



RANDOM HOUSE AUSTRALIA

Parallel Importation of Books Study

Productivity Commission

Supplementary submission from Random House
Australia

9 April 2009

Introduction

Random House Australia (RHA) is pleased to present a supplementary submission in response to the Productivity Commission's Discussion Draft of March 2009.

Our review of the Discussion Draft does not change our contention that territorial copyright and the 30/90-day rules are central to the success of the Australian publishing industry and should be maintained.

The submission has the following sections:

- Random House Australia's view on the Commission's proposals
- Potential consumer benefits
- Importance of the portfolio
- Impact on Australian authors
- Ambivalence to damaging changes
- Asia as a supply source
- The current rules
- Conclusion
- Attachment: further questions

Regards,

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Random House Australia's view on the Commission's proposals

RHA's review of the Productivity Commission's Discussion Draft does not change our contention that territorial copyright and the 30/90-day rules are central to the success of the Australian publishing industry and should be maintained.

We believe the case for change has not been made by the Commission. Unlike the 1991 changes, which demonstrably improved the industry, the Commission's proposed changes not only will not improve the industry but will actively diminish it. They encourage the worst of all possible worlds.

There has been no strong evidence provided that the benefits of a change would outweigh the costs. The Commission has clearly been hamstrung by a lack of information, as it admits. There has been no modelling of the impacts on the industry of the proposed change to a one-year Parallel Importation Restriction (PIR), and therefore there has been no value put upon such a change. There is also no obvious winner from the proposed changes – who gains from the Commission's proposal, which abandons evidence-based policy and would result in maximum cultural pain for the sector and Australian readers?

The Commission's basic proposition that backlist books can be sacrificed – largely to dumped remainder stock – is based on erroneous assumptions. The backlist is vitally important to generate income for authors, diversity of range for consumers, and sales and profits for publishers and retailers. In fact, backlist books are subject to the same pricing pressures from discount department stores that the Commission cites to *support* its maintenance of reduced PIRs for frontlist books. Given this, the backlist would seem worthy of PIRs as well.

The Productivity Commission's Review of the PIRs arose because of a resolution by the Council of Australian Governments (COAG). Yet only two members of COAG made submissions to the Commission, and both are in support of maintaining the status quo. The only group loudly supporting change is the large retailers, who wish to increase their own profit margins.

The book industry is of immense cultural value to Australia. Random House Australia does not believe the industry should be used as a real-time experiment for changes supported by largely theoretical economic propositions. While consumers may receive some cheaper books in the short term – via dumped remainders – in the long run no-one will be better off, as title ranges shrink, fewer Australian stories are published and prices potentially increase, not decrease.

The world is wracked by unprecedented recession. Our leaders base their policies on the need to boost creativity and innovation to ensure Australia's long-term prosperity. Along with leaders of many other countries, they are looking to the creative industries to start a new wave of investment and returns. The book industry is just such an industry. It is independent and successful and receives virtually no government support beyond the certainty provided by the PIRs.

Australia currently enjoys a vibrant and creative publishing industry, the foundation of which is the existing copyright framework. Remove that and you remove a plank of our economic recovery, at the same time as you diminish Australian culture.

Potential consumer benefits

RHA believes that the consumer benefits highlighted by the Commission are very uncertain.

Prices

RHA contends that the Commission's case for the potential of prices to fall if the PIRs were amended is not compelling enough to warrant a change. The Commission's conclusions regarding the potential price-lowering impact of removing PIRs for current list books are underwhelming:

... from time to time, there would be opportunities in the absence of PIRs for booksellers to source current list books at a lower cost from the UK or US than from a local publisher. (PC Discussion Draft 4.21)

So the savings would only occur 'from time to time' when retailers 'cherry-pick' the [PIR-protected] US and UK markets for titles that were cheaper than in Australia.' (7.15)

The Commission notes that there are opportunities to lower backlist title prices, but that these savings would come from the dumping of cheap stock in the Australian market:

... the parallel importation of remainders ... could put significant downwards price pressure on parts of the backlist. (4.21)

It is worth noting that remainders are not always just cheap stock. They are often 'failed books', so, while driving down costs, they will often only detract from the quality of books on offer to consumers. It seems an economic travesty to allow a failed outcome to be used to attack the health of a successful industry. Accepting dumped stock is not a recipe for effective management of the industry or the economy in general, or for encouraging an environment where writing and culture flourish.

While the Commission's price comparison work shows some disparity in price (particularly in lowest-cost editions vs the US), there are a range of factors that the Commission notes confound the data (D.1-15) and which RHA believes would significantly reduce any potential price disparity:

- A high exchange rate at the time of the comparison: 16% for US and 7% for UK vs the average since July 2003;
- No freight charges or GST added; and
- A significant difference in quality and format in the comparisons.

RHA has a particular concern about the impact of the exchange rate. The Commission notes that:

... the estimated price gap (based on RRP's for 2007-08) of like editions between Australia and the UK and US, respectively, would have been eliminated at exchange rates of GBP 0.41 and USD 0.69. This demonstrates that, all else equal, a depreciation of the Australia dollar increases the price competitiveness of locally published books and reduces the incentive to import books (as is the case with all producers). (D.12)

The fact that the average exchange rates over the last 10 years have been USD 0.69 and GBP 0.40 (based on RBA data) highlights the flaw in relying only on 2007–08 data, when that period contained the highest exchange rate vs the USD in the last decade.

As the Commission comments when noting these disparities:

... for this and a range of other reasons, the results of these comparisons are at best an indication of gaps between the observed retail prices of books in the different countries; they do not attempt to indicate the price at which the books sold in other countries could have been sold for in Australia. (D.15)

This is hardly a decisive conclusion.

We also note that, while the Commission states that printers would be impacted by the removal of PIRs (and RHA considers a windback to a one-year PIR the equivalent of a removal, in terms of impact) and their sales will drop, there is no discussion of the price-inflationary effects this would bring about in the longer term, as production costs increase because of shrinking print runs. This will only be heightened if one printer eventually fails to survive.

It is also worth noting the Aus:UK RRP vs average selling price (ASP) comparison the Commission provides (D.12). This shows that the difference between the ASPs is 18%. This is twice as high as the RRP difference, which is 9%. Given that book retailers determine the ASP, we must ask: is the Commission confident that any price benefit, if their proposed changes did in fact deliver one, would be passed on to consumers?

Net resource flows

The Discussion Draft devotes considerable space to two potential costs of PIRs: impeding ‘best practice’ from being achieved in the book industry supply chain, and a ‘leakage’ of income to foreign authors and/or publishers. While this is an interesting discussion, it is largely a set of thought exercises, from which no conclusions are drawn regarding the scale of the impact. As such, it has limited value.

RHA argues that the only ‘inefficiency’ in the supply chain (when compared to other industries) is the sale-or-return policy, which has long benefited consumers and the trade and which is threatened by the proposed changes to the PIRs.

Leakage discussions are also problematic. As the Commission notes regarding leakage:

The actual quantum . . . will depend partly on the extent to which the PIRs raise prices in Australia. It will also depend on the extent to which some of the initial increase in returns to copyright holders is dissipated in the form of higher costs, for example for printing or freight to meet the requirements of the 30 day rule. As discussed . . . the Commission has not attempted to put a figure on these, and so has not put a figure on the quantum of the leakage. (5.26)

There is no proof there is any significant ‘leakage’ at all. And the change in estimates of benefits to foreign-authored titles from 60 cents for every dollar given to a local author – provided in the discussion draft (5.27) – to \$1.40 – provided in the subsequently released appendices (E.3) – doesn’t inspire any confidence in the Commission’s calculations.

Importance of the portfolio

The proposed changes by the Commission will destroy the value of the portfolio that underpins RHA's and many publishers' economics.

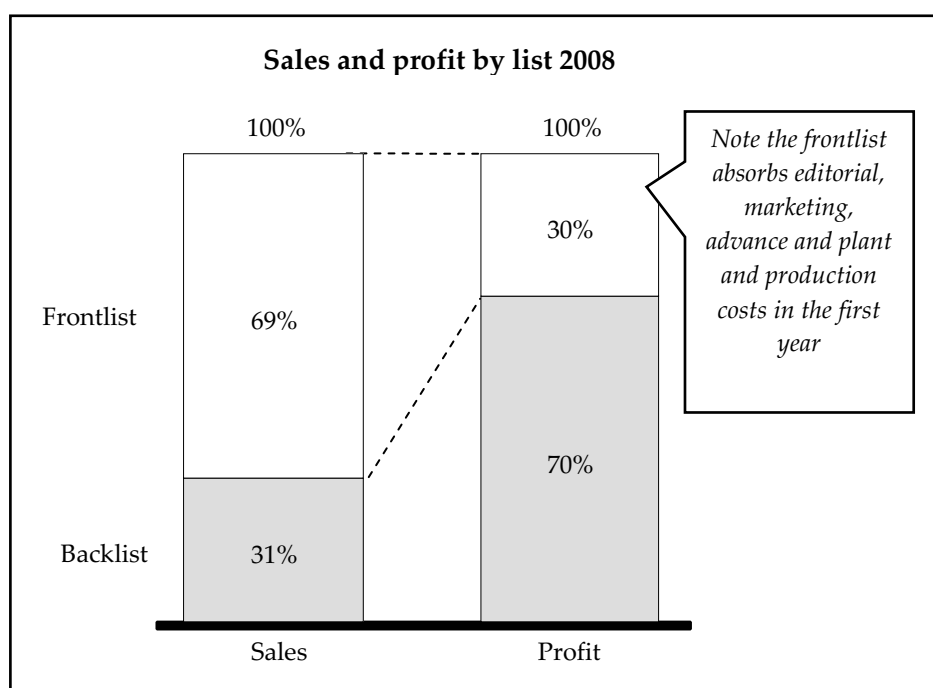
In proposing that publishers' backlists not be protected by PIRs, the Commission's fundamental contentions are (i) that one year is enough to provide publishers with certainty; and (ii) that the backlist is not subject to the pricing pressures of the frontlist because discount department stores (DDS) don't sell the backlist.

Both these conclusions are incorrect.

Importance of the backlist to publishers

The backlist is vitally important to a trade publisher, as illustrated in the exhibit below.

Exhibit 1: The criticality of the backlist



On average over the five years to 2008, RHA's backlist has accounted for nearly one-third (31%) of the company's sales by value (25% for Australian publishing and 33% for international publishing).

More importantly, the profit contribution is skewed the other way: over 70% of profit is generated by the backlist, as titles absorb most editorial, marketing, advance and plant and production costs in their first year – when they are frontlist. No title is assured of backlisting. For those titles that do backlist, a high proportion of the production, author advance and marketing costs have already been incurred. Backlist success funds new investment – the creation of frontlist. The frontlist cannot be disengaged from the backlist – investments must be considered in the context of both.

To have RHA's backlist sales attacked by 'cherry-picked' and dumped remainder stock from overseas markets would severely diminish our capacity to publish the range we do today.

The portfolio impact of long-selling books

The Commission's assumption that the bulk of sales for new titles occur in the first year and that *'in most cases, the bulk of the returns to publishers will come from sales in the months following first release'* (7.16) is totally incorrect. It is the successful frontlist book that carries over to the backlist that allows us to manage the risk of our broader publishing program.

Publishers 'commission' original books and 'acquire' finished books. Both processes are important, and in both areas RHA naturally seeks to achieve the highest and longest possible sales.

An example of a commissioned book is provided below.

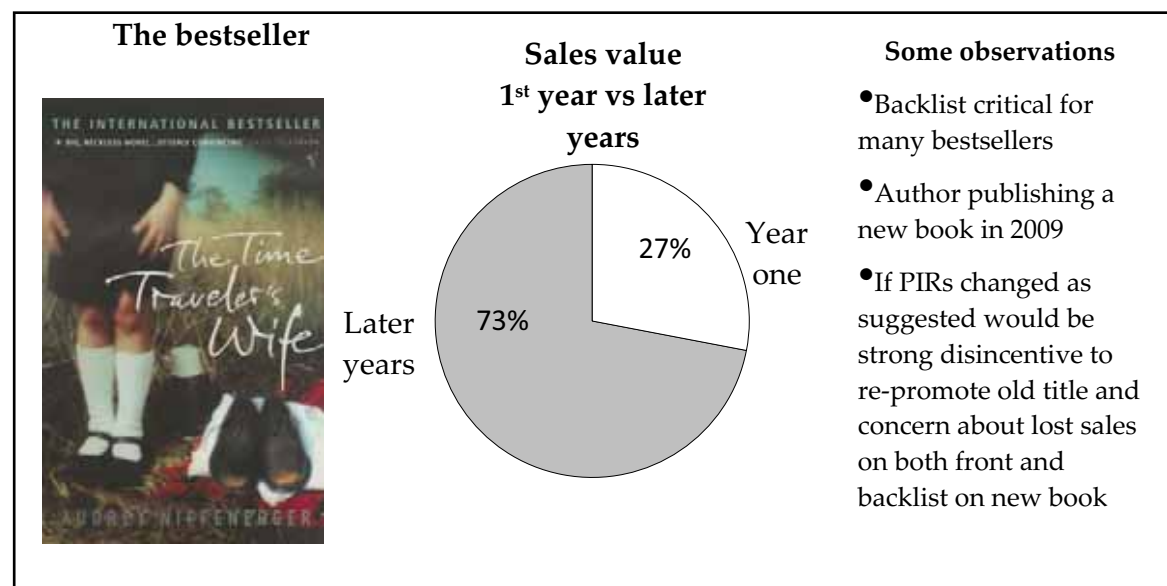
Exhibit 2: Sales on backlist – an international bestseller example

	<p>Commissioning and building a long term bestseller</p> <ul style="list-style-type: none">• Published in 1997• Sunk costs of \$1.5m (not including salary, printing, marketing, distribution, selling or general overhead costs)• Envisaged as a book which would sell over 10 plus years around the world in order to recoup its costs and become profitable• It sold to over 15 countries over 12 years, was translated into all major European and Scandinavian languages and was an excellent export earner for RHA
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Botanica was a risky project. Its success depended on it achieving long-term sales around the world. A key part of the decision to undertake this project was the copyright environment – we had the security of a full term of copyright, so the book could backlist for many years and there was no chance that copies we had sold to other English-language markets could be dumped back in Australia.

Similarly, in any acquisition RHA projects sales beyond the first year and considers life sales in assessing financial viability. Longevity is very important for many books, as the example below – for an international bestseller – illustrates.

Exhibit 3: Sales on backlist – an international bestseller



Further, some rights are acquired because the publisher is aware of an event in a book's future which might lead it to anticipate larger sales in years two, three or four. This might justify a larger advance – for example, a film of the book might be released years after publication. *THE TIME TRAVELLER'S WIFE*, for example, which was first published in 2003, will be released as a movie later this year, and so significant backlist sales of the book are expected. Take away the security of a book's earnings beyond the first 12 months of publication, and there is little incentive for a publisher to invest.

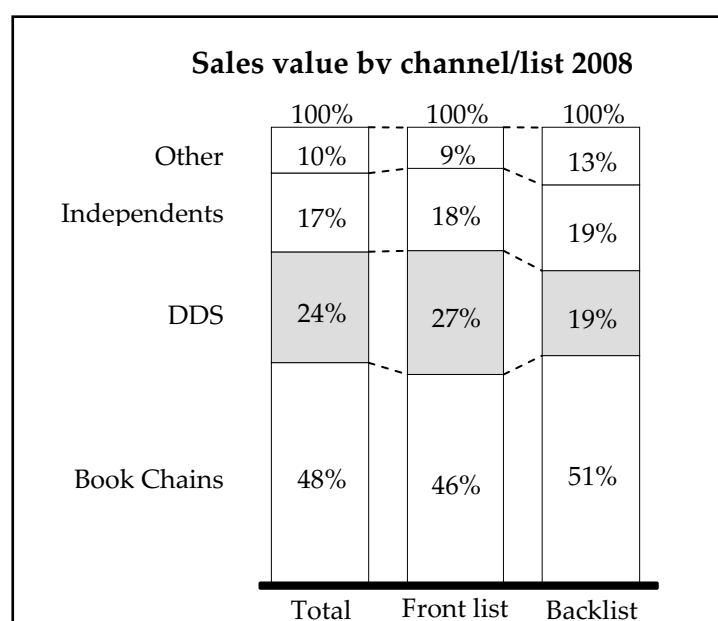
Discount department stores and the backlist

The Commission states that:

For the trade books backlist, the competition from discount department stores that often significantly constrains prices for frontlist titles is largely absent. (7.15)

This is incorrect. A review of RHA sales for the five years to 2008 (which we believe are representative of trade sales across the industry) shows that, in value terms, 24% of the books we sold to DDS were backlist titles. There is very little difference in the relative importance of DDS from the frontlist to the backlist, as illustrated below.

Exhibit 4: Sales value comparison by channel



As this graph shows, DDS accounted for 19% of all RHA's backlist sales and 27% of all frontlist sales. While backlist sales are indeed smaller than frontlist sales in the DDS sales channel, they still make up around one-fifth of all RHA backlist sales, which is a substantial share.

Kmart, Big W and Target all offer a 35% discount off retail to consumers on backlist, all the time. While DDS routinely discount by 35%, other retailers sell at greater than RRP, a pattern also seen in the frontlist, reinforcing that book buyers are served by a variety of retail propositions across all books, regardless of their time in the market.

Australian backlist prices are competitive and are cheaper than in the UK, as illustrated in the comparisons with the UK ASP provided below (based on data provided by Nielsen BookScan).

Exhibit 5: Competitiveness of Australian backlist pricing

% Difference between Australian vs UK backlist ASPs (Aus prices exclude 10% GST; UK has no VAT on books)					
2004	2005	2006	2007	2008	5 Yr Avg
-11%	-9%	-8%	-9%	-1%	-8%
Source: Nielsen BookScan					

The above exhibit shows that average backlist ASPs in Australia have been 8% cheaper than in the UK over the last five years.

If the Commission believes that price constraints are provided by DDS for the frontlist, it must acknowledge that the same effect is achieved for the backlist as well.

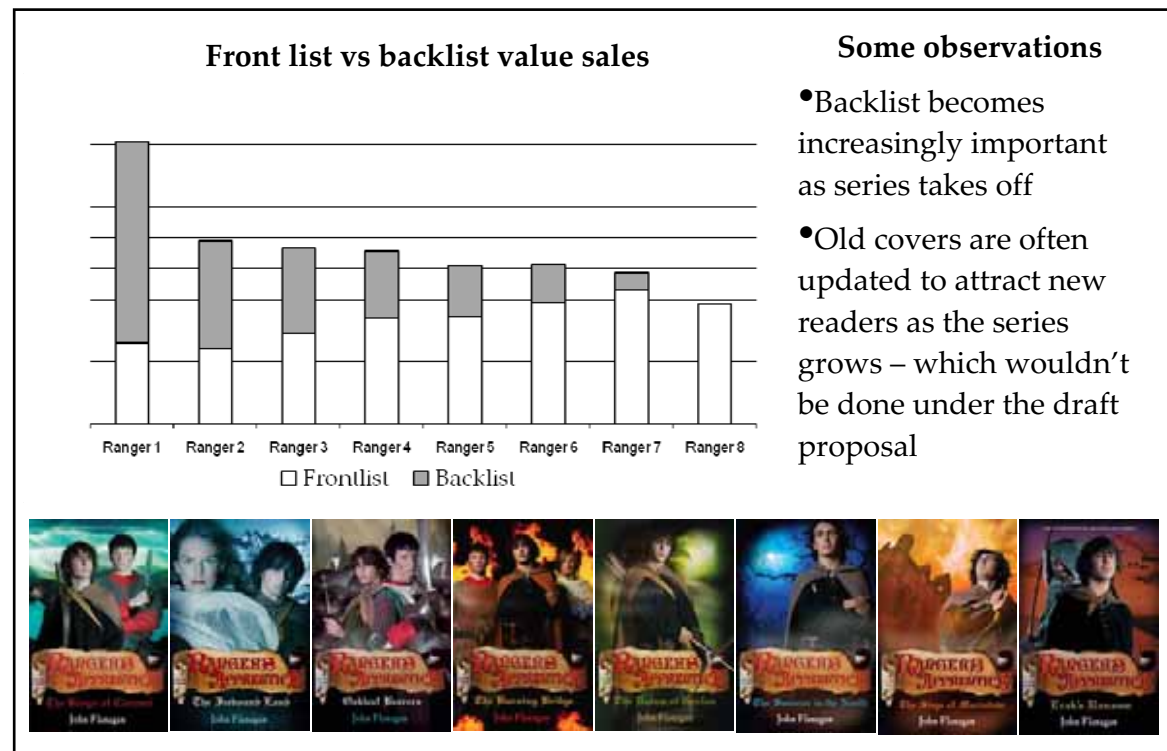
Children's books

Children's books would be dramatically harmed by the proposed changes.

RHA's children's division relies on backlist sales to an even greater extent than our adult division. By value, 39% of children's sales over the five years to 2008 were backlist sales. And children's backlist titles are subject to even more DDS pricing pressure than adult books, as over half (51%) of our sales of children's books to DDS are backlist titles.

Often, successful children's books come as a series and the backlist is a substantial component of sales (and authors' incomes), as illustrated below. The *Ranger's Apprentice* series by John Flanagan has now been sold to 22 countries, and backlist sales in Australia remain critical to the author's income and the publisher's continuing investment in new titles.

Exhibit 6: Criticality of backlist to children's books – Australian author example



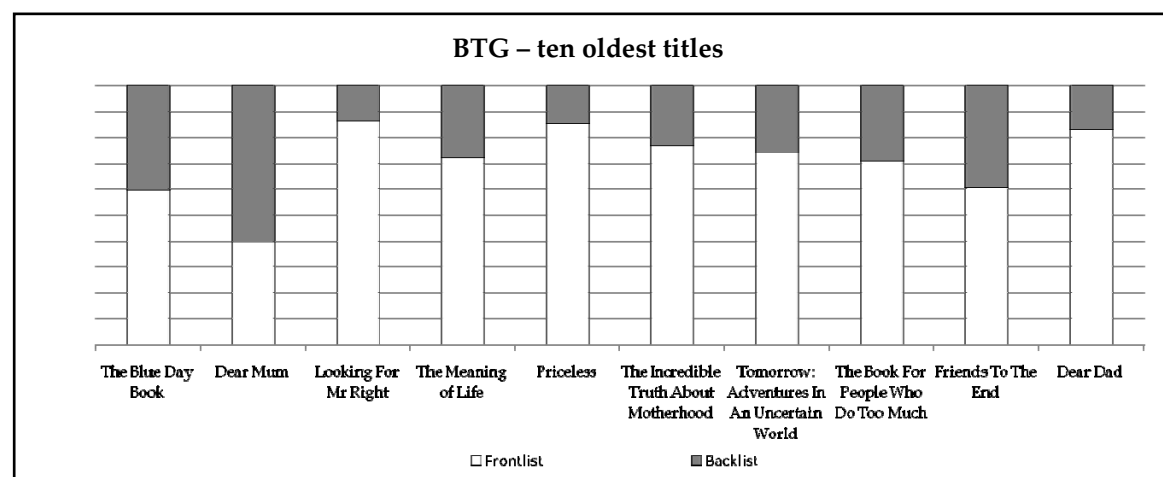
Impact on Australian authors

Australian authors will be much worse off under the proposed changes to the PIRs, with their income dramatically threatened.

One year is not enough to provide investment certainty to publishers. Backlist is a vital component of the risk-management mix. Under the proposed changes to the PIRs, the economics for Australian authors will change dramatically. They will suffer both from a discounting of advances, as risks increase, and from the loss of forward royalties from the imports of remaindered copies.

Another illustration of the importance of the backlist for a local author is provided by Bradley Trevor Greive's (BTG) portfolio.

Exhibit 7: Sales on backlist – an adult book example



Under the Commission's proposed changes, RHA's incentive to sell rights is obviously severely diminished, since titles sold internationally may well be re-exported to Australia. This would dramatically reduce authors' income.

It is likely that, in order to have a secure income, authors will seek to publish their works in New York or London, as was commonly done many years ago, instead of with an Australian publisher. However, as we argued in our original submission (a position echoed in numerous authors' submissions), the chances of a new Australian author being initially published out of New York or London are very slim.

We contend that the Commission's conclusion regarding the complete removal of PIRs holds true for its proposed one-year PIR:

Coupled with lower prospective returns, the difficulty for all new authors in obtaining local publication would, as noted above, most likely discourage some from entering the market in the first place. (5.13)

Fewer Australian authors will be published, and Australian readers will have fewer Australian stories to read or writers to aspire to.

Ambivalence to damaging changes

Loss of sales and industry restructuring

In reading the Discussion Draft, RHA was struck by how remarkably sanguine the Commission appeared to be about the substantial sales losses that would flow from the removal of PIRs and the 30-day rule. For the reasons noted in this submission, RHA considers a windback to one-year PIRs the equivalent of a removal, in terms of impact.

Regarding publishers, the Commission observes that:

... evidence provided by some major industry participants suggests that the abolition of the PIRs would be unlikely to lead to the elimination of the major share of the Australian publishing industry. For example, Hachette Australia submitted that, in addition to reductions in stock holdings, employment and orders with local printers, the removal of the PIRs would lead to a reduction of its sales 'in the range of 10-15 per cent'. (5.5)

While a 15% drop in sales across all publishers might not be the 'major share' of Australian publishing, it is a substantial dent in turnover that can't be taken lightly.

The Commission goes on to observe that there is likely to be a shift away from local publishing and printing:

... at least in some cases, the role of the Australian offices of [multi-national trade publishers] would evolve into a model focussed on distribution more than independent publication. (5.6)

RHA believes that this is a major threat to the diversity of books published in Australia and is surprised that the Commission again appears so relaxed about the prospect. Multi-national trade publishers publish the bulk of the books in Australia. They are the companies that have invested in distribution facilities, which have enabled smaller publishers to grow. It is primarily the larger publishers (virtually all multi-national) who have the funds to grow and develop brand-name authors, and whose backlists earn authors income both here and from rights sales around the world. This is all under threat from the proposed PIR changes.

Similarly, with regard to local printers, the Commission seems to view a potential reduction of 10-20% as 'limited':

... while the Australian printing industry would likely be smaller without the PIRs, the local advantages enjoyed by Australian firms would serve to limit this effect. Indeed, as McPherson's Printing submitted:

The extent of reduction in volumes which would follow removal of the 30 day rule is not able to be precisely predicted. However, based on the history following introduction of the rule in 1991 and the current market dynamics, a minimum reduction of 10% in MPG's book volumes would be certain with a longer term reduction of 20% or more likely. (5.16)

RHA understands that a loss of sales in the order of 15-20% would destroy printers' profits and they would need to raise prices by 10-15% simply to survive. This would have to flow on to increased retail prices.

Abandonment of export

The Commission suggests that one way publishers of Australian books might manage a repeal of the PIRs is for:

... publishers of books that were expected to achieve the bulk of sales on the Australian market [to] delay the release of their books in overseas markets to reduce the risk of remainders from re-entering the Australian market. (4.17)

This shows a fundamental misunderstanding of how the business of publishing works. In the first place, it is very difficult to get a book on an overseas list. Foreign publishers work to their own timetables and want books when they want them. To constrain export sales by encouraging producers to artificially recreate a copyright area seems a very questionable economic principle.

Most bestselling authors would (rightly) not accept delays of this kind and would likely seek to be published by an overseas publishing house, but – as noted above – this is not easy to do. In the case of modern classic authors such as Peter Carey and Tim Winton, overseas recognition only came after consistent success in Australia, which finally convinced overseas publishers to promote those authors' works.

It is a huge irony that the delay in the public sharing of books as soon as they are published anywhere in the world was one of the main complaints that led to the introduction of the 30-day rule; now the Commission is suggesting that it is appropriate to artificially prevent consumers in the rest of the world from accessing an author's work within a reasonable timeframe.

RHA believes that the Commission's proposed changes amount to nothing less than a suggestion that Australia abandons book exports.

Cultural loss

As the Commission notes:

Books are a significant source of cultural value. (6.1)

The Commission discusses in depth the 'externality values' that might be delivered by the PIRs, and concludes that the externality component is reflected in the market price that consumers pay and is '*unlikely to be large*' (6.14).

RHA believes that this is wrong-headed thinking. As the backlist is attacked and profits are sapped from the industry, fewer local books will be published. While the laws of supply and demand say that, eventually, the price will match supply and an equilibrium will be met that reflects the value that consumers place on books, far fewer Australian books will be published and fewer Australian authors will be able to make a living.

Is it the Commission's view that this is just too bad? RHA finds it hard to believe that if the 'next' Tim Winton remains unpublished, Australia is not diminished.

The impact on the Australian cultural landscape of the proposed PIR changes will be immense.

Uneven playing field

Many submissions to the Commission mentioned the unequal international playing field that will result from any change to Australia's PIRs, especially in relation to the major UK and US markets (which will, of course, remain protected by their own PIRs). RHA shares these concerns as a principle of fairness.

RHA believes it is a mistake to assert, as the Commission does, that the PIR policy stances of other countries are not relevant and should be left out of consideration (7.5), especially given that one of the five 'key considerations' noted in the PIR study's terms of reference is '*the approaches (to PIRs) adopted in comparable other countries*' (quoted on the Commission's website, www.pc.gov.au/projects/study/books/termsofreference).

Why would Australian policy-makers want every other publishing industry around the world to get a free kick into Australia, while the Australian industry has its hands tied behind its back?

Asia as a supply source

The Commission asks for comment on its suggestion that Asia may be used as a supply source for cheaper books. RHA can only comment from the trade book perspective, and does not believe that trade books sourced from Asia would be cheaper. International publishers would not support the idea, and the basic economics mean it would not be cheaper.

An international publisher would not allow a smaller territory to dictate its trading relationship in another large territory. And the Asian markets are appreciably smaller than the Australian markets (for Random House, for example, the biggest Asian market is less than one-tenth of the size of the Australian market).

In an instance where English-language trade books are produced in an Asian country (which is rare), the international publisher would not allow any quantity in excess of a particular territory's demand to be produced for re-export. If excess quantities were imported at any time, the publisher would cease supply until they were assured of the books' final destination; and if re-export was intended, would simply put a stop on the individual publisher or wholesaler until they agreed to abide by the territorial rights they had been given.

In a pure economic sense, given that virtually all Asian territories take their stock from the UK or US, the cost of re-export to Australia would be prohibitive and highly unlikely to occur. The economics don't make sense.

Remainders do flow around the world, particularly from the US, so these could potentially be re-exported from Asia. However, it is much more likely that they would come in direct from a wholesaler in the US to avoid reshipment costs.

Pirated editions are illegal in every territory, and while for that reason they should not be a threat, there is always a chance that they won't be identified.

The current rules

RHA believes the current PIR rules work and should not be changed. As the Commission states:

Australian publishing has flourished over recent decades. (XVI)

While there have been other changes in the industry, as noted by the Commission, the most significant shift in the industry took place after the introduction of the 1991 changes, indicating that they were the main drivers of the development of a local publishing industry. As stated by the Commission:

The PIRs provide publishers with the certainty that they are the sole supplier of a particular title to Australian booksellers . . . Publishers still remain vulnerable to competition from different titles (whose rights, most often, are held by other publishers) and online sales. However, the certainty that their titles will not be undercut by competing editions, and the returns from higher pricing, allows Australian publishers to invest in author development, manuscript editing and marketing of books, and as well, encourages more firms to enter the publishing market. (5.2)

The industry is independent and successful. It is just the kind of successful creative industry that underpins the innovation that our leaders highlight as vital to our future economic prosperity. The book publishing industry receives virtually no government support beyond the certainty provided by the PIRs.

Conclusion

The review of PIRs is being driven by the desire of large retail chains to force more margin pressure on what is already a highly competitive sector, with numerous equally sized publishers fighting to sell their books. Few other stakeholders in the industry support the proposed changes.

Although the review was suggested by the Council of Australian Governments' endorsement of a new competition reform agenda, only two COAG members – the Victorian and South Australian Governments – have made submissions to the Commission. Both support keeping the current arrangements in place.

RHA endorses the Victorian Government's view that:

... if the Commission is to recommend a significant reform of the current policy settings, it needs to be supported by strong evidence that the potential cost savings of reform outweigh the benefits currently accruing to consumers, and the printing and publishing industry. (sub 270, p1)

RHA does not believe that the Commission has provided this strong evidence. The main argument for change is that books will be cheaper for consumers. This may be so, as overseas remainders are dumped on Australia and the large retailers cherry-pick bestsellers after the first year, but the extent of any price benefits, as the Commission acknowledges, are difficult to calculate.

The other costs canvassed are those of negative net resource flows – industry inefficiencies and leakage of benefits overseas. Discussion of those is theoretical and no value has been put upon those costs. Their existence and quantum is, therefore, questionable.

It is clear that the Commission has been severely hamstrung by a lack of data and, as a consequence, has done no industry impact modelling. The Commission's recommendations, therefore, lose credibility. As the Commission admits in its conclusions:

Mainly because of the uncertainty about the significance of the impacts of the PIRs, how the industry would respond to their abolition, and how large the accompanying adjustment costs would therefore be, the Commission is not recommending this course of action [full abolition of PIRs] at this stage. However, were better information on the industry to become available, some of those uncertainties could be removed. (7.19)

As well as a lack of data, another concern is that the Commission's proposed changes are based on faulty assumptions. First, its conclusion that backlist sales are not important is wrong. Second, its conclusion that there is no competition in backlist sales (because of a supposed absence of DDS sales of backlist books) is also wrong.

RHA believes that the logic of the Commission's recommendations is flawed. According to the Commission's reasoning, frontlist books aren't overpriced because they have competitive pressure from DDS. But backlists are critical to managing the risk of publishing and ensuring profits are made. Given the significant presence of DDS in backlist sales, it is clear that there *is* competitive pressure on backlist prices. The main

price impact on backlists will be from the dumping of remainders and cherry-picking of bestsellers, which in effect sanctions dumping on the Australian market.

By retaining PIRs for one year, the Commission acknowledges that certainty is necessary for publishers to take the business risks they do. The problem is that the Commission's proposed changes don't take into account the critical importance of backlist sales, where the bulk of publishers' profits are made and which, therefore, underpin the risk portfolio.

It seems muddled thinking to admit that a level of restriction is important to provide certainty and then to introduce changes that destroy the economics of the industry.

As the Commission notes:

Numerous study participants discussed the cultural and related benefits of books and literature. Most thought that the total cultural value was significant, a view shared by the Commission. (6.2)

RHA does not believe that an industry of such significant cultural value should be used as a real-time experiment for changes supported only by theoretical economic propositions. The Commission notes the potential extent of sales losses flowing from any changes to the status quo. While consumers may receive some cheaper books in the short term, in the long run no-one will be better off, as ranges shrink and fewer Australian stories are published.

The world is wracked by unprecedented recession. Our leaders base their policies on the need to boost creativity and innovation to ensure Australia's long-term prosperity. The book industry is an independent and successful creative industry that receives virtually no government support beyond the certainty provided by the PIRs.

Australia has enjoyed a vibrant and creative publishing industry, the foundation of which is the existing copyright framework. Remove that and you remove a plank of our economic recovery, at the same time as diminishing Australian culture.

Attachment: further questions

There are two proposals in the draft report that need further explanation, particularly in relation to how the Commission views their implementation and impact on the industry. This supplementary submission has not specifically addressed these two proposals for that reason. Before commenting on them, RHA requires more information:

- What is meant by 'aggregation' and how would it work?
- With the cessation of the 90-day rule, what is meant by 'supply'?

END