



3 June 2016

Allen & Unwin response to the Productivity Commission's draft report (dated April 2016) into Intellectual Property Arrangements

Allen & Unwin is pleased to have the opportunity to respond to the Productivity Commission's draft report.

Allen & Unwin is Australia's largest independently owned publisher. Established in 1976 as the subsidiary of a UK company, Allen & Unwin has grown from a one-person operation to a company that employs over 150 staff across Australia, New Zealand and the UK. In 1990 the parent UK company was acquired by HarperCollins and the Australian company became independent through a management buy-out by the Australian directors, who remain sole owners today.

Over the last 26 years the company has built a reputation for publishing high quality Australian fiction, non-fiction, children's and academic titles. In 2015 we published 375 books, of which 258 were by Australian authors. We were voted Publisher of the Year this year, the 13th time we have won this prestigious award. In 2015 our books won 35 awards with a further 126 shortlistings for awards.

The Australian publishing industry is Australia's leading creative industry and the 14th largest publishing industry in the world. Its authors are read and enjoyed by millions of Australian readers as well as by readers in every single country around the world. Our company's role is to invest in new and established Australian writers so that their writing can be available to be read both locally and on the world stage.

We would like to respond specifically to draft recommendation 5.2, for the Australian Government to repeal parallel import restrictions for books.

The current parallel import restrictions allow Allen & Unwin to invest in a writer's intellectual property and publish the work commercially. The financial risk we take via that investment is balanced against the potential reward of success for the author and our company. The parallel import restrictions underpin this investment.

In 2015 Allen & Unwin invested \$6 million in advances to Australian and international authors. This level of investment would not be possible from our company in an open publishing market where the uncertainty created would change our investment decisions. The number of books we publish would decrease and our ability to invest in, and support over a long timeframe, new and established writers would reduce.

How the current PIRs benefit Australian consumers

Existing laws allow consumers or retailers to import any book that a consumer wishes to purchase into Australia. Any book published in the world is legally able to be bought by an Australian reader. The argument that repealing parallel import restrictions will give Australians access to more books therefore is false. It is a theoretical argument and not based on the reality of the situation.

A core view from the Productivity Commission is that book prices will reduce if import restrictions are repealed. This view suggests an uncompetitive marketplace. Yet the marketplace is highly responsive to consumers – book prices in Australia have reduced 25% since 2008 (Source: Nielsen Bookscan) as publishers and retailers have met the market's needs.

The current parallel import restrictions have been well fashioned to ensure books reach Australian consumers quickly. The 30 day limit for publishers to make international books available balances consumer need with the reality of manufacturing and shipping or distributing products. Ebook editions of international books are usually available in Australia simultaneously with the first overseas edition. Print editions of international books are published simultaneously on many titles by all publishers.

83 Alexander Street
Crows Nest, Sydney
NSW 2065
Australia

PO Box 8500
St Leonards
NSW 1590
Australia

ph: (61 2) 8425 0100
fax: (61 2) 9966 0065

info@allenandunwin.com
www.allenandunwin.com

Allen & Unwin PTY LTD
ABN 79 003 994 278



The existing laws also increase the breadth of titles that are available in Australian bookstores. This occurs because the current laws support publishers' investment in buying rights to international titles and so the publisher can make these titles widely available in Australian bookstores.

All of the above highlight the benefits to the Australian consumer that flow from the current copyright laws. A system of operating has developed in the marketplace that is responsive, timely and consumer-focussed. Any change to the laws will place this complex and interdependent ecosystem at risk.

How removing PIRs would affect Allen & Unwin

As an independent Australian publisher Allen & Unwin relies on being able to purchase Australian territorial rights in order to reliably take risks to see returns on our investments. Without having subsidiary operations in other major markets, Allen & Unwin would have no shield against any copyrights changes in Australia, and we would have to alter our methods of operation.

If overseas editions of our books were available to be sold in Australia in commercial quantities, Allen & Unwin's sales revenue would decrease and the number of books we would buy Australian rights to would necessarily decrease. We would be unable to reliably buy Australian rights for big name international authors, and with less money to spend, we would make fewer investments in buying smaller international books. This would mean fewer books in the market for people to choose from. With lower sales, employment numbers at Allen & Unwin would need to be reviewed.

As a result of our decreased sales, we would publish fewer Australian authors. While some Australian authors' books and sales may remain unaffected by a removal of PIRs, others would be significantly affected. As it will be difficult to predict which of our authors will be most affected our overall decision making will change, leading ultimately to a decision to publish fewer books.

The high risk environment of the publishing industry will become more difficult if copyright laws were to change, and the first casualty of this environment will be our highest risk books. This category includes books from first time authors, non-fiction books on unproven topics, second novels by unknown or lesser known authors, and children's books. Children's books are published into relatively small markets, with smaller print runs and lower retail prices than adult books, but require similar overhead costs to produce. As such, despite the fact that children's books play a crucial role in encouraging and improving children's literacy and language skills, it would be necessary to reduce the business risk in this area to ensure the viability of the overall publishing program.

How removing PIR would affect the book industry

The Productivity Commission's view that the removal of PIR will benefit competition, and thereby Australian consumers, is in our view false. Analysis of the Nielsen Bookscan data on the publishing industry in New Zealand since they repealed PIRs in 1998 shows that the average selling prices of books has decreased by 14% since 2008, compared to 25% in Australia since 2008 (Source: Nielsen Bookscan). The range of books sold in New Zealand has shrunk by 34.5% and market sales have fallen by 15.7% (Source: Nielsen Bookscan). The removal of PIRs in New Zealand have shown that it will have the opposite effect for Australia to that forecast by the Productivity Commission. The contraction in the market would lead to less investment from publishers in new authors, fewer books in the marketplace, the loss of sales for bookstores, loss of business for printers, and loss of an important cultural landscape for Australian readers. The inevitable loss of bookstores would mean fewer places for Allen & Unwin to sell our books, creating a vicious circle where the publishing industry would get smaller and smaller.

Response to the Productivity Commission's suggestion regarding the concerns that removing PIRs will 'chill' local writing

The suggestion from the Productivity Commission that local Australian writing could in the future be supported through direct subsidies to ensure cultural value is impractical and unnecessary. The industry has become Australia's leading creative industry without extensive direct subsidies. The significance of this fact surely weighs in

83 Alexander Street
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Australia

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ph: (61 2) 8425 0100
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this debate. Why would an industry that operates highly effectively, is respected and valued by Australian citizens, is internationally respected and world-leading in certain areas, require wholesale change and the introduction of subsidies? Surely seeing the situation for what it is, rather than viewing it from an ideological perspective, would suggest it should be left well enough alone.

Summary

The Australian book industry is successful. It has weathered the impact of the global financial crisis, the transition to online shopping and digital reading via ebooks and the loss of Australia's largest retail book chains. Australian stories are important to Australians.

The industry employs more than 20 000 people. Much of this success has its foundations in the finely balanced stability provided by the existing territorial copyright arrangements.

These arrangements have encouraged very strong investment in a high risk industry. They have allowed authors, new and existing, to be discovered, supported and nurtured over time. Benefits from the existing copyright arrangements have flowed to the entire Australian community – to consumers, authors, booksellers, printers and publishers.

Any benefits from changing the existing arrangements are speculative and are contradicted by the evidence from conditions in New Zealand.

The industry is flourishing and will continue to prosper whilst supported by the existing Australian copyright legislation.

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