

Submission by Harlequin Enterprises (Australia) Pty Ltd

Productivity Commission – Copyright Restrictions on the Parallel Importation of Books

Summary

In brief, Harlequin Enterprises (Australia) Pty Ltd do not agree with the proposal to surrender territorial copyright. From our assessment, such a decision would have far-reaching cultural and economic ramifications; exerting a significant, unnecessary and ultimately unfavourable effect not only on the Australian publishing industry, but related industries as well.

Additional and comprehensive financial data and analysis supporting this argument has been confidentially provided in a document entitled Annexure A.

Company Overview

Harlequin Enterprises (Australia) Pty Ltd - (Harlequin) was established in Australia in 1974 and is part of a multinational publishing group. Harlequin has a small dedicated team of people covering Publishing, Sales, Marketing, Finance, Operations, Production, IT and Customer Service as well as external sales, editorial and merchandising functions.

Harlequin primarily publishes women's fiction, including the Mills & Boon imprint, but also publishes crime, thrillers and romance under the MIRA imprint, with a total output of around 800 to 900 titles per year from an author base that includes over 50 Australian authors. Harlequin is in the Top 10 Fiction publishers and enjoys a 60% share of our key category - romance.

More recently Harlequin also commenced publishing Australian fiction and non-fiction books. This publishing programme would be substantially impacted should the restrictions on copyright law be lifted.

Currently, the majority of our books - in excess of 95%, are printed in Australia by the McPhersons Printing Group, and distributed nationally by Network Services and T L Distribution.

We also have a small export business into Asia of a limited number of these titles, all of which are printed locally.

Key reasons territorial copyright should not be lifted

There are many reasons that the abandonment of territorial copyright would be detrimental to Australian publishing and related industries.

However the following are just some of the key areas that we would highlight:

- We believe that it would seriously and negatively impact on the amount of Australian content Harlequin and other publishers commission and publish;
- There would be a significant effect on related industries, particularly printing, distribution, design and independent book sellers (a full financial analysis from Harlequin's perspective is provided in Annexure A)
- We can see no proven or provable positive impact on the pricing of our books in Australia (refer to the pricing table below which compares \$US and \$A pricing for some of our leading authors)
- We believe that the “dumping” of international titles would increase dramatically, which would in turn decrease our print runs and reduce our local marketing and promotional efforts
- Our international colleagues in the UK, US and Canada all operate in a closed market environment and we believe it is fair that Australian publishers operate in the same situation

Price comparison Australia vs US 2008/2009 Harlequin titles available in US			
Australian dollars January 2009			
Title	Author	Aus RRP	US RRP A\$ equivalent
Twenty Wishes	Debbie Macomber	\$32.95	\$41.09
Fearless	Diana Palmer	\$29.95	\$41.09
Exposed	Alex Kava	\$32.95	\$41.09
Just Breathe	Susan Wiggs	\$22.99	\$41.09
* Converted at RBA annual average exchange rate for 2008 of \$0.85c, 30% freight cost estimate added to US RRP, 10% GST added to US RRP.			

Effects of removal of territorial copyright

If books were imported directly from overseas, Harlequin believe the potential outcomes would be detrimental to our business and would also negatively impact on a number of our key suppliers and strategic partnerships.

Printing and Distribution

As very few of our books are currently imported, it is projected that the terms and scope of our print and distribution agreements would need to be reviewed should an “open market” prevail.

Harlequin would need to undertake a complete review of and reduction in print quantities across our entire range of books, which would also impact on our distribution model and partners.

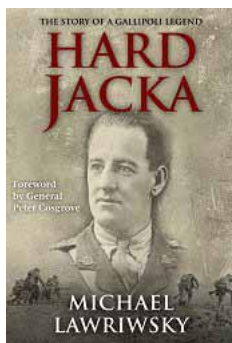
Australian Publishing Programme

If the territorial copyright restrictions were lifted we would not be in a position to pursue any Australian-based publishing as the financial risk would be too high.

Our Australian publishing programme is only in its infancy and we would not be able to sustain the infrastructure necessary to continue to grow this segment of the business. This would also affect external suppliers including graphic designers, proof readers and editors.

Secondly, and perhaps more importantly, the loss of Australian-based publishing would also exert a cultural impact – an example of which is the book in the Case Study below – *Hard Jacka*. This book is uniquely Australian and simply would not have been published by Harlequin if the copyright restrictions had been lifted.

Case Study



General Peter Cosgrove - AC, MC (Retd) on *Hard Jacka*

Michael Lawriwsky's insightful *Hard Jacka* breathes life into the real man behind the legend—'Jacka' to his superiors, 'Bert' to his mates, 'our Albert' to his proud mother. His acts of selfless heroism at Gallipoli would win him a VC, and his bravery in the battlefields of France would win him the unswerving loyalty of his mates. *Hard Jacka* is a rich and fascinating story about Albert Jacka and the Great War, its heroes and anti-heroes, their sacrifice, determination and larrikin humour. It's a compelling tale about the deep bonds that life in the trenches developed between men—the quintessential Aussie mateship.

Marketing and related activities

A large part of our publishing programme is comprised of “international” titles that are carefully selected by our team here for release in the Australian market. If these titles were directly imported under an open market then we would be forced to dramatically reduce or eliminate our marketing, packaging and merchandising expenditure on these titles.

Summary

In conclusion, we believe that surrendering Australian copyright will have a substantial and negative impact on Australian publishing and related industries, as well as on Australian culture. Unfortunately we also believe that these changes would translate into job losses across the industry.

In difficult economic times it is challenging to understand the need to examine a growing industry that employs around 5000 people, and contributes so extensively to the development of Australian culture. This is particularly the case when it appears unclear as to what specific and tangible benefits might be achieved by making changes to the copyright legislation.