

19th January 2009

Collins Booksellers Submission

Copyright Restrictions on the Parallel Importation of Books

Company Description

Collins Booksellers Pty Ltd is the franchisor company for a group consisting of 36 Collins and 25 Book City franchised stores. The business commenced in July 2005 when the Collins franchisees purchased selected assets from the administrator of the failed previously owned enterprise. While stores are located in all states except Tasmania, most are in Victoria and Perth. There are a large number of stores in regional centres. Online book sales are conducted through the retail portal collinsbooks.com.au

The majority of titles ranged in stores across the Collins Booksellers Group are sourced from Australian based publishers and distributors.

For the Collins business to meet the needs of the consumer, the titles they require must be readily available, or able to be sourced within the same time that the customer could source the title through an online book retailer such as Amazon.

Importance of Healthy Local Publishing Industry

The Collins Booksellers Group firmly believes in a healthy local publishing industry which will support and publish new unsigned authors, and those who are well established, to tell stories through Australian eyes to Australian readers and those across the globe. This enhances Australia's cultural capital and its international standing.

Australian stories told through Australian eyes draw customers into our retail stores and sales of such titles form a significant part of the business. Thus we believe it is of long range benefit for the Collins Booksellers Group to maintain, and grow a readership satisfied with a wide range of Australian content alongside the international titles available.

Publishers need to be encouraged and enabled to continue to invest in local publications to ensure that such titles are not restricted, thereby reducing their availability to the book retailer and of course to the consumer. Reduction in these titles would dramatically weaken the relevance and appeal of our bookshops range and consequently would mean a reduction in turnover.

The Collins Booksellers Group recognises the need for publishers and authors to have the copyright of their works fully protected.

Overseas editions of local original titles should not be able to be imported while the local edition is in print and available for supply within 7 days from local distributors.

30 Day Rule

The 30 day rule was established prior to the onset of online retailing. The competitive disadvantage we suffer against overseas online booksellers for books published off shore is significant and increasing noticeably, particularly

where specialty books or subjects are concerned. Increasingly, Australian consumers do not hesitate to order new releases online from overseas outlets. Our shops have no opportunity to effectively compete on either price (as a generalisation) or timing. As the overseas-based online book retailer is not obliged to pay GST, customers can source the product at a price which may not be able to be met by the local distributors.

Not all local distributors are efficient and many new imported titles do not meet the 30 day rule. As the law currently stands the onus is on our stores to check such information before ordering from overseas distributors and this is extremely time consuming and inefficient when one considers the numbers of titles involved. Very often such checking does not occur, resulting in consumers paying more and waiting longer than would be the case if books could be directly imported by the retailer.

The consumer should not be punished by the restrictive nature of a rule that covers up the inefficient supply chains of some publishers.

We advocate a 7 day rule whereby the retailer can purchase stock from an overseas supplier when local stock is unavailable. Further, it must be considered that due to historic and corporate ownership conventions, UK/EU owned publishers tend to dominate releases in Australia, despite many US editions of the same books being significantly cheaper. While US owned publishers tend to support the territorial/protectionist model which allows this to occur, local consumers can be disadvantaged if the exchange rate is not in their favour.

90 Day Rule

The 90 day rule is archaic and redundant given consumers' access to overseas online book retailers and the dramatic increase in publisher's air freighting stock. The 90 day rule encourages trading inefficiency and higher prices from local

distributors, while GST free purchases are available through offshore online book retailers.

A 21st century approach is essential whereby book retailers can quickly access information on product availability and can be supplied stock within 7 days of date of order. In the event that the local supplier cannot meet this turnaround time, the book retailer should be able to source the titles from an offshore supplier.

Online Retailing and Emerging Markets

The convenience to the consumer of online retailing is well documented. Many local online book retailers including Collins Booksellers are experiencing significant growth.

Accurate figures for offshore book retailers are harder to obtain but it is the competitive disadvantage to local operators that grates. That no GST is charged on imported books (unfairly) has already been commented upon and currency variations affect consumer purchase habits. Historically, when the Australian currency has been at high levels, local prices from distributors seldom fall at an equal rate meaning that publishers and distributors profits increase at the consumers' expense.

Notwithstanding exchange rate factors, a more level playing field would exist between offshore and Australian online book retailing if the GST was applied to purchases offshore. We recognise that the tax issues do not fall within the terms of reference of this inquiry; however, we do believe it is a pivotal issue that must be resolved as a priority.

E-Books and other download options for books have little market penetration at present but we predict this segment will grow. Burdening download activity with

7/30/90 day rules will be impossible to enforce in this digital age. We believe strongly in the future of the printed word but as digital platforms increase in popularity, it is very important to have an efficient and competitive traditional book industry.

Conclusions

Collins and Book City do not support an open market. Continuing to support a strong local publishing industry has wide ranging benefits for Australia culturally and financially for the book industry.

Reducing the existing 30/90 day rules is essential to enable increased competition particularly given the rapid growth in online retailing. Increased competition and the removal of inefficient distribution arrangements immediately benefits consumers. Our view is to support a 7 day rule for new titles and 7 days for backlist.

We recommend the imposition of GST on all purchases from overseas online book retailers. This action will remove an inequitable and competitive imbalance between local and overseas businesses.