



ELEANOR CURTAIN
PUBLISHING

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Submission in response to Intellectual Property Arrangements Productivity Commission Issues Paper, 2015

Eleanor Curtain Publishing is pleased to have this opportunity of responding to the Productivity Commission's Issues Paper on Intellectual Property Arrangements.

Our submission will focus on the role of copyright in supporting innovation, and the contribution made by Eleanor Curtain Publishing, a small, independent Australian publisher to Australian jobs and the Australian economy.

At the same time we wish to express our concern at the proposed changes to the parallel importation regulation. Export depends on the integrity of territorial copyright. Our overseas clients require and we are happy to grant an exclusive right to promote and sell our products in the agreed territory. Territorial rights cannot be enforced – except against the entity we have contracted with – unless we can stop books from other countries coming into the licenced territory. Without that certainty, we cannot offer exclusivity, nor can we expect exclusivity in our home territory.

The submission will be organized under the following headings:

- A brief description of Eleanor Curtain Publishing and some background to the company.
 - The number of Australian employees, and people commissioned to deliver content

- Products developed by the company.
 - Exports
 - Examples of product innovation
 - *Flying Start to Literacy: A case study*

- Copyright - our most important asset.

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Eleanor Curtain Publishing Pty Ltd

Our background

Eleanor Curtain Publishing Pty Ltd, trading as Eleanor Curtain Publishing (and referred to as ECP in this document), is an independent, family-owned Australian publishing company founded in 1991 which possesses significant expertise and knowledge in the development, production and marketing of specialised reading programs and literacy materials for primary schools.

Literacy programs are large resources, consisting of reading books, support materials for teachers and other ancillary materials – some of them digital - for students.

Since the mid-nineties ECP has produced three different programs for students from Foundation Years to Grade 5. The newest program – *Flying Start to Literacy* – is the flagship product for the company.

Staff

ECP is a small business with revenues of less than \$20 million.

- We have 14 employees: publishers, editors, an in-house literacy consultant, production and design, marketing, finance and bookkeeping and operations.
- We have 45 contractors: illustrators, designers, IT consultants, developers and technicians, and marketing consultants in several overseas markets as well as the normal suppliers of business services – legal, accounting, printing and shipping.
- We have 85 authors who currently receive royalty payments.
- ECP is a product development company. In its home market of Australia it does not manage a sales force but sells at wholesale prices to Lioncrest, an independent distributor, who sell directly to schools in Australia and New Zealand.
 - ECP is their largest client.
 - Lioncrest employ warehouse and office staff and manage 25 sales representatives across the Australian and New Zealand markets.

Literacy programs are sold school by school, and need to be presented to the literacy co-ordinator and interested teachers in each school. The consultants who sell the programs to the schools need to be well – informed in teaching methodologies and in the program they are selling. ECP is responsible for all marketing to schools and employs three people for this purpose. This includes an International Sales and Marketing Director who is responsible for export sales to all territories except for the USA.

Eleanor Curtain Publishing: Product range

Our internationally respected literacy programs include:

- *Flying Start to Literacy*
- *Alpha Kids*
- *Alpha Kids Plus*
- *Alpha World*
- *Alpha Explore*
- *Explorations*
- *Explorations: Strategies for Comprehension for informative texts*

More detailed individual program information is available at:

www.alphaliteracy.com.au

www.flying-start-to-literacy.com.au

www.strategies-for-comprehension.com.au

Markets: Local and export

Our programs are actively marketed through distribution and licence agreements in the following international territories:

- USA
- Canada
- Australia
- New Zealand
- South Africa
- United Kingdom
- South Korea
- Middle East (UAE)
- Taiwan
- Hong Kong

Innovation in products

Except for printing, which is usually done in China, all programs are wholly developed in Australia by Australian writers, editors, illustrators, photographers and production and design staff.

But it would be impossible to get a return on funds invested by selling these large multi-component programs which are very expensive to develop in Australia and New Zealand alone. Eleanor Curtain Publishing is an export company by intent, not by default. From the very first planning stages, the products developed are intended for a range of markets.

Early literacy materials must fit the pedagogy and the culture of the students in the countries using them.

Constant innovation and agility is required. All of the markets require special treatment. The decision to do major adaptations of a product is made on the potential of the market.

- We have translated the whole of the *Flying Start* program into Spanish for use in dual literacy programs in the US.
- We have translated *Alphakids* into French for the Canadian market
- *Alphakids* was also translated into a variety of South African languages for the South African market.
- The UAE (Abu Dhabi) is a substantial market for us. Most frequently, their literacy consultants pick from the range of titles and exclude those that have features or illustrations that are inappropriate for the Muslim culture. But for one program, with a very substantial order at stake, we re-published a significant portion, replacing any content or illustrations that were inappropriate.

Flying Start to Literacy: a case study

Flying Start to Literacy, our newest program, is a good model to show the time it takes to get a program on the market, the investment costs and the patience needed for a return on investment.

The USA is by far our biggest market. In 2007 quite unusually we were unable to sell the rights to our newest project in development – *Flying Start to Literacy* – although all of the publishers approached were extremely interested in the product which they saw as innovative and very marketable. Although we did not realise it at the time, it was the beginning of the global financial crisis, and publishers were retreating rather than expanding.

Faced with the fact that ECP would not have access to its biggest market for its newest product, then at proto-type stage, we set up a distribution company in the US with a small group of experienced sales people who had access to a sales force, offices and warehousing. ECP has a 65% shareholding and the company (Okapi Educational Publishing) sells ECP product under licence from ECP.

From 2008 when it was founded until mid 2014, the US company had to be financed by ECP which was a great financial strain. But in 2014 Okapi received a US\$2,500,000 order from a school district in Denver and in 2015 an order for US\$ 8,500,000 was received.

When launched, the program consisted of 168 readers for children from Foundation Year to Year 3, together with teacher support materials and ancilliary materials.

All books have to be versioned for the US market.

- Spelling
- Linguistic structures
- Areas of cultural sensitivity – some topics

- Ethnic background
- Representation of people with disability

Because it has been a successful program, we have continued to extend it so that it now has 286 reading books and the teacher resources and ancillaries needed to support the teachers and students.

The attached chart (Appendix A) documents development costs and revenues earned to end October, 2015.

- Note the time spent on planning and development before completion and launch, and the slow but steady growth towards a profitable return on funds invested.

Copyright: our most important asset

Australia is recognised internationally for its creativity, an attribute that should be valued and developed. The role of innovation in Australia's future prosperity is also widely acknowledged. Currently, there are seen to be two major barriers to innovation - lack of venture capital and appetite for risk.

Eleanor Curtain Publishing can never be accused of lacking an appetite for risk. But certainly investment capital has been a problem. The analysis of *Flying Start* investment and revenues shows all.

How do we compete?

Below is a list of our competitors in Australia. They are large multi-national companies - and our competitors in the USA have similarly deep pockets.

- Cengage
- Pearson Education Australia
- Oxford University Press
- MacMillan Education
- Scholastic Education
- Capstone Classroom

We cannot match the marketing muscle of our competitors, but we can control the quality of our product. We strive for absolute excellence. In 2013 we were honoured by being awarded the Distinguished Achievement Award in the Early Literacy Program category by the American Educational Publishers' Association. (This probably did not increase sales, but it certainly felt good!)

Our books look good. We use top illustrators and a very good photographer. The pedagogy is sound. We always trial our books with children in schools before they are published to make sure that they are at the right reading level, and that the content is of interest to the students. We will start again if the feedback shows that

there are problems. Our very big orders from the US have come from school districts which have evaluated our material and then gone on to pilot it with a selection of schools. Almost inevitably this process results in a substantial order.

We operate in a wide range of territories. Protection of our copyright is at the heart of our negotiations. Because all of our programs are large and multi-component, each licencing deal is a serious commitment for the licensee and the licensor. If the security of our copyright is eroded we will lose security in our licencing deals.

We hope that this submission has demonstrated how copyright drives innovation, investment and the production of creative works, and that the Productivity Commission finds it useful. Please do not hesitate to contact us if we can be of further assistance.

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