

## Submission to Productivity Commission on Intellectual Property Arrangements

### From Readings Pty Ltd

#### Who we are

Readings owns and operates 5 retail outlets in metropolitan Melbourne and a transactional website [www.readings.com.au](http://www.readings.com.au). We are opening two new outlets in August this year.

In April 2016 we were awarded the inaugural International Bookseller of the Year at the London Book Fair, as well as the Australian Book Industry Award for Independent Bookseller of the Year.

We are medium sized private company and employ approximately 150 people (100 equivalent full time positions)

Our profit fluctuates between 4 and 6% of turnover before tax. We donate 10% of our annual pretax profit to our charitable foundation and over the last five years have donated over \$800,000 to literacy projects and to support emerging writers.

Readings began in 1969.

Its Managing Director (and principal shareholder) Mark Rubbo has been in the book industry since 1976. He has been Chair of the Editorial Board of Australian Book Review, Founding Chair of the Melbourne Writers Festival, President of the Australian Booksellers Association (ABA) and is currently on the Boards of the Wheeler Centre and the Indigenous Literacy Foundation. He was President of the ABA at the time of the 1991 reforms to the Copyright Act.

#### Submission by Mark Rubbo

Readings has always imported books to satisfy customer demand. In the 70s and 80s we did this illegally, without the permission of the copyright owner or his licensee. We did this because the books our customers wanted weren't available in Australia or weren't available at reasonable prices. We did this for commercial reasons and also because we believed that our customers had the right to have access to these books.

We were never prosecuted although distributors would occasionally express their displeasure.

As president the Australian Booksellers Association I was active in fighting for reforms of the Parallel Importation provisions on the Copyright Act to give booksellers and their customers access to books at competitive prices.

When I began selling books the majority of the books we sold were from the UK or the US (these were the ones we would import directly). The Australian books we sold were generally what could be classed as "Australiana" – mostly pictorial books with a very specific appeal to the local market.

With the establishment of the Australia Council and the Literature Board, development grants were given to Australian writers and publishers to produce books with literary, cultural and

political merit. This funding was tremendously effective – though relatively small it helped create the foundations of the modern Australian publishing. There was a real hunger for Australian stories and books that looked at Australia through Australian eyes. This was probably something the Australia Council hoped for but I'm sure the response was beyond their most optimistic expectations.

By the mid 80s local publishing had grown from a cottage industry to a serious player in Australian book sales. As an Australian bookseller I was tremendously proud that the books my customers most cared about were those by Australian authors and I still am.

As a bookseller I was still frustrated that technically I wasn't able to procure and sell books published overseas that I thought my customers would want. The 1991 reforms changed that. We are now in a position that all major overseas books are available in this country at the same time as their publication overseas and where they aren't we are free to import them.

As of 1<sup>st</sup> of June 2016, 8 of the New York Times top 5 sellers in fiction and non fiction were available in Australia at RRP equivalent or cheaper than the US price:

- *Me Before You* Jo Jo Moyes US price \$22.85 ex tax, Australia \$20.90 ex GST
- *15<sup>th</sup> Affair* James Patterson US Price \$40 ex tax, Australia \$29.99 ex tax
- *Weekenders* Mary Kay Andrews US Price \$39.99 ex tax, Australian \$34.53 ex tax
- *The Last Mile* David Baldacci US price \$41.42 ex tax, Australian \$27.26 ex tax
- *The Fireman* Joe Hill US Price \$41.41 ex tax, Australian \$26.45 ex tax
- *The Gene* Siddharta Mukherjee US Price \$45.71 ex tax, Australian \$31.81 ex tax
- *When Breath Becomes Air* Paul Kalnithi US Price \$35.71 ex tax, Australian \$29.99 ex tax
- *Grit The Power of Passion and Perseverance* Angela Duckworth US Price \$40 ex tax, Australian \$31.82 ex tax

Not one of these books could I buy overseas more cheaply from an overseas publisher or distributor, and I would argue that there are hardly any books published overseas that I could buy more cheaply from an overseas publisher or distributor than I could from an Australian publisher or distributor.

If Parallel Importation Restrictions were removed the only player who could possibly be advantaged is Amazon and its wholly owned subsidiary Book Depository. They are the only ones with the buying power to *force* overseas publishers to sell to them at cost plus a small margin – no Australian book retailer has that power.

As a medium size player, I can't buy cheaper and a larger player like Dymocks couldn't either. Book supply in the major English language markets is done by wholesalers such as Ingram, Baker & Taylor in the US and Gardners and Bertrams in the UK. They operate on wafer thin margins and a typical discount for a large customer would be 45% off the selling price. Our shipping costs from the US and UK are, on average, 20% of the net cost of the book. Our gross margin from local publishers/distributors is 45%. To achieve that margin on a book that we import ourselves means that we have to sell that book at 22% (ex GST) above the selling price in its country of origin. One of our bestselling imported books over the last

year is *M Train* by Patti Smith (we have sold over 1200 copies since publication last October). It has an Australian RRP of \$29.99 ex tax, if I were to import that book directly to maintain my same margin I would have to sell it at \$33.95. In addition for much of that book's life I was able to negotiate more favourable terms and was able to sell it at \$25.45 (ex GST) or 25% less than if I had imported the book.

I cannot see how I will be able to source books more cheaply for my customers than I can from a local supplier.

If the removal of PIR's encouraged Amazon/Book Depository to warehouse books in Australia the result would be the further decimation of Australian book retailers.

The economic and cultural ramifications of this would be catastrophic.

Australian publishers need independent retailers to champion Australian books and writers. My company, Readings, spends in excess of \$500,000 per annum doing this. We champion books, build demand, inform readers, nurture Australian writers – if we weren't there would Amazon/Book Depository do it?

Melbourne was recognised as a UNESCO City of Literature for its vibrant literary culture, for its independent publishers and booksellers. Removal of the PIR's could jeopardise that international recognition - we just become drop off points for Amazon drones.

Australia and Australians should be very proud that have they built a vibrant and exciting cultural industry that tells Australian stories that enrich our lives, that help us understand our society and hopefully make better decisions. In addition, because we have created a sophisticated publishing industry our stories are now exported to other countries helping them understand us better.

Having said all that, there have been times when the semi-closed market we have has been abused, when publishers and distributors have charged too much for their products. Six years ago publishers/distributors failed to lower the prices of imported books to reflect stronger Australian dollar. As a bookseller I was furious. Not only were my customers disadvantaged but Amazon/Book Depository was given a massive competitive advantage by the artificially high Australian prices and the massive delivery subsidy they are given by Australia Post under Australia's obligations under the International Postal Union. This subsidy continues to this day and enables Amazon/Book Depository to continue to offer free delivery to Australian consumers.

I believe that if Australian publishers and distributors want copyright protection then that must come with the obligation to set prices as close to those of the originating publisher as possible.

We have created something very valuable, very precious – should we jeopardise that for very speculative benefits?