

## **1. Introduction**

The Coalition for Cheaper Books represents booksellers in Australia with a combined market share of approximately forty per cent of book sales. Our members are the large franchisee business Dymocks and the major retail chains of Woolworths, Coles, K Mart, Big W and Target.

Our membership represents many Australian workers, franchisees and small, family owned businesses. All support the removal of the restrictions on parallel importation of books.

The Coalition supports the removal of these restrictions because an open market for books will lead to lower prices and quicker availability. This benefits consumers.

We believe the costs incurred by the community through the prevention of parallel imported books - higher prices, less availability and concentration of market power in the hands of publishers - greatly outweigh the alleged benefits to authors and publishers. We believe the impact of a free market on authors will be minimal. It has been grossly exaggerated by authors and publishers.

Several factors have brought this issue to a head.

First, the growth of the internet market in books. This is now estimated by the Australian Booksellers Association to be upwards of \$100 million per year. In this context a consumer can purchase a book from Amazon but a book retailer faces the restrictions and restraints of the current policy. The Federal Government loses GST revenue as internet purchase of books increases. The restrictions can no longer be justified in an era of e-commerce.

Second we have seen the effect of opening the market in music.

The ACCC Report, "The Potential Consumer Benefits of Repealing the Importation Provisions of the Copyright Act 1968 as they apply to Books and Computer Software Including Price Updates for Books, Computer Software and Sound Recordings," released in April 2001, confirmed that the removal of parallel import restrictions in the music industry in 1998 resulted in cheaper CD's for Australian consumers.

The Report found:

*"Parallel imports of sound recordings have been allowed since July 1998 and the prices of CD's in Australia have been trending downwards since August 1998" ACCC Press Release April 3 2001.)*

Third, the New Zealand experience should settle any residual nervousness by authors and publishers.

Our submission presents material that shows New Zealand consumers have benefited from the 1998 removal of parallel import restrictions in 1998 and more New Zealand books have been published and exported to the benefit of New Zealand authors.

These factors make timely this Productivity Commission Study.

The proponents of the current protectionist regime rely on inaccurate, often emotive arguments including the alleged number of Australian titled books produced in Australia. The Chief Executive Officer of the Australian Publishers Association, Maree McCaskill, recently said that "sixty four per cent of all books published in Australia now originated here." (Courier Mail December 21 2008). Yet an examination by the Australian Booksellers Association of the source of all books registered with the National Library in 2007 shows that the number of Australian authored books was 11 per cent.

Underlying the arguments of publishers is a disdain for the Australian consumer.

The consumer creates the demand for books, not the publishers who hide behind the protection afforded by the closed market to charge unjustifiable prices. Higher prices are imposed because the Copyright Act places all of the bargaining power in one set of hands. An open market will remove this by making the publishing industry compete with international market pricing. As we will demonstrate in this submission this reform will reduce the wholesale and retail price of books.

The removal of the restrictions will have no impact on the desire of Australians to read Australian books. Australians interest in their own country and literary accounts of it, do not stem from provisions of the Copyright Act. The popularity of Australian authored books is a result of demand for this product - Australians enjoy reading about Australian subjects. Access to cheaper books will mean books written both by Australian and overseas authors will increase.

Australian's demand for Australian authored books stems from our interest in local culture. This is a result of a number of factors including our education system's preference for the study of Australian subjects and authors, the focus on Australian cultural content in the media and Government-funded programs such as the Australia Council's Books Alive which encourages reading of Australian and other writers.

Australian publishers produce Australian authored books because of this demand. They don't create it.

Internationally authored books, which make up the vast majority of books sold in Australia, will be available at internationally competitive prices, thus reducing the attractiveness of internet purchasing. The Australian printing industry will retain its cost competitiveness largely due to logistical costs and its own efficient production.

Australian authors are among the staunchest supporters of the current protectionism, though few other than the most successful authors actually benefit from them and fewer still will be disadvantaged by their removal. The vast majority of Australian authors write exclusively for the Australian market. While Australians retain their interest in Australian authored works they will continue to support Australian authors. The majority of Australian authors will not be affected by the removal of parallel importation protectionism because there is little prospect of market substitution for their products from overseas.

We will demonstrate in this submission how Australian wholesale book prices are unjustifiably higher than the international market for books. This is also borne out by the increasing popularity of international internet sales of books. Amazon.com and their like have punctured the arguments of the proponents of the current restrictions. Overseas internet sales have increased as consumers look for a cheaper and better range of titles. These are the precise benefits the removal of parallel importation restrictions will bring to the local market for books.

International internet sales present a double whammy for Australian booksellers. Because the wholesale price of books is artificially high, booksellers lose market share to Amazon. To attempt to address this they must price some books at a retail loss. If they succeed in attracting the customer the only loser is the retailer as the author and publisher will receive the same amount and the customer happily “buys Australian” at the same price as on Amazon. The only unsustainable position is that of the retailer who sells a loss leading title they could otherwise access at a cheaper wholesale price were it not for the restrictions on parallel imports. Were the publisher in this case subjected to open market competition the wholesale price would likely be reduced leading to even cheaper books for the customer than can be provided by Amazon.

It is also important to appreciate the distinction between international internet sales that take advantage of larger markets and local internet sales, which are offered by some of our members. Dymocks for instance offers customers the same convenience of online shopping that is afforded through Amazon. Because of the distance involved delivery of freely available titles from Dymocks will be much cheaper and quicker. What will not be cheaper is the wholesale price that Dymocks has to pay to the Australian rights holder. Nor will an online shopper in Australia have the same range available to those shopping on Amazon.

Perhaps the most disingenuous claim in support of the current form of protection is that without it, Australian publishers would be subject to uneven bargaining power from larger foreign (UK and US) publishers. This is disingenuous because in most cases those that are competing with the same titles from overseas will be doing so with another subsidiary of their own parent company. Publishing is dominated by multinationals. Most of the largest publishing companies in Australia, such as Harper Collins, Random House, Pan MacMillan, Penguin, Hachette Livre and Simon and Schuster are subsidiaries of an international company.

It is now less common for books to be published in The Australian, UK and US markets by different publishers. Major consolidation of ownership between US and British publishers in the 1990's ensures that the majority of internationally released books are published by subsidiaries of the same multinational in all three places. Furthermore, as we demonstrate, the relationship between the international and local subsidiaries is often abused to inflate the local price of books, which are most often printed more cheaply in Australia but use the US and UK price as a basis for pricing, simply because they can.

The misleading and emotive arguments raised by supporters of the status should not distract from what is, in our view, the most important focus for this study – the price and availability of books and the interests of consumers.

## **2. Why Books Should Be Cheaper and the Benefits of Cheaper Books**

There is strong evidence that access to books increases literacy, for example:

- A 1991 study on the literacy of nine and fourteen year olds in 32 countries found the highest scores in countries offering greater access to books in homes and schools. To quote one of the key findings of the study, "The availability of books (home, school, nearby community library) was identified as a key factor for high achievements in reading literacy. The amount of voluntary book reading that students did during out-of-school time was also positively related to students' achievement levels. (*International Association for the Evaluation of Educational Achievement Reading Literacy Study 1991* [http://www.iea.nl/reading\\_literacy.html](http://www.iea.nl/reading_literacy.html) )

- In 1996, the Australian Bureau of Statistics surveyed aspects of literacy and found the highest achievers had more than twenty five books in their homes. To quote the survey; "The proportions of people at Level 1 (lowest) who had more than 25 books, a dictionary, or a daily newspaper in the home were markedly smaller than the corresponding proportions of people at higher skill levels. Having more than 25 books in the home appeared to be more closely related to performance on the prose scale than did having a dictionary or a daily newspaper. On the prose scale, 70% of people at Level 1 had more than 25 books in the home, compared with 85% at Level 2, 94% at Level 3 and 98% at Level 4/5."

*(Survey of Aspects of Literacy, Profiles and Perceptions, Australia 1996 ABS <http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyReleaseDate/59E271C8DE37A1D2CA2573A00011431F?OpenDocument>)*

- A recent Australian study showed boys read if they see their fathers reading (*Study by Killian Mullan, presented to the International Association for Time Use Research, December 2008.*)

What is lacking in the argument from the publishers and their supporters in this debate is any concern for consumers.

The Chief Executive of Penguin Books made comments regarding price comparisons of Tim Winton's work Breath in an article by Rosemary Sorensen in The Australian on July 26 last year:

*"Chief Executive Gabrielle Coyne is 'loath to comment on unattributed and anecdotal remarks about the price of books in Australia' making it clear that such discussion is somehow distasteful, if not downright tawdry. Indeed she goes on to add a 'personal note' about what a shame it is to submit the books of Winton, 'an ambassador for Australian writing' to such base scrutiny." (The Australian July 26 2008)*

Our submission, however, is based on the proposition that price does matter. It matters for Australian families buying Harry Potter for their children and having to pay more than they would if import restrictions were removed.

We believe a competitive market means cheaper books and cheaper books mean more book sales – a good thing for Australian authors.

Without parallel importation restrictions the Australian consumer will have greater choice and will pay less because it will be in the interests of Australian publishers to serve the consumer better. It will no longer be in their interest to sit on titles as they do today. Nor will they be able to increase wholesale prices without any justification other than their exclusive right to supply. Australia will not become a dumping ground for US originated titles and Australian bookshops will sell no more remainders than they currently do.

### 3. Comparative Bestseller Pricing

Below is a list of international bestsellers from the recent Christmas sales period. All feature on the top 100 sellers from Bookscan Australia for the week ended December 27 2008. In almost all cases, Australian recommended retail prices are substantially more than the UK or US.

<b>Title</b>	<b>Author</b>	<b>Australia RRP less GST</b>	<b>US RRP in \$A(.70)</b>	<b>UK RRP in \$A(.48)</b>
Twilight	Stephenie Meyer	\$22.72	\$15.70	\$14.56
New Moon	Stephenie Meyer	\$27.26	\$15.70	\$14.56
Tales Of Beedle The Bard	J K Rowling	\$15.41	\$18.56	\$14.55
Guinness Book Of World Records	.....	\$45.45	\$41.81	\$41.67
Scarpetta	Patricia Cornwell	\$45.45	\$39.93	\$39.56
Parky	Michael Parkinson	\$45.45	n/a	\$41.67
Jamie's Ministry Of Food	Jamie Oliver	\$59.09	n/a	\$52.08
Audacity of Hope	Barack Obama	\$22.68	\$11.41	\$18.73
Appeal	John Grisham	\$18.14	\$11.41	\$16.65
Eat Pray Love	Elizabeth Gilbert	\$22.68	\$21.43	\$16.65
A Thousand Splendid Suns	Khaled Hosseini	\$22.68	\$22.85	\$16.65

- (See attached report By Ernst and Young)

A comparison using RRP in the three markets is fair once the GST is removed from the Australian price as there is no tax in the UK and US RRP's.

Publishers set the RRP in all markets and then sell to retailers at a discount off that price which usually ranges from 40 per cent to 60 per cent. The majority of books are sold through bricks and mortar stores at the RRP with new high profile titles discounted by 35 per cent to 50 per cent out of the retailer margin. This practice is common in all markets \*

\*The exception is Amazon and other online sellers in the US and UK who maintain a 40 per cent to 50 per cent discount to RRP across the majority of titles. Along with the absence of GST and the lower RRP this makes their prices on many titles very attractive to Australian consumers.

Dymocks have stores in the open-market of Hong Kong. For all of the above books the price for the same editions, from the same multi-national publishers that they purchase from in Australia, is in most cases, substantially less than what Dymocks have to pay in the closed Australian market.

<b>Title</b>	<b>Author</b>	<b>Best Cost Price Dymocks Australia ex GST</b>	<b>Best Cost Price Dymocks Hong Kong (\$A)</b>	<b>Percentage Less in Hong Kong</b>
Twilight	Stephenie Meyer	\$11.92	\$5.92	50.34%
New Moon	Stephenie Meyer	\$15.72	\$9.03	42.56%
Tales Of Beedle The Bard	J K Rowling	\$8.48	\$8.38	1.18%
Guinness Book Of World Records	.....	\$21.56	\$19.16	11.13%
Scarpetta	Patricia Cornwell	\$22.72	\$13.42	40.93%
Parky	Michaael Parkinson	\$22.70	\$19.16	15.59%
Jamies Ministry Of Food	Jamie Oliver	\$29.54	\$16.77	43.23%
Audacity of Hope	Barack Obama	\$11.34	\$4.80	57.67%
Appeal	John Grisham	\$9.07	\$4.80	47.08%
Eat Pray Love	Elizabeth Gilbert	\$11.34	\$7.18	36.68%
A Thousand Splendid Suns	Khaled Hosseini	\$11.34	\$7.18	36.68%



The current restrictions prevent Dymocks from bringing books into Australia from their Hong Kong business or purchasing them direct from the UK or US supplier that their Hong Kong stores do.

#### **4. Lessons from New Zealand**

In 2007 the New Zealand book publishing industry turned over \$245 million. Seventy-six percent of turnover was from domestic sales and 24 percent from export sales. The industry published 2,394 new New Zealand titles in 2007. The industry is growing: 36 percent of publishers say their business is increasing and only 12 percent say it is declining.

(Source Marketnewzealand.com, New Zealand Trade & Enterprise; nzgovernment.nz)

The market has been open for 10 years. As figures quoted above confirm, the domestic industry is performing robustly. Pricing, timing and service in local book distribution has improved following the relaxing of parallel import restrictions.

A report by the Network Economics Consulting Group for the Ministry of Economic Development in 2004, *"The Impact of Parallel Imports on New Zealand's Creative Industries"*, said there has been no detriment to financial performance or investment since parallel importing began. The report says book publishers are making far more, while export growth in the creative sector has outperformed the economy as a whole and prices have fallen.

To quote the report:

"The state of investment in the publishing industry can also be ascertained by examining statistics of financial performance in that sector. Table 1 below summarises the financial performance of the publishing industry from 1998 to 2002 (the most recently available data from Statistics New Zealand). It shows that real income earned by publishers has risen substantially from 1998 to 2002. However, real operating surplus has remained unchanged so that the operating margin over income has fallen over time.

## Financial Performance of New Zealand Publishers

	1998	1999	2000	2001	2002
Total income (M\$)	262	231	283	315	376
Operating surplus	41	21	41	44	41

(Source: Statistics New Zealand)

The implications of this decline in operating margin are currently unclear. On the balance of available evidence, it appears likely that the decline in operating margin represents the erosion of excess margins through increased competition. Given consideration of the above evidence on publishers' constant and/or increasing activity and income, it would be premature to conclude that this erosion in margins represents a decline in profits to less than reasonable levels.

It is also worth noting that out of the over 3600 domestic titles published in 2002, nearly 2100 were exported." (*The Impact of Parallel Imports on New Zealand's Creative Industries NEGC October 2004.*)

Furthermore, there is evidence that parallel importing, at least in the book publishing and music sectors, "has promoted greater choice and availability of products to consumers and other users of copyright-protected works," the report says. The level of parallel imports hasn't been all that high in the sector, the authors contend. Instead, faced with the threat of more competition, suppliers have been forced to perform better in price and service.

Export of New Zealand books is seen as a major part of the book industry in New Zealand (as it is in Australia). New Zealand authors have done well internationally, including literary works and particularly in the area of children's books where new and exciting authors have successfully entered the international area.

To quote the current website of the official New Zealand economic development agency, New Zealand Trade and Enterprise;

*"New Zealand authors have garnered international recognition, including fiction writers Lloyd Jones (Booker-shortlisted Mr Pip), Witi Ihimaera (The Whale Rider) and Keri Hulme (Booker prizewinner The Bone People). The domestic and international success of Ian Brodie's non-fiction Lord of the Rings Location Guide is a good example of the publishing and tourism industries leveraging off each other.*

*Children's writing is another major strength, with Margaret Mahy, Lynley Dodd (creator of the ever-popular Hairy Maclary series), Joy Cowley, VM Jones and Sherryl Jordan all successful internationally."*

(<http://www.marketnewzealand.com/MNZ/aboutNZ/sectors/14376/16350.aspx>)

There is no evidence that parallel importing into New Zealand has led to dumping of New Zealand-authored works back into the New Zealand market.

We should also take note of the key points in the Cabinet Paper presented to the New Zealand Government on parallel importing relating to the Book Industry in May 2008, after 10 years since the law was amended allowing it.

This Paper said:

*"The book industry in New Zealand appears to be growing with no major detrimental impacts as a result of parallel importing. In general, book sellers stock books from New Zealand publishers if titles are available. Commercial parallel importation is predominantly of niche and backlist titles.*

*International companies are responsible for about 90 percent of New Zealand publishing output. New Zealand publishers supply about 60 percent of all domestically sold books mainly through local subsidiaries of international companies. There are also a number of local publishers marketing New Zealand-authored books exclusively for the domestic market.*

*In the 2005 Review, publishers raised concerns that parallel importing would negatively affect the domestic industry with regard to educational and technical books as well as remaindered stock which would be resold in New Zealand. This would also affect New Zealand authors who in general, are reliant on domestic publishing support. However, in the last ten years the number of children's titles published has trebled with significant export growth in these products.*

*Ministry of Economic Development research indicated that rights to print and sell a New Zealand title overseas will rarely be sold unless the title has already achieved a certain level of domestic success. Therefore the perceived threat of remaindered stock to domestic sales is limited.*

*MED also previously reported that parallel importing did not appear to have any effect on decisions by New Zealand based subsidiaries of international publishers to publish local authors. Local demand for local authors appeared sufficient for domestic publishers to profitably publish them if international publishers refused to do so as a response to competition from parallel importing.*

*The review has confirmed MED's previous findings which indicate industry growth for book publishers and therefore authors.*

*The 2007 review revealed a concern felt by book publishers to the effect that parallel importing reduces their revenue from backlist foreign titles and that were parallel importing to increase significantly, the viability of some publishers in New Zealand could be compromised. On the whole, however, the negative impacts are not regarded as significant."*

([http://www.med.govt.nz/templates/MultipageDocumentTOC\\_\\_\\_\\_35584.aspx](http://www.med.govt.nz/templates/MultipageDocumentTOC____35584.aspx))

## **5. Remainders**

It is a myth that mountains of remainder books in warehouses are waiting to flood the Australian market if the law changes.

Remainders have been a significant part of bookselling since the mid-1970's. Remainders are books that have failed or which have had print runs greater than demand. They are almost always books that have come to the end of their commercial life. In most cases, the life span of an international title is the same in all markets and surplus copies of a title appear simultaneously everywhere as a remainder.

Best-sellers, such as Harry Potter, rarely, if ever appear. This is also the case with the vast majority of ongoing backlist sellers that are the lifeblood of the industry and continue to sell for years, for example To Kill A Mockingbird, which publishers just continue to reprint to demand.

Remainders are a legitimate part of the market and have a place but are no substitute for the mainstream newly published or perennially popular book. Booksellers supplement their stockholding with remainders as consumers buy remainders as add-ons, not as replacements for their full-price purchases. Very few remainder-only retailers have traded successfully on a long-term basis as inconsistency of supply and the low value of the books make it difficult to sustain as a business model.

The volume of imported remainders in Australia has remained constant for over 30 years. Primarily, remainder books are purchased from local publishers or imported from the US and the UK. Most of what are classified as "remainders" are, in fact, reprinted cheap editions of books especially produced for the remainder market as there are not enough genuine remainders to satisfy demand, even domestically in the UK or US. The majority of books 'produced' as remainders are non-royalty bearing illustrated non-fiction and children's books which are not affected by the current restrictions and make up a large proportion of the titles sold through non traditional books outlets such as discount department stores. Copyrighted fiction and children's titles are very limited in their availability regardless of copyright issues. While some imported remainder titles may technically be in breach of the current laws, little attention is paid to them by Australian copyright holders as there is no longer demand for these titles at full price and it is likely that any remaining Australian copies have already been remaindered.

The New Zealand experience is again instructive. While we may see a short term surge, volumes of imported remainders and reprints will most likely continue at the same level as it has for the last 30 years.

The effect of allowing parallel importing is to put downward pressure on the pricing of mainstream books and including the most popular books, through competition. In the experience of book retailers, consumers are just not interested in cheaper replacements to the degree that is being suggested.

## **6. Printing of Books in Australia**

The majority of international bestsellers produced for the Australian market are printed in Australia because it is the cheapest place to do so and is the most cost effective in terms of distribution.

In 2001 Griffin Press stated in a submission to the Senate Legal and Constitutional Committee on Copyright Amendment (Parallel Importation) Bill:

*"At Griffin Press 40 per cent of our business is import replacement. We have proved to the UK publishers and American publishers that it is cheaper to produce the goods in Australia than it is to produce them in the UK and ship them out."*

### **4.35 2001 Senate Committee Report**

The fact they are printed in Australia and delivered to local distribution warehouses or sometimes direct to retail has no bearing on how the books are priced. More expensive overseas editions can currently be purchased and imported more cheaply than those printed here. This is explained by current multinational pricing policies, made possible because of the closed market.

In many cases, the originating UK multinational buys stock from the Australian printer and sells it back to its Australian branch at a discount off the UK retail price. The Australian branch then sets a Recommended Retail Price, based on what it has been charged from their UK office. This has the effect of substantially inflating the selling price. Multinationals use various methods of achieving the same result. This method of pricing is a hangover from the days when books were shipped from the UK.

An open market would encourage the multinational supplier to reduce the price of their local printed edition to compete with imported editions and moreover, reflect the true cost of production. It is extremely unlikely that there would be any decline in Australian printed books.

It has also been suggested that the abolition of the 30 day rule would result in a decline in the number of books printed locally as more international editions flowed into Australia. The opposite, however, would occur as printing locally would ensure that the local edition would beat any international edition in getting to market. Publishers would react even more quickly than they do now under the 30 day rule to ensure their position in the market.

## **7. 30 and 90 Day Rules**

Any variation in the 30/90 day rules does not address the issue. The main issue is the inflated prices of books in the Australian market which the 30/90 day rules merely enshrine.

Only complete abolition of the closed market restrictions can address that and offer true pricing competition. The 90 day rule has resulted in fewer books being carried as stock items by the publisher which has meant slow and erratic supply for a wide range of titles. Both rules need to be abolished completely.

The 30-day rule is now an outdated restriction. International internet sellers provide fierce competition to Australian booksellers and the 30-day rule provides them with a major advantage. The internet enables customers to know immediately when new books are available. Customers have the option to wait for their bookseller to receive stock locally or import the book immediately themselves. A customer can import a book within three days, which means that in most circumstances, the customer can have books well before Australian booksellers can offer them for sale and often at a cheaper price.

Some Australian publishers are proactive and offer simultaneous publication in Australia with the US and /or the UK. With an open market, this option would increase as publishers would ensure their edition was first on the market and not wait up to 30 days to publish. Publishers would also ensure their pricing was competitive. If they were tardy in either speed to market or in offering a competitive price, as is the often the case now, booksellers will have the option to purchase elsewhere.

As we have stated above, a consumer can import a book in three days, but Australian publishers have up to 90 days to respond to an order from a bookseller before the bookseller can order it elsewhere. Because of this protection, publishers have dramatically reduced local stockholding of titles in recent years, and order many titles that booksellers regularly carry from their overseas companies only to order. Many publishers import these titles by sea resulting in slow and erratic supply and often very extensive delays. This restriction is detrimental to business as stores are forcibly out of stock of range titles for long periods of time. Sales are lost and again internet booksellers benefit from these practices.

Both rules need to be abolished.

## **8. What Will Parallel Importing of Books into Australia Mean?**

### ***Consumers***

Consumers will see a reduction in prices and will be more likely to buy books locally and support local retailers. The retail price of books in Australia, particularly international bestsellers, should fall by between 10 per cent and 20per cent. This will more accurately reflect local cost of production and investment and will be comparable with prices in the major overseas markets. The number of books sold should increase substantially. Books will be a more competitive purchase option against other retail items and will encourage more reading. A dramatic increase in the range of titles offered should be seen as booksellers do not have to wait 90 days before seeking alternative supply. In today's world only the most persistent and vigilant of book consumers will wait three months for a title available elsewhere. The option of purchasing online internationally through Amazon and others and bypassing Australian distributors and retailers will be less attractive.

### ***Booksellers***

The volume of books brought in under the new arrangements direct by booksellers may increase in the short term but over the long term will be roughly consistent with what it is today. It is likely booksellers will continue to buy the majority of their stock from local publishers and distributors if their prices, service and stockholding is competitive. It is simply easier to do so. As publishers adapt to the new conditions they will be competitive and will ensure they continue to hold the market shares



they have today. As has been the case in New Zealand, individual publishers will offer lower supply prices and strong marketing support to retailers in return for exclusive supply. Lower prices on international titles will enable all booksellers to be better able to compete with international online sellers such as Amazon. Independent booksellers particularly will have the opportunity to differentiate their stockholdings with more flexibility on international purchases therefore offering a wider range to customers.

### ***Multinational Publishers and Distributors***

Will be forced to re-evaluate the way they do business in this market. As was the case in New Zealand, it will be likely to lead to improved customer service, more timely publishing of new books and better stockholding, knowing that the bookseller has alternatives if they do not. International publishers will be less able to double dip on profits in getting titles to the market and will reduce their prices. Again, as has been the case in New Zealand, although it has been threatened, none will reduce their operation size, promotion of international or domestic titles, or commitment to local publishing. Most, if not all, will continue to perform profitably.

### ***Publishers of Australian Books***

The publishing of Australian books is a dynamic industry driven by local demand. People want to read about their country, its peoples, its history and its prospects. As in New Zealand after reform of the book market, the local publishing industry will continue to grow.

There are claims there is subsidy of local publishing from the proceeds of international distribution. To our knowledge this has never been documented. In fact there is no connection between the business of importing and distributing international books and the business of publishing Australian books. Both stand or fall on their own business models. The majority of the businesses engaged in local publishing, of course, have no exposure to international distribution.

### ***Australian Authors***

The vast majority of authors are published solely for the domestic market and sales are driven by the high local demand. Every book is unique. Consumers choose to purchase on the individual merits of a work. They do not look for, or accept, cheap alternatives when seeking Australian books.

In the case of Australian authors who have their books sold internationally, there is no evidence to suggest that large volumes will flood back into the Australian market to be sold cheaply and undermine local sales. As we have demonstrated, this has not been the case in New Zealand. Australian books also have a use-by-date after which there is little demand even at a cheaper price.

### ***Australian Printing Industry***

Australian printers enjoy a large share in the printing of Australian and international books sold in this market and also export to other markets. The Australian printing industry is very internationally competitive. As long as the books that it prints are sold by publishers at a price that reflects their true cost of production, editions published and printed elsewhere and imported into Australia will never be able to compete. The likely outcome is that Australian printers will continue to grow their share of the book printing market following the abolition of the closed market.

## **9. Conclusion**

The Coalition for Cheaper Books believes the removal of parallel importation restrictions in Australia is long overdue as for too long these restrictions have prevented our members from offering the widest variety of book titles to consumers as quickly and cheaply as possible.

This Study is timely because the global market is rapidly changing. Also, we can now look to the experience of New Zealand to see the positive effects of change.

Interests supporting the current regime contend that the Australian book industry relies upon these restrictions for survival. We have demonstrated in this submission how all elements of the industry will survive and how most will prosper under an open market system.

Many dire predictions and gross exaggerations have been used in this debate to attempt to deflect attention from the most likely and predictable outcomes of reform – a competitive healthy Australian book industry.



### Findings

We report as follows:

- a. With respect to 1 above we found the amounts compared to be in agreement.
- b. With respect to 2 above we found the amounts compared to be in agreement.
- c. With respect to 3 above we found the amounts compared to be in agreement.
- d. With respect to 4 above we agreed, without exception, the US RRP calculation using the exchange rate 0.70.
- e. With respect to 5 above we agreed, without exception, the UK RRP calculation using the exchange rate 0.48.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or distributed to any other party. This report relates only to the items specified above and does not extend to any financial report of Dymocks Holdings Pty Ltd, taken as a whole.

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Sydney  
16 January 2009