

Sunday, 29 March 2009

To the Productivity Commission,

My initial interest in your investigation into restrictions on the parallel importation of books stemmed from my work as an author and the widespread concern your investigation has raised with the industry. The people who know the publishing industry best (publishers, agents, authors and booksellers) are, in my experience, universally opposed to changing the parallel importation restrictions. However I am entirely open to being persuaded that there might be better options and I read your report with interest, seeking a full and balanced review of the matter.

The Discussion Draft, however, did not provide that review. I have twenty years experience in research, producing many peer-reviewed scientific articles, and numerous reports for government and corporate agencies. My comments on your report are made on the basis of this expertise, rather than any views I might have on the issues at hand.

Whilst I appreciate that a considerable amount of work has gone into this report, I regret to conclude that **the report in its current form is riddled with fundamental methodological flaws and requires substantial correction** before it is suitable for public discussion. I am surprised that the Productivity Commission's process for review of reports did not identify these errors, some of which could be rectified with further work. I am confident that my conclusions in this matter would be supported by any competent researcher with an expertise in evidence-based research.

The primary problem with the report is the assertion that book prices are higher under PIRs. The report acknowledges that the evidence is for this is, for various reasons, unclear but nonetheless concludes that, even in the absence of evidence, book prices must theoretically be higher under PIRs otherwise they would provide no benefit to local publishers. Thus, either book prices are higher under PIRs and should therefore be removed to lower prices, or book prices are not higher under PIRs and so therefore should be removed because there is no point in having them.

The underlying assumption, that PIRs must result in higher book prices, is untested, unproven and quite probably wrong. There are many ways that PIRs could benefit local publishers other than higher prices, primarily in the distribution of profits (rather than the total size of profits).

Even assuming that book prices remain the same irrespective of PIRs (as might be expected if price was determined by market demand, for example), PIRs might still ensure that a greater proportion of profits from high sales books go to local rather than overseas publishers, thus increasing profits relatively and reducing uncertainty and risks. The report fails to explore alternative ways in which PIRs could advantage the local publishing industry and therefore rests its entire argument on an untested assumption.

Unfortunately this is not the only problem with the report. The failure to include Appendix D, which provides the data on which many of the conclusions are based, renders the report in its current form valueless, particularly since the report's method of interpreting other findings casts serious doubt on the ability of the authors to either correctly analyse or interpret their results. Without the underlying data, readers have no basis for assessing the validity of the conclusions.

My concerns over the report's ability to correctly analyse data is well-illustrated by the discussion of like-with-like comparisons of books from overseas and Australia. The report correctly notes that comparing first editions across countries may introduce systematic errors, given the higher proportion of hardback first editions overseas. The report then compares "like-with-like" versions of books, which presumably compares similar paperback editions. I cannot assess this properly as the data and analysis details have not been included, however it appears that this would compare first edition Australian paperbacks (marketed at a premium price) with later edition overseas paperbacks (which are likely to be lower in price). The report thus replaces one potential source of error with another, possibly greater, source. Clearly this data requires an analysis of covariance, which could control for variance due to factors like format and time since publication, clearing identifying that variance in price that is due to country of origin. A simplistic comparison of averages is utterly inadequate. If this issue of higher prices is to be the lynchpin of the argument for abolishing or altering PIRs then it needs to be proven conclusively that PIRs cause higher prices and discussion cannot proceed without that evidence. The Productivity Commission must either produce the research that proves that PIRs increase prices (and that removing them will lower prices, ie. that price is not primarily driven by some other unrelated factor) or must call for this research to be conducted before reaching any conclusion. To produce yet another report based on no evidence is a waste of resources.

This is not the only instance where the report provides an analysis which seems at best to be naïve and at worse, potentially misleading. In general, the economic modelling used seems surprising simplistic and the report betrays a rather poor understanding of the way in which the publishing industry operates. There is, for example, no evidence that the commission understands the way in which publishing differs from other market driven industries (similarities it shares with other creative industries). There is almost no mention of the extraordinarily small margins on which the majority of authors and publishers operate. In this instance, relatively small impacts have a disproportionately large effect on a large number of people. There are many small points that reveal a lack of insight into the

industry—the notion of authors dictating terms to overseas publishers was certainly a howler.

At present, key sections of the report read more like wishful thinking than independent appraisal. The idea that as yet non-existent Asian markets might theoretically provide a cheaper source of books, given that there is no evidence that the US or UK will, reads more like fiction than science. The analysis of the educational market also seems to lack depth, particularly in relation to the demand for local texts (which is great) and the high specificity (down to page numbers) required in prescribed textbooks.

I must stress that I have illustrated only the worst examples of inadequate and poor quality research in this report. There are a great many more. I would advise that the commission seek out the services of an experienced independent researcher before proceeding any further. **The report in its current form does not fulfil the scope of its study or the key considerations and it should not be used as the basis for further discussion until its errors are corrected.**

I would be happy to provide you with more detailed feedback on the methodological problems the report currently has. I would also be happy to provide you with some suggestions for people who might have the expertise to assist you to correct some of these problems.

I look forward to seeing the revised discussion draft and continuing the review of these issues on a more solid evidence base.

Yours sincerely,

Dr. Danielle Clode