

Further submission: 17 April 2009

### Introduction

The Productivity Commission has invited further submissions following the release of a Discussion Draft in March 2009.

### REDgroup retail – Further Submissions

- **REDgroup retail continues to commend to the Commission the elements canvassed in our earlier submission supporting the Australian Booksellers' Association (ABA) proposal: a preferred model influenced by Canada's regulatory system.**
- We reiterate to the Commission our strong belief that an Australian regulatory environment emphasising local availability and supplier pricing competitive to foreign editions will both reward efficient local publishers and distributors and deliver outcomes of ongoing benefit to Australian authors, booksellers and consumers.
- We contend that elements of our submission, and the submission made by the ABA, have not had sufficient investigation or weighting attributed to them in the Commission's Discussion Draft.
- Given the support for the ABA's proposals by a significant proportion of Australian booksellers, including REDgroup retail, we do not think that the Commission has yet given sufficient weighting to them in its Parallel Importation study.
- In particular we submit that:
  - The Commission has examined component parts of the model proposed by the ABA, but has not yet given a wider consideration as to how these components would function as a whole.
  - Assumptions are made within the study about the way in which the proposed model would be implemented with only a superficial review of the methodological issues. The methodological difficulties referred to in the Commission's Discussion Draft at page 7.13 (extracted below) do not appear insurmountable as many of the same issues were resolved in Canada.

*'The same sort of methodological issues that complicate price comparisons would arise in this context as well, including: which comparator countries should be used as price reference points; what the allowable price premium in Australia should be; whether the cap should apply at the wholesale or retail level; how the cap should be adjusted in the light of changes in exchange rates; and how it should account for differences in preferred formats across countries.'*

- REDgroup retail sought insight into the practical workings of the Canadian regulatory system in discussions with Canada's largest bookseller, the Chapters Indigo Group. It is our strong belief that the Commission's study process would benefit from external input such as this, and we recommend that the Commission undertake

further investigation in this regard before compiling its final report. The process by which self-regulation was introduced in Canada is not inimical to the Australian market.

- We believe that further analysis is warranted and support the ABA in its contention that a model where the benefit of market exclusivity and protection from parallel imports is gained by a publisher or distributor if they meet performance criteria on price and availability, including initial release in the market, has the best potential to deliver outcomes meeting the Commissions' terms of reference.
- In the course of the Commission's roundtable discussions program REDgroup retail has presented the Commission with strong reasons why contentions of alternative viable supply channels for Australian booksellers, in particular through Asia as canvassed in the Commission's draft report, presuppose a willingness by overseas publishers to weaken or cannibalise the business of their local subsidiaries by allowing supply directly into the Australian market of the same or competing editions at a lower price.
- Our experience gained from working in both the Asian and New Zealand markets is that:
  - We do not see any current viable long-term supply alternatives existing outside of Australia for an Australian bookseller to source its day-to-day backlist needs other than for fulfilling requirements on a niche, genre or limited piecemeal scale.
  - We do not see any immediate likelihood of efficient alternative supply channels being available from Asia that would fulfil an Australian bookseller's broad backlist stock needs with a compelling cost and margin offer, taking into account factors such as freight to store and markdown on unsold stock
  - We believe there is a limited likelihood of viable or efficient supply alternatives of any scale developing from the UK direct to the Australian market given the UK is already a significant feeder market for the Australian book trade, and given the presence in the Australian market of subsidiaries of UK publishers
  - Due to purchase volumes there are likely to be difficulties for Australian booksellers of any size in achieving sufficient margin from US wholesalers to make the large scale importing of US published firm sale backlist viable as a complete replacement for or alternative to an efficient Australian-based supplier offering sale or return

#### **About REDgroup retail**

REDgroup retail is a leading books, stationery and entertainment retailer in Australia, New Zealand and Singapore.

REDgroup retail currently operates the following divisions:

- **Angus & Robertson** is the most recognised book retail brand in Australia, with its focus on a sustainable value driven proposition. Angus & Robertson was the first retailer in Australia to hold a print on demand machine within its store. Angus & Robertson is Australia's largest book retailer and has 116 directly owned stores and 64 franchised stores located in every state and territory. These stores are a combination of mall and strip stores. Angus & Robertson also offers an online retailing platform.
- **Borders** has the biggest choice of books, music, movies and magazines in the market, with more than 200,000 titles. Borders offer customers a rich shopping experience, providing books, music, movies and magazines in a relaxing, enjoyable atmosphere. Borders Australia, New Zealand and Singapore was acquired by REDgroup Retail in June 2008.

- **Calendar Club** is a chain of specialty calendar stores which operate over the Christmas period (October to January) in major shopping centres and other key retail precincts in both Australia and New Zealand. Calendar Club is the leader in the seasonal calendar retail market and the number one seasonal retail concept in Australia and New Zealand.
- **Supanews** is a joint venture business that operates 48 newsagencies in Australia.
- **Whitcoulls** is the most recognised book retail brand in New Zealand with 72 stores nationwide. Whitcoulls operates eight stores in both international and domestic airports in New Zealand. Within the Whitcoulls division, Bennetts sells textbooks and related course materials from 10 stores on New Zealand University and Polytechnic campuses.

Angus & Robertson, Whitcoulls and Borders are well known and have strong brand presence in their respective markets. Both Angus & Robertson and Whitcoulls have histories dating back over 125 years. Borders opened its first store in Australia in 1998 and has since grown to a network of 27 stores in Australia, 5 in New Zealand and 2 in Singapore.