



6 July 2012

Ms Julia Morris
Secretary
House of Representatives Standing Committee on
Infrastructure and Communications
PO Box 6021
Canberra ACT 2600

BY EMAIL TO: ic.reps@aph.gov.au

Dear Ms Morris,

The Australian Publishers Association (APA) thanks the Committee for the opportunity to make a submission to the Inquiry on IT hardware and software pricing.

In reading our submission, the Committee should particularly note that:

- the Association does not of course, have any role in setting prices for books or eBooks;
- all pricing (whether retail or wholesale) is entirely a matter for the relevant distributors and publishers, who make their pricing decisions independently of each other; and
- all pricing is also subject to obligations under the Australian Competition and Consumer Act.

The APA can present to the Committee information relevant to the Inquiry relating to the environment in which publishers are operating and it can also make observations on the considerations which many publishers take into account when considering prices.

That said, the Committee should particularly bear in mind that "publishing" is an industry made up of very many types of publishing and many types of publisher, and that it would therefore be misleading to describe it as a single sector. As a result, both the problems faced in the digital world and the processes adopted when it comes to pricing of eBooks vary considerably from publisher to publisher and from publication to publication.

In summary, however, the APA can particularly draw the Committee's attention to the following as the points that frame any discussion about eBook pricing:

- the market for books, be they eBooks, audio or hard copy has never been more accessible, diverse and competitive than it is now, and it is of course experiencing one of the biggest transformational periods in the history of publishing;
- the eBook market is fledgling yet already highly competitive – not only are there millions of titles jostling for the consumer dollar, but there are a great number of online retailers and distributors that sell to Australian consumers, and it is increasingly easy to search for and to compare prices in an environment in which discounting is the norm (indeed, consider the below cost discounting practices of Amazon);
- it is not clear that prices paid by Australians for eBooks are consistently higher than prices paid by people in other countries, particularly once Australia's GST of 10% is taken into account (indeed, in relation to textbooks, the price in Australia may be lower than in other countries);
- in digital publishing, costs are not zero – in many cases the costs of producing an eBook can be as high or even higher than the cost of publishing in print, particularly in the educational market;
- profit margins on each eBook sold can also vary from country to country, depending on factors such as royalty structures, hosting costs, technical support provided by a publisher and the extent to which a book needs to be adapted and enhanced to suit each country (a particular concern in relation to educational publishing);
- most publishing of Australian titles is done on the basis that costs must be recovered in Australia, as the largest market for Australian titles;
- value to customers as well as cost of production is taken into account in pricing most if not all products and services, not just books;
- many (if not most) publishers currently believe their futures, whether online or otherwise, are far from financially certain, and a number of Australian publishers have made significant cuts to their work-forces as a result of difficulties in the market – clearly not the sign of an industry gouging profits;
- an Australian publishing industry is vital for the health of the Australian economy and culture and the Australian government should continue to do all it can to support Australian publishers in light of the potential value of the industry to the Australian economy – both on and off line.

The APA also wants to draw the Committee's attention to recent initiatives by the Federal Government in response to the difficulties facing the publishing industry in the digital environment:

- in 2010, the Australian Government set up the Australian Book Industry Strategy Group (ABISG) to develop viable strategies to assist the industry adjust, and to improve efficiency within the book supply chain;¹ and
- in June 2012 – as a direct result of the ABISG's report – the Government established the Book Industry Collaboration Council, which will “work to maintain a dialogue between the industry and government and to encourage collaboration between the supply chain sectors”, as such action is now recognised as being “vital to strengthening the position of the Australian book industry within the global market”.²

Please contact me if you would like further information or more detailed comment.

Yours faithfully

Maree McCaskill
Chief Executive Officer

¹<http://www.innovation.gov.au/INDUSTRY/BOOKSANDPRINTING/BOOKINDUSTRYSTRATEGYGROUP/Pages/default.aspx>.

² <http://www.innovation.gov.au/Industry/BooksandPrinting/Pages/Book-Industry-Collaboration-Council.aspx>.