



Submission from Cyberworld Publishing

INQUIRY INTO IT PRICING

TERMS OF REFERENCE: The House of Representatives Standing Committee on Infrastructure and Communications is inquiring into IT hardware and software pricing, noting any differences in prices of products sold in Australia compared with other markets (US, UK and Asia-Pacific), and with particular attention to:

- a. the nature of and reasons for these differences;
- b. any impacts on Australian business, government and households; and
- c. the actions which might be taken to address any disadvantages to Australian consumers.

The inquiry will include consideration of IT hardware, computer games and consoles, e-books, music and video downloads, and professional software, whether sold over the internet or in retail markets.

This Submission's Area of Interest - e-books

This submission is in two sections:

Section 1 That e-books should not be included in this enquiry as they are not an Information Technology product.

Section 2 Our position on e-book pricing.

Section 1 That e-books should not be included in this inquiry as they are not an IT product.

Our first point of submission is that we do not believe that e-books should fall under this enquiry as they are not Information Technology “products” in the same way that software or computer games are, and are not “sold”. An e-book may be accessed electronically but it always remains the property of the publisher. An e-book purchaser merely acquires a license or the right to access and read the contents of a file they download. They cannot perform any actual process or manipulation with the contents of the e-book file and should not transfer it or its contents - which are subject to copyright - to anyone else.

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On this basis we do not believe that e-books constitute an IT product and should not be included in the inquiry.

Section 2 Our position on e-book pricing.

If you do determine to include e-books in the inquiry we wish to make the following submission in relation to e-book pricing.

Our pricing position

We are a small publisher; primarily a digital publisher, and we hold worldwide rights to all the material we publish. We publish a broad range of e-books ranging from text only novels to illustrated non-fiction. We have been actively involved in the e-book market since mid 2008, initially as creators of published product, and have been an active e-book publisher since 2009.

Since 2008 we have seen massive changes in every facet of the e-book industry—including formats, the distribution platforms, and in the acceptance of e-books by readers—particularly readers in Australia.

Our e-books are available through all the major worldwide distributors, and from Australian and New Zealand specific sites via Apple from Apple (Australia) and via KOBO from Angus and Robertson, Borders (Australia) and Whitcoulls (NZ).

We hold worldwide rights to the e-books we publish and publish them directly to the major distributors. These distributors may leave the price in US\$ or may convert that price to the local currency of the purchaser and, where necessary, add GST or VAT to the price to set a local currency price. All books sold in Australia via Australian based sites, such as Apple, are subject to GST.

(Note that Apple's pricing/royalty model is currently subject to a major US Department of Justice publishing pricing collusion enquiry.)

Distributor pricing is often out of our control, and the following are examples of pricing variations for one e-book, which we price at upload to all distributors at US\$2.99. Variations are due to distributors exchange rate decisions, business pricing decisions and GST and VAT inclusion.

Amazon US \$US Pricing US\$2.99:

http://www.amazon.com/Howling-Charlotte-Diamond-Mysteries-ebook/dp/B003DTMUYO/ref=sr_1_1?s=digital-text&ie=UTF8&qid=1340327914&sr=1-1&keywords=By+The+Howling

Apple US \$US Pricing US\$2.99:

<http://itunes.apple.com/us/book/by-the-howling/id515774049?mt=11>

KOBO \$A Pricing A\$2.78:

<http://www.kobobooks.com/ebook/By-The-Howling-Charlotte-Diamond/book-Q9mFeM2UP0mcS-IGH5bMEQ/page1.html?s=WJbtq5Kcr0SPtLGSBQEowQ&r=1>

Angus and Robertson \$A Pricing A\$4.95:

<http://www.angusrobertson.com.au/ebook/by-the-howling-charlotte-diamond-mysteries-1/27673965/>

Apple Australia \$A Pricing A\$2.99 (We know that Apple deduct GST from the sale price before calculating the publishers share, rather than adding it to the sale price.)

<http://itunes.apple.com/au/book/by-the-howling/id515774049?mt=11>

Amazon (UK) Pricing £UK Pricing **£1.96**:

<https://www.amazon.co.uk/dp/B003DTMUYO>

Amazon {Germany} Euro Pricing Euro 2.68:

<https://www.amazon.de/dp/B003DTMUYO>

Apple (Germany) Euro Pricing Euro 2.49:

<http://itunes.apple.com/de/book/by-the-howling/id515774049?mt=11>

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As can be seen using this e-book as an example, with an entered price with all distributors of US\$2.99, distributor pricing outside the US market involves repricing e-books in different ways to arrive at local currency prices.

It is strange that Australian distributors Angus and Robertson and Borders both use KOBO for their content feed and both charge A\$4.95 for *By The Howling*, for which KOBO itself charges A\$2.78. The higher price is not a simple exchange rate and GST variation from the base US\$ price.

There is adequate competition within the Australian e-book market, as all major distributors, including Amazon, KOBO, Apple, All Romance Ebooks, Fictionwise and Books on Board, but presently excluding Barnes and Nobles Nook store, are accessible by potential Australian and New Zealand e-book readers.

General pricing considerations in the Australian e-book market

We receive payment for approximately 1,000 e-books per month. This is for sales from all distributors worldwide. Our sales in Australia and New Zealand would be no more than 50 e-books per month. The Australian market is very small.

On the basis of our experience with sales volume it would be a waste of time for us, or anyone, to publish e-books just for the Australasian market unless they were books that were already best sellers in print. The sales are not there to cover the production costs for e-book versions of most books, if their sale is limited to the Australian and New Zealand markets.

We publish a range of dog care books, and for these we use insurance cover we have for public liability and professional indemnity for dog-related activities to cover ourselves. This expensive insurance would not be necessary in many other countries for publishers of dog care books. Insurance is an extra, and large, cost of operating any business in Australia. Australian public liability laws and obligations are

onerously expensive for many small businesses and affect non-fiction publishing costs in this country.

Other Considerations

After a century or more of relative stability, the book publishing, distribution and retailing landscape worldwide is going through massive changes. Where these changes will lead, in even the next five years, no one knows at this time.

The Australian publishing industry is relatively small, and after being isolated in many ways, is now no longer isolated. Australian publishing employs an educated and creative workforce struggling to adapt to and survive in a new world environment over which it has no control.

We also highly recommend that the committee read this Huffington Post 20 June 2012 article on e-book production costs:

http://www.huffingtonpost.com/andrew-zack/making-ebooks-is-harder-t_b_1610953.html?utm_hp_ref=books

Summary

E-book pricing in Australia is based on a mix of publisher set prices, distributor pricing models and discount policies, GST and other Australia-specific costs of distribution and publishing. There are a large number of international and local distributors operating in Australia.

In the current highly volatile and transient international publishing environment we do not believe it is beneficial long term, to either publishers or Australian readers, for the government to distort the market further by enforcing pricing controls on the industry.

Cyberworld Publishing

S Bush
Publisher
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