lower prices would then be passed on to the consumer, i.e. the student. Australian students currently pay lower prices than students in the US and UK, and campus bookstores would actually be re-importing Australian produced textbooks that had been exported into Asia.

This circuitous supply would mean our local sales representatives, who are paid a base salary plus a bonus based on achieving a sales target, would find it impossible to meet their sales targets even though they had done all the work in securing the adoption in the first place; a free rider situation. Consequently, because the locally-based publishers sales would be substantially reduced it would mean we would need to look at how many staff we actually needed in Australia to win local adoptions and whether it was still viable to do so.

We do not receive revenue from any other source other than campus bookstore orders. We certainly could not be expected to keep investing in all the sales and marketing activities that are necessary to maintain and win adoptions if we do not receive any orders and therefore revenues.

Once campus bookshops start ordering outside of Australia it would not be easy to track where a particular Australian campus bookstore had ordered a textbook from in order to be able to credit a particular Australian sales representative with this revenue.

Under such a scenario, without revenues from campus bookstores and having to compete with re-imported copies from Asia, our agreement to supply teaching and learning resources would have to cease. We could no longer afford to develop and give these away for free. If we were able to survive such a large scale upheaval to our business model, universities would have to pay for these resources in the future. This would only serve to increase the burden on lecturers (who are already overloaded) and deprive them of essential resources.

***Would Australian students benefit if Australian territorial copyright were removed?***

Students, under this scenario, would need to be sure they are buying the correct edition (there can be multiple versions of the same text around the world to suit local conditions). Even under the current market conditions, where students use the Internet to find cheap textbooks, students contact us advising they have bought a book from India because it was cheap, only to find it was the wrong version or edition. Currently, we usually swap the book free of charge — we don't have to, but we do. Our analysis of all the titles in the first and second year textbook market (which contributes about 80% of the revenues in the higher education part of our business) shows that

almost all of them are cheaper to buy in Australia than in their country of publication. Please refer to Appendix 2.2 for the top 20 titles comparison.

***Would campus bookstores benefit if Australian territorial copyright were removed?***

Yes, they could benefit by increasing their margins and not passing on the full savings of sourcing a cheap overseas edition. However, there are a number of terms of trade that we provide to campus bookstores to ensure an efficient supply chain in a very seasonal business (Refer to Appendix 2.3: Additional Terms of Trade in the Higher Education sector). First semester sales and movement of inventories occurs from publisher to the campus bookstore any time from early October to the end of February, ready for sale in the bookstore at the start of semester in late February or early March. Second semester sales and movement of inventories occur from publisher to campus bookstore from May to end of July with semester starting at the end of July.

Publishers sea-freight in most inventory to keep prices down. There is currently an amount of certainty in the market place that we know we will sell, say, 5000 units of a particular text. We are not sure where we are going to win the adoptions from specifically, but we do know based on historical sales records we are likely to sell around that number. So, we order by sea-freight that quantity which takes 3 months to get to Australia from the US or the UK or sea-freight from our Asian four-colour printers (which can take 5 weeks). Undertaking this inventory planning helps keep freight costs (and ultimately book prices in Australia) down. Sometimes lecturers make late decisions because teaching allocations or appointments haven't been finalised which then results in having to air-freight in stock (to ensure it is here in time for the beginning of semester). This can cost up to an extra \$10 per copy. Currently, this extra air-freight cost is absorbed by Wiley to keep prices down. Students are so price sensitive that we know if we increase the price of the text — even only marginally — we will sell fewer units.

Overall we believe students and lecturers will be worse off in the medium to long term, if Australian territorial copyright is removed. There may be some small gains in the short term if campus bookstores can buy-in from Asia and do decide to pass on any savings. However, this will not continue in the mid to longer term as publishers will re-adjust to the new environment and make decisions about where to or where not to publish. Students may also be further disadvantaged because bookstores will find it more difficult to find the right books at the right times. Publishers currently organise the supply chain but in the future there will be so much uncertainty about quantities to bring into this country ahead of time that this will inevitably cause supply problems. Not having the right text at the right time will mean major disruption to many university courses around Australia. Publishers provide many generous terms and conditions to campus bookstores currently to assist in ensuring the right quantities and titles are here in time for beginning of semesters. 99% of all textbooks ordered by campus bookstores were supplied on time ready for sale for semester one, 2008 (*University Co-Operative Supplier Statistics, 2008*).

In the longer term, students will also have to get used to more US-based textbooks as local publishing in Australia will not be sustainable at current levels if revenues and profits are not earned in Australia to pay Australian editors, publishers, marketers, designers, illustrators and salespeople.

Lecturers and universities would be seriously affected because they would not receive the supplementary teaching and learning resources currently provided to them free of charge. There would be a fall in the overall standard of teaching and learning resources because already overstretched individual academics would have to produce them (in their 'spare time'!). This fall in standards would eventually be noticed by overseas students studying here when compared to resources available at universities in other countries. Higher Education is a global market and is already affected by heavy international competition; this lowering of standards would quickly impair our international competitiveness.

Lecturers are also authors. We commission them to write our local list of textbooks. In the longer term, there will be a diminishing of investment in local publishing and fewer local authors would write textbooks for their students—thereby denying local students of the benefits of local research and local knowledge. Local lecturers may be able to participate in global projects but when compromises are made, Australia's requirements will take a back seat, and the final text will include nowhere near as much local content as a locally developed text would.

As local publications dry up, lecturers would teach from more US and UK titles—excluding local business examples, local cultural and regulatory issues, local flora and fauna, and at a more basic level they would not be able to preserve local spelling, grammar and idioms.

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Appendix 2.2: Wiley Australia's Top 20 selling US Higher Education titles showing US list price, converted price and the Australian Recommended Retail Price (ARRP) which includes GST

AUTHOR	TITLE	US LIST PRICE	US LIST	AUS RRP	% VAR
			CONVERTED TO	(INCLUDES	BETWEEN US
			AUS\$ USING 0.68	GST)	LIST
					CONVERTED &
					AUS ACTUAL
					RRP
Tortora	Principles of Anatomy & Physiology 12e	183.95	270.51	148.95	44.9
Callister	Materials Science & Engineering 7e	173.95	255.81	144.95	43.3
Anton	Calculus: Early Transcendentals Combined 9e	199.95	294.04	142.95	51.4
Skinner	Blue Planet 2e	115.95	170.51	133.95	21.4
Cervone	Personality: Theory & Research 10e	138.95	204.34	139.95	31.5
Meredith	Project Management 7e	154.95	227.87	142.95	37.3
Meriam	Engineering Mechanics 6e: Dynamics (SI Edition)	154.95	227.87	137.95	39.5
Meriam	Engineering Mechanics 6e: Statics (SI Edition)	161.95	238.16	137.95	42.1
Salas	Calculus: One & Several Variables 10e	199.95	294.04	156.95	46.6
Munson	Fundamentals of Fluid Mechanics 6e	172.95	254.34	152.95	39.9
Anton	Elementary Linear Algebra with Applications 9e	145.95	214.63	130.95	39.0
Shapiro	Multinational Financial Management 8e	167.95	246.99	136.95	44.6
Turban	Information Technology for Management: Transforming Organisations in the Digital Economy 6e	173.95	255.81	144.95	43.3
Kring	Abnormal Psychology 10e	138.95	204.34	140.95	31.0
Jenkins	Anatomy & Physiology: From Science to Life	179.95	264.63	144.95	45.2
Reys	Helping Children Learn Mathematics 9e	127.95	188.16	122.95	34.7
Tortora	Introduction to the Human Body 7e	132.95	195.51	134.95	31.0
Sollod	Beneath the Mask: An Introduction to Theories of Personality 8e	142.95	210.22	129.95	38.2
Crowe	Engineering Fluid Mechanics 9e	165.95	244.04	149.95	38.6
Halliday	Fundamentals of Physics 8e Parts 1 to 5 (5 Part Set)	224.95	330.81	150.95	54.4

### **Appendix 2.3: Additional Terms of Trade in the Higher Education sector**

In addition to trade discounts that campus bookstores receive there are a number of other generous conditions we offer to ensure an orderly and efficient supply chain.

All textbooks supplied to campus booksellers are supplied freight-free. Publishers absorb the cost of freight to keep text prices down for students.

Campus bookstores are able to return 15% of their yearly purchases from us provided it occurs within 18 months of purchase. We appreciate it is difficult to tell ahead of time how many students are actually going to enroll (especially when ordering in October through to November for first semester) and then how many students will actually purchase a new text copy. Nobody really knows how many students will decide to buy a second hand copy or take up one of the other many alternatives mentioned under 'leakage'. Additionally sometimes lecturers do change their minds about textbook they want to use or the bookstore has old editions so provided the texts are in mint condition we generally accept these back for credit.

We invoice and despatch inventory to campus bookstores as early as the October prior to the start of first semester, but do not expect payment until end of February (known as 'forward orders'). This allows campus bookstores to receive stock in an orderly fashion (receiving 50 pallets of texts in the bookstore in a matter of a couple of weeks prior to semester starting would not work for the bookstore), so supply is eased in over the months prior to the bookstore actually needing them on the shop floor.

### **Appendix 3: Overview of Wiley's Professional/Trade group and how it would be affected by an open market**

The Professional/Trade group of Wiley Australia sells imported and locally published non-fiction titles to bookshops, other retail outlets, and other customers across Australia.

Our group employs publishers and editors to publish local titles, marketing staff to promote both imported titles and locally-published titles, and a sales team to visit accounts on a monthly basis to sell all our new titles.

70% of our revenue is derived from imported product, principally from other Wiley companies (in the US, the UK, Canada, Asia and Germany) but also from the US publisher W W Norton for which we act as the Australian agent; the remaining 30% is earned from locally-published titles. The majority of our local titles are published specifically for the Australian market, principally through the Wrightbooks imprint (personal finance and investment titles) and also through the *For Dummies* and *Frommer's* (travel) imprints.

We are the leading Australian publisher in both the business and technology categories.

#### **How would our business change if Australian territorial copyright were removed?**

Together with our marketing team, our sales team works closely with booksellers and other accounts to promote our new titles. If booksellers were free to source our books from anywhere in the world, our sales team (who are on a base salary plus bonus remuneration package) would do all the work in selling into the account and promoting the book but they would miss out on the sale.

As a business, we would not be able to invest as heavily as we do now in sales and marketing activities if orders were going offshore and did not provide the revenue to our local business. This would in turn have a knock-on effect for our warehouse and distribution groups as fewer orders would cause a reduced demand for local warehousing, resulting in fewer distribution staff being required.

Any titles that we do not hold locally in our warehouse are air freighted in to supply any customer orders. The fact that we supply these titles via airfreight as opposed to sea freight means that booksellers and other consumers aren't disadvantaged by being unable to buy directly from an overseas supplier. Additionally, we provide support to booksellers in the form of our Sale or Return policies, excellent customer service, and 'free in store' distribution (by which we pay the cost of supply all customer orders in Australia).

Wiley's local parity pricing policy means we sell imported titles to Australian customers at as close to the overseas price as possible (we add a small margin to cover the costs of importation), negating any argument that booksellers or consumers would receive any financial benefits from a removal of the current parallel importation arrangements. However, the retail pricing of books is at the discretion of booksellers: it is important to note that major bookshop chains are currently pricing above RRP on a number of books, including titles from Wiley, so there is no evidence that books will become cheaper in either the short or long term as a result of changes to the legislation.



The major financial impact of the parallel importation arrangements would be in our reduced ability to invest in our local publishing program, as we would no longer have the resources afforded by selling, marketing and distributing all our titles. This would inevitably lead to a reduction in the diversity and quality of our local publishing and adversely affect our authors, publishers and editors.

I hope that these points demonstrate that the possible benefits of removing the current parallel importation arrangements are far from certain and are greatly outweighed by the damage that could be done to what is currently a dynamic, creative and growing local industry.

Maria Hendriks  
General Manager, Professional/Trade  
John Wiley & Sons Australia, Ltd

<b>Appendix 4: Overview of Wiley's School group and how it would be affected by an open market</b>
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Our School group—which is known under the Jacaranda brand in the School market—sells only product that we develop and publish in Australia.

Almost all of its revenue is derived from the local market; we earn very limited revenue from exports, whether to New Zealand or to School booksellers who export to the rest of the world (NB: the Wiley companies outside Australia do not operate in their respective School markets and so they do not distribute our School titles).

Given our School group's very strong focus on the Australian market and its lack of exports, we do not expect that it would be affected at all by any changes to the parallel importation legislation.

Chris Gray  
General Manager, School  
John Wiley & Sons Australia, Ltd