

Productivity Commission Study

Copyright Restrictions on the Parallel Importation of Books

Supplementary Submission by The Scribo Group

9 APRIL 2009

We refer to our initial submission to the Commission dated 20 January 2009. To recap, we are Australia's largest independent book distribution company with annual revenues of between \$50m and \$60m and approximately 140 employees.

We strongly oppose the recommendations proposed by the Commission in its report.

We believe that limiting territorial copyright to 12 months effectively abolishes it, especially for publishers and distributors such as Scribo who rely heavily on backlist sales.

We refer to the examples and case studies that we presented in our initial submission, and note that we would generally be unable to recoup our costs in only 12 months. This is because many new books do not achieve massive sales in their first year. As a result, our business relies heavily on backlist sales to generate our modest mid single digit EBIT returns. Without the protection of territorial copyright on our backlist we would run the risk of having our market swamped with overseas remainders and overstocks. This would undermine our financial position and would result in a reduction in up-front investment in new titles. It would also mean that we would be compelled to increase prices on all copyright protected frontlist titles in order to recoup within 12 months an appropriate economic return that might previously have been recouped over a longer period of time.

We would be crazy to invest heavily in a new title if we were not certain of a one year payback. A one year payback is very rare in our business. The formula for evaluating an investment decision on new books would therefore be fundamentally changed. The result is that there would be far less investment in new titles.

In the absence of the protection afforded by territorial copyright on backlist, we would also be compelled to reduce inventory holdings of key backlist titles. This would affect range and service levels, and would increase the costs of stock holdings on a per unit basis due to the reduction in economies of scale. This would inevitably result in price increases for our customers.

We urge the Commission to retain the current system of territorial copyright protection. The current system works well and we should not mess with it in the absence of compelling reasons to do so. No such compelling reasons have been presented in the Commission's report.

Yours faithfully, |

Gary Cobbledick
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The Scribo Group Pty Ltd

Cc: Craig Davison, Managing Director