



28 June 2012

The Secretary  
House of Representatives Inquiry into IT Pricing  
Parliament House  
Canberra ACT 2600

Dear Sir,

**Submission to the House of Representatives Inquiry into IT Pricing  
E-Book Pricing**

I have attached a submission about substantially higher prices of e-books sold online by Amazon in Australia compared with prices in the US, UK and NZ.

My first recommendation is "The Committee should ask some major Australian publishers to explain why their e-book prices are significantly higher than in other countries." I hope that you can arrange for the publishers to provide that information, and appear before the Committee to answer questions on this important topic.

I am an active contributor to Australian Kindle Users forum on the Amazon website which frequently discusses high e-book prices set by Australian publishers. My submission includes names of other contributors to the forum who have read and support the content of this submission.

Some of those listed will also be sending their own submission in support of mine, with comments of their own.

Yours sincerely,

John Dulley

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Phone

Email:

## **Submission on the prices of popular fiction e-books sold online by Amazon in Australia, the US, the United Kingdom and New Zealand.**

### **Background information**

1. Because I buy e-books from Amazon, this submission relates to the prices of popular fiction e-books sold online by the [Amazon website](#) in Australia, the US, the United Kingdom and New Zealand. Similar prices also exist for other online e-book retailers.
2. Amazon is the largest online retailer of e-books in the world with possibly around 60-75% of the world market and sells e-books to the Australian market. Although there is no accurate information about the share of e-books in the total book market in Australia, unofficial estimates are between 10 and 20% (with Amazon the largest online retailer) with e-book sales growing faster than print books.
3. Because of regional copyright differences, Amazon sells Kindle books in several different regions, including Australia, the US, the UK and NZ (part of Amazon's Asia & Pacific region). Price comparisons are shown for the same book across different regions.
4. While Amazon e-books can be read on any PC or smart phone they are best read on Kindle e-book readers which use E Ink to display pages that look like a book page and can easily be read in full sunlight. Kindles have been sold locally in Australia from mid 2011 through Big W, Dick Smith and even Woolworths supermarkets at prices between \$140 and \$250. This has led to a significant increase in e-book sales in Australia.
5. E-books are much cheaper to produce than print books as there are no printing, distribution and inventory costs. E-books are digital copies of print books converted to the format supported by the online retailer - a relatively easy process. Once a book is available as an e-book it is never out of print. Most publishers are progressively converting their print books to e-book format.
6. In contrast to print books, Kindle e-books are sold under licence and cannot be resold or lent to third parties. All e-books sold by Amazon include Digital Rights Management encryption that limits the use of the book to a specific Kindle or up to 6 Kindles on the same Amazon account.

### **Australian Kindle User Forum**

1. There is a very active Amazon forum for Australian Kindle users. The forum has actively discussed recent price increases both in Australia and other countries for Kindle e-books and frequently expressed concern at "price gouging by Australian publishers".
2. There are 3 pages of FAQ's on the current forum that cover pricing and other issues which should be read in conjunction with this submission:
  - [Book prices -Part 1 - Why are they so expensive in Australia?](#)
  - [Book Prices -Part 2 - History](#)
  - [Indie Books](#)
3. Because the forum is not a formal organisation this submission must be considered as coming from an individual. This submission has been circulated to interested forum contributors and several of them have asked to show their support for this submission - see page 11 for details. Some of them may also send personal submissions..

## **Executive Summary**

**Amazon is the largest online retailer of e-books in Australia ([www.amazon.com](http://www.amazon.com)). This submission relates to the prices of popular fiction e-books sold online by Amazon in Australia, the US, the UK and NZ. Similar prices also exist for other online e-book retailers.**

1. Prices of Kindle e-books sold in Australia by traditional publishers are significantly higher than prices for the same books in the US, the UK and NZ.
2. Prices of Kindle e-books sold in Australia by independent and self publishers - "Indies" - are significantly lower and are virtually the same in all countries.
3. An analysis of 100 recent popular fiction e-books by traditional publishers sold by Amazon shows that overall Australian e-book prices are 16.7% higher than the US, 32.2% higher than the UK and 21.3% higher than NZ.
4. Some of the larger Australian publishers are responsible for most of the higher prices.
5. Prices for some e-book new releases are almost the same as the price for the print book version in Australian discount department stores.
6. Prior to mid 2010 Amazon set prices of Kindle e-books on a normal wholesale model with most popular novels priced between \$9.99 and \$12.99 with similar prices between countries.
7. During 2010 Amazon reluctantly accepted arrangements where prices can be set by publishers under an Agency Agreement with publishers setting the price on behalf of the author. It is likely that Agency Agreement pricing is outside the scope of Australian competition legislation.
8. During December 2011 some Australian publishers used the Agency Agreement to significantly increase their e-books prices by 25% to 100% for some recent releases.
9. Australia has some of the highest print book pricing in the world and the Australian publishing industry is protected from importation of cheaper books by parallel importation restrictions. It appears that publishers are attempting to keep these pricing differences by relating e-book prices to these protected print book prices.
10. With the increasing ownership of e-book readers, Australian publishers are facing fundamental change in their market structure, with sales of e-books likely to overtake print books in the not so distant future.
11. Many e-book readers have reacted to higher publisher book prices by reducing their purchases of publisher books and buying more e-book "Indies" at lower prices.

## **Recommendations**

1. The Committee should ask some major Australian publishers to explain why their e-book prices are significantly higher than in other countries.
2. The Committee should ask the ACCC for advice on whether agency pricing of e-books can be examined under Australian competition legislation and if not what legislative changes are needed to bring this pricing under ACCC control.
3. The ACCC should be asked to examine the impact of current publisher e-book pricing on consumers, having regard to lower prices charged in other countries. Because e-book pricing seems to be linked to print book pricing, the ACCC should also be asked to re-examine the regulations on parallel importation of print books and its impact on Australian consumers.
4. The Committee should recommend that agency pricing of e-books be made illegal and pricing revert to the wholesale model.

## **Terms of Reference**

### **(a) Whether a difference in prices exists ...for [Kindle] e-books... sold in Australia over the internet or in retail outlets as compared to markets in the US, UK and economies in the Asia-Pacific**

This submission relates to the prices of publisher e-books sold by Amazon in Australia, the USA, NZ and UK via their website (www.amazon.com). Unless stated otherwise the term Kindle books or e-books relates to books published by traditional (or "bricks and mortar" or "heritage publishers") sold on the Amazon website (www.amazon.com).

Significant price differences exist between Kindle e-books from Australian publishers sold by Amazon in Australia, compared to the same publisher e-books sold to US, UK and NZ readers. See (b) for a detailed analysis.

Amazon also sells thousands of e-books by small publishers or which are self-published ("Indies"). There are seldom price differences between countries for Indies and the prices are very low - generally below \$4.99 (and sometimes free for short periods for promotional purposes).

Amazon sells e-books online to consumers in countries throughout the world according to the publishing rights for the book in these countries. A book may be published by one publisher in the Australia, another in the USA, another in the UK, and a different one again in NZ. To meet publication rights in different parts of the world Amazon sells Kindle books to several world regions, including Australia, USA, UK and Asia and the Pacific. NZ is part of the latter region but in many cases publishers set country specific prices for NZ which differ from the rest of that region. Price comparisons for terms of reference (b) relate to country specific NZ prices. .

Most major Australian publishers are subsidiaries of or are associated with major global publishing conglomerates. The companies are registered in Australia and in most cases have some degree of local autonomy, especially in pricing.

## **Terms of Reference**

### **(b) Establish what those (price) differences are**

#### **Price differences before end of 2011**

Prior to the mid 2010 the pricing of publisher e-books followed the traditional wholesale model with the online retailer setting the price. Amazon policy at that time was to set prices of popular Kindle e-books at around \$9.99 to \$12.99 with small differences between countries.

#### **Price increases at the end of 2011**

During 2010 Amazon reluctantly agreed to an Agency Pricing model (see Terms of Reference [c] for details) where publishers are allowed to set prices. Most price increases by Australian publishers using the Agency Agreement occurred during December 2011. Many Kindle book prices set by Australian publishers increased by around 25% and some prices of recent releases doubled to around the price of a print book in a discount department store. While publishers in other countries also increased their e-book prices, the price increases were less than in Australia.

#### **Price comparisons**

Pages 6 to 8 show a detailed analysis prices in mid June 2012 for a selection of around 100 Kindle e-books for popular new and recent release novels sold by Amazon in Australia, the US, the UK and NZ. The novels were chosen from some of the most popular authors from Australia, the US, the UK and other countries to reflect the range of print books that might be found in a large bookshop. Most books selected were available in all or most of the target countries.

#### **Conclusions**

1. While price information for individual books shows varying price differences between countries, average Australian prices for all the selected books are substantially higher than elsewhere - 16.7% higher than the US, 32.2% higher than in the UK and 21.3% higher than in NZ.
2. The highest prices recorded are for recent popular releases. The Witness by Nora Roberts (released in April) was priced in Australia by Hatchette at \$20.07 compared to \$14.99 in the US. 11.22.63 by Stephen King (which has been on the best seller list since November 2011) was priced in Australia by Hatchette at \$19.90 compared to \$16.99 in the US. Both books have been sold in Big W and Kmart as Trade Paperbacks at around \$21.00.
3. There were large differences in the price analysis by country of author, and in all cases books sold in Australia were priced substantially higher than in other countries.
4. Significant differences were shown between the pricing policies of different Australian publishers. Three major Australian publishers - Hatchette, Pan Macmillan and Penguin - were responsible for most of these price differences with other countries.

### **Price comparisons of matched baskets of e-books**

Comparisons were also made of matched baskets of the selected e-books where the books were available in both countries.

### **Price comparisons by Author Country**

<i><b>Author country</b></i>	<i><b>AU &gt; US prices</b></i>	<i><b>AU &gt; UK prices</b></i>	<i><b>AU &gt; NZ prices</b></i>
Australia	24.8%	31.6%	18.1%
USA	17.5%	25.4%	25.6%
UK and other countries	3.5%	54.0%	18.7%
<b>All books</b>	<b>16.7%</b>	<b>32.2%</b>	<b>21.3%</b>

### **Price comparisons for major Australian Publishers (a)**

<i><b>Major Australian Publishers</b></i>	<i><b>AU &gt; US prices</b></i>	<i><b>AU &gt; UK prices</b></i>	<i><b>AU &gt; NZ prices</b></i>
Allen & Unwin (9 books)	1.7%	14.7%	-0.3%
Harper Collins (11 books)	-7.8%	14.2%	14.5%
Hatchette (14 books)	36.7%	38.7%	49.4%
Pan Macmillan (22 books)	25.8%	35.4%	30.2%
Penguin (7 books)	37.8%	48.0%	9.2%
Random House (7 books)	12.5%	-2.7%	8.2%

(a) The publisher in Australia will not necessarily be the same as the publisher in other countries.

**Inquiry into IT Pricing - submission by John Dulley about e-book pricing**

**Prices of Selected Kindle Books by authors from Australia - mid June 2012 (USD)**

Author	Title	AU Publisher	AU	US	UK	NZ	AU>US	AU>UK	AU>NZ
Belinda Alexandra	Golden Earrings	Harper Collins	\$8.89	n.a.	\$8.00	\$9.04	n.a.	11.1%	-1.7%
Belinda Alexandra	Wild Lavender	Harper Collins	\$9.95	n.a.	n.a.	\$9.99	n.a.	n.a.	-0.4%
Sydney Bauer	The Third Victim	Pan Macmillan	\$15.06	n.a.	n.a.	\$14.02	n.a.	n.a.	7.4%
Sydney Bauer	Alibi	Pan Macmillan	\$13.05	\$7.99	n.a.	\$9.99	63.3%	n.a.	30.6%
Sydney Bauer	Undertow	Pan Macmillan	\$13.05	\$7.99	n.a.	\$9.99	63.3%	n.a.	30.6%
John Birmingham	Angels of Vengeance	Del Rey	\$17.05	\$12.99	\$15.49	\$16.41	31.3%	10.1%	3.9%
John Birmingham	After America	Del Rey	\$5.97	\$7.99	\$7.41	\$6.02	-25.3%	-19.4%	-0.8%
Peter Carey	Chemistry of Tears	Penguin Publishing	\$20.07	\$12.99	\$13.23	\$12.99	54.5%	51.7%	54.5%
Kerry Greenwood	Cocaine Blues	Allen & Unwin	\$9.99	\$7.99	n.a.	\$9.99	25.0%	n.a.	0.0%
Kerry Greenwood	Urn Burial	Allen & Unwin	\$9.99	\$8.49	\$12.78	\$9.99	17.7%	-21.8%	0.0%
Thomas Keneally	The Australians (1)	Allen & Unwin	\$28.79	\$28.79	\$22.56	\$28.79	0.0%	27.6%	0.0%
Thomas Keneally	Schindler's Ark	Sceptre	\$13.05	n.a.	\$7.87	\$8.66	n.a.	65.8%	50.7%
Colleen McCullough	The Prodigal Son	Harper Collins	\$14.29	\$12.99	n.a.	\$14.29	10.0%	n.a.	0.0%
Colleen McCullough	Morgan's Run	Harper Collins	\$14.92	\$12.99	\$12.81	\$9.99	14.9%	16.5%	49.3%
Monica McInerney	Upside Down Inside Out	Penguin Publishing	\$17.05	\$9.99	\$8.80	n.a.	70.7%	93.8%	n.a.
Monica McInerney	At Home with the Templetons	Penguin Publishing	\$17.05	\$11.99	\$8.31	n.a.	42.2%	105.2%	n.a.
Di Morrissey	Opal Desert	Pan Macmillan	\$17.05	\$14.99	\$16.15	\$14.02	13.7%	5.6%	21.6%
Di Morrissey	Tears of the Moon	Pan Macmillan	\$12.93	\$9.99	\$11.74	\$9.99	29.4%	10.1%	29.4%
Kate Morton	The Forgotten Garden	Allen & Unwin	\$9.69	\$11.99	\$6.43	\$9.69	-19.2%	50.7%	0.0%
Kate Morton	The Distant Hours	Allen & Unwin	\$9.69	\$9.99	\$6.33	\$9.69	-3.0%	53.1%	0.0%
Judy Nunn	Tiger Men	Random House	\$9.99	n.a.	n.a.	\$9.99	n.a.	n.a.	0.0%
Judy Nunn	Maralinga	Random House	\$9.99	n.a.	\$7.87	\$9.99	n.a.	26.9%	0.0%
Tony Park	African Dawn	Pan Macmillan	\$9.95	n.a.	\$13.21	\$9.99	n.a.	-24.7%	-0.4%
Tony Park	Ivory	Pan Macmillan	\$13.05	n.a.	\$9.79	\$9.99	n.a.	33.3%	30.6%
Matthew Reilly	Scarecrow & the Army of Thieves	Pan Macmillan	\$14.92	\$11.99	\$14.41	\$9.99	24.4%	3.5%	49.3%
Matthew Reilly	Ice Station	Pan Macmillan	\$10.03	\$8.99	\$6.43	\$8.54	11.6%	56.0%	17.4%
Gregory David Roberts	Shantaram	Pan Macmillan	\$14.92	\$9.99	\$11.21	\$9.99	49.3%	33.1%	49.3%
David Rollins	Ghost Watch	Pan Macmillan	\$13.05	\$9.99	\$6.43	\$9.99	30.6%	103.0%	30.6%
David Rollins	The Zero Option	Pan Macmillan	\$13.05	\$9.99	\$11.93	\$9.99	30.6%	9.4%	30.6%
Michael Rowbotham	The Wreckage	Hatchette	\$12.04	\$9.99	\$14.41	\$7.99	20.5%	-16.4%	50.7%
Michael Rowbotham	Shatter	Hatchette	\$12.04	\$9.99	\$7.87	\$8.66	20.5%	53.0%	39.0%
Nevil Shute	A Town like Alice	Vintage Digital	\$9.99	\$11.99	\$9.40	\$9.99	-16.7%	6.3%	0.0%
Peter Watt	The Pacific	Pan Macmillan	\$17.05	n.a.	\$19.67	\$14.02	n.a.	-13.3%	21.6%
Peter Watt	Cry of the Curlew	Pan Macmillan	\$12.93	n.a.	\$12.12	\$9.99	n.a.	6.7%	29.4%

**Inquiry into IT Pricing - submission by John Dulley about e-book pricing**

**Pricing of Selected Kindle Books by authors from the United States - mid June 2012 (USD)**

Author	Title	AU Publisher	AU	US	UK	NZ	AU>US	AU>UK	AU>NZ
David Baldacci	The Innocent	Pan Macmillan	\$17.05	\$12.99	\$6.27	\$9.99	31.3%	171.9%	70.7%
David Baldacci	Zero Day	Pan Macmillan	\$17.05	\$9.99	\$12.62	\$9.68	70.7%	35.1%	76.1%
Lee Child	*A Wanted Man	Random House	\$16.71	\$13.99	\$16.14	\$16.71	19.4%	3.5%	0.0%
Lee Child	The Affair	Random House	\$9.49	\$9.99	\$13.42	\$9.49	-5.0%	-29.3%	0.0%
Tom Clancy	Locked On	Penguin	\$14.41	\$8.99	n.a.	\$14.09	60.3%	n.a.	2.3%
Tom Clancy	Hunt for Red October	Harper Collins	\$7.02	\$9.99	\$8.00	\$6.43	-29.7%	-12.3%	9.2%
Harlan Coben	Stay Close	Hachette	\$20.07	\$14.99	\$15.77	\$14.21	33.9%	27.3%	41.2%
Harlan Coben	Live Wire	Hachette	\$12.04	\$9.99	\$7.87	\$8.66	20.5%	53.0%	39.0%
Michael Connelly	The Drop	Allen & Unwin	\$9.68	\$9.99	\$11.21	\$9.99	-3.1%	-13.6%	-3.1%
Michael Connelly	The Fifth Witness	Allen & Unwin	\$9.49	\$9.99	\$8.00	\$9.49	-5.0%	18.6%	0.0%
Clive Cussler	The Storm	Penguin Publishing	\$12.99	\$12.99	\$15.04	\$14.99	0.0%	-13.6%	-13.3%
Clive Cussler	Blue Gold	Simon & Schuster	\$13.05	\$9.99	\$7.87	\$9.49	30.6%	65.8%	37.5%
Jeffery Deaver	*XO (Kathryn Dance 3)	Hachette	\$19.90	\$12.99	\$15.66	\$14.21	53.2%	27.1%	40.0%
Jeffery Deaver	The Burning Wire	Hachette	\$11.93	\$9.99	\$7.87	\$9.49	19.4%	51.6%	25.7%
Nelson DeMille	The Lion	Hachette	\$12.04	\$9.99	\$7.04	\$7.99	20.5%	71.0%	50.7%
Nelson DeMille	Plum Island	Hachette	\$12.04	\$8.99	\$7.87	\$7.59	33.9%	53.0%	58.6%
Vince Flynn	*The Last Man	Simon & Schuster	\$18.06	\$14.99	\$10.95	\$12.59	20.5%	64.9%	43.4%
Vince Flynn	Kill Shot	Simon & Schuster	\$18.06	\$14.99	\$8.00	\$8.79	20.5%	125.8%	105.5%
John Grisham	Calico Joe	Random House	\$17.05	\$12.99	\$12.81	\$9.99	31.3%	33.1%	70.7%
John Grisham	The Litigators	Random House	\$11.93	\$14.99	\$17.34	\$11.89	-20.4%	-31.2%	0.3%
Douglas Kennedy	The Moment	Cornerstone Digital	\$9.99	\$9.99	\$7.45	\$9.99	0.0%	34.1%	0.0%
Douglas Kennedy	Pursuit of Happiness	Cornerstone Digital	\$9.99	\$12.99	\$8.08	\$9.99	-23.1%	23.6%	0.0%
Stephen King	The Wind Through the Keyhole	Hachette	\$20.07	\$12.99	\$17.62	\$9.99	54.5%	13.9%	100.9%
Stephen King	11.22.63	Hachette	\$19.90	\$16.99	\$16.01	\$15.12	17.1%	24.3%	31.6%
Jodi Picoult	Lone Wolf	Allen & Unwin	\$16.49	\$14.99	\$15.66	\$16.49	10.0%	5.3%	0.0%
Jodi Picoult	Sing you Home	Allen & Unwin	\$10.34	\$9.99	\$7.87	\$10.34	3.5%	31.4%	0.0%
Kathy Reichs	Virals	Cornerstone Digital	\$8.95	\$10.99	\$6.73	\$8.95	-18.6%	33.0%	0.0%
Kathy Reichs	Deja Dead (Temperance Brennan 1)	Cornerstone Digital	\$7.59	\$7.99	\$8.20	\$7.59	-5.0%	-7.4%	0.0%
Nora Roberts	The Witness	Hachette	\$20.07	\$14.99	\$15.21	\$15.12	33.9%	32.0%	32.7%
Nora Roberts	Chasing Fire	Hachette	\$12.04	\$7.99	\$6.29	7.59	50.7%	91.4%	58.6%
Daniel Silva	*Fallen Angel	Harper Collins	\$16.91	\$14.99	\$8.00	\$9.99	12.8%	111.4%	69.3%
Daniel Silva	Portrait of a Spy	Harper Collins	\$9.10	\$8.99	\$8.00	\$8.92	1.2%	13.8%	2.0%
Taylor Stevens	The Innocent	Random House	\$18.04	\$11.99	\$19.22	\$18.04	50.5%	-6.1%	0.0%
Taylor Stevens	The Informationist	Random House	\$9.99	\$9.99	\$8.94	\$9.99	0.0%	11.7%	0.0%



**Pricing of Selected Kindle Books by authors from the United Kingdom and other countries - mid June 2012 (USD)**

Author	Title	AU Publisher	AU	US	UK	NZ	AU>US	AU>UK	AU>NZ
<b>United Kingdom Authors</b>									
Jeffrey Archer	Clifton Chronicles 2	Pan Macmillan	\$19.90	\$12.99	\$7.06	\$17.48	53.2%	181.9%	13.8%
Jeffrey Archer	Clifton Chronicles 1	Pan Macmillan	\$12.93	\$12.99	\$4.46	\$9.49	-0.5%	189.9%	36.2%
Ken Follett	Fall of Giants	Pan Macmillan	\$12.93	\$18.99	\$7.10	\$9.99	-31.9%	82.1%	29.4%
Ken Follett	Pillars of the Earth	Pan Macmillan	\$13.05	\$7.99	\$7.10	\$7.59	63.3%	83.8%	71.9%
Philippa Gregory	The Boleyn Inheritance	Harper Collins	\$7.02	\$12.99	\$6.40	\$7.59	-46.0%	9.7%	-7.5%
Philippa Gregory	The Constant Princess	Harper Collins	\$7.02	\$12.99	\$6.40	\$8.18	-46.0%	9.7%	-14.2%
Stephen Leather	The Nightmare	Hachette	\$11.86	\$7.99	\$7.09	\$7.99	48.4%	67.3%	48.4%
Stephen Leather	Fair Game	Hachette	\$17.05	\$7.99	\$7.09	\$7.99	113.4%	140.5%	113.4%
Hilary Mantel	Bring up the Bodies	Harper Collins	\$18.20	\$12.99	\$16.01	\$13.90	40.1%	13.7%	30.9%
Hilary Mantel	Wolf Hall	Harper Collins	\$5.93	\$9.99	\$9.60	\$5.81	-40.6%	-38.2%	2.1%
Lesley Pearse	The Promise	Penguin	\$8.24	\$8.24	n.a.	\$8.24	0.0%	n.a.	0.0%
Lesley Pearse	Belle	Penguin	\$8.24	n.a.	n.a.	\$8.24	n.a.	n.a.	0.0%
<b>Authors from other countries</b>									
Stieg Larsson	The Girl with the Dragon Tattoo	Vintage	\$8.16	\$9.99	\$3.13	\$8.16	-18.3%	160.7%	0.0%
Stieg Larsson	The Girl who played with Fire	Vintage	\$8.16	\$9.99	\$5.44	\$8.16	-18.3%	50.0%	0.0%
Jo Nesbo	Phantom	Vintage Digital	\$14.40	\$12.99	\$12.44	\$14.40	10.9%	15.8%	0.0%
Jo Nesbo	The Snowman	Vintage Digital	\$9.66	\$9.99	\$5.96	\$9.66	-3.3%	62.1%	0.0%
Wilbur Smith	When the Lion Feeds	Pan Macmillan	\$10.03	\$8.93	\$7.91	\$8.54	12.3%	26.8%	17.4%
Wilbur Smith	Assegai	Pan Macmillan	\$10.03	\$9.99	\$7.78	\$9.49	0.4%	28.9%	5.7%

## **Terms of Reference**

### **(c) Determine why those (price) differences exist**

Prior to mid 2010 prices of Kindle e-books were set according to a wholesale model where the retailer (Amazon) set the price for consumers. Amazon pricing at that time was \$9.99 to \$12.99 for popular novels. Many publishers claimed Amazon priced these books as loss leaders to maintain market share.

During 2010 major publishers were concerned that Amazon's dominance in the market would eventually erode their profit margins, destabilize the market for e-books, and result in Amazon's amassing even more power over the industry. Other major players were planning to enter the e-book market, notably Apple who struck a deal with the five major US publishers (Macmillan, Penguin, Hachette, HarperCollins, and Simon & Schuster) to institute an "agency pricing" model where publishers set the prices and the e-book seller got a fixed percentage of the sale price. All of these major publishers have subsidiaries or associated companies in Australia and together dominate the book market in Australia.

During mid 2010 agency pricing was introduced by most major e-book retailers and Amazon was reluctantly persuaded to follow the deal. While US publishers started to set prices higher than those set by Amazon under the wholesale model the changes were relatively small and did not significantly affect Australian pricing.

In December 2011 some major Australian publishers (who are mostly related to the large US or UK publishers) started to set prices under agency pricing model that were considerably higher than set by overseas publishers - see price analysis under terms of reference (b). Prices nearly doubled for some new releases, close to print book prices at major Australian discount department stores. The timing was especially crucial as many new Kindle owners who would receive their Kindle reader as a Christmas present would not be aware of these very large price increases.

The US Department of Justice launched an antitrust lawsuit against Apple and several of the major book publishers, alleging collusion and price-fixing behaviour on e-books as a result of the "agency pricing" model. An out-of-court settlement has been made recently with some publishers but the lawsuit is continuing with other parties. The lawsuit continues with Apple and the other publishers. It is not clear how the settlement will impact on US or Australian e-book prices.

The ACCC has shown little interest in price increases for e-books sold in Australia, probably because agency agreement pricing is seen as setting the price on behalf of an individual author, which would be outside the coverage of Australian competition laws.

## **Terms of Reference**

**(d) Establish what the impacts of these differences might be on Australian businesses, governments and households**

### **Australian Business**

The strong growth of online e-book sales has undermined the traditional business model of Australian publishers where sales of print books were only sold through bookshops and discount department stores. The industry is struggling to adjust to a growing percentage of their sales moving to e-books, and the impact on their traditional print book customers.

The Australian publishing industry has long been acknowledged as having amongst the highest print book prices in the world with some books nearly double the price of their overseas counterparts. The industry is protected under parallel import restrictions where a cheaper version of the book cannot be imported if the Australian territorial rights holder has released the book in Australia within 30 days of it being published elsewhere in the world, and can resupply it within 90 days. A Productivity Commission inquiry in 2009 on the parallel importation of books recommended that this protection be removed over a 3 year period, but this was not accepted by the Federal Government.

Some major Australian publishers may be adopting a pricing policy that mirrors the very high prices of protected print books. The prices of Australian publisher e-books, especially new releases, are now significantly higher than prices for the same books in the US, the UK and NZ. Watch lists of new e-books released over the last 6 months show little price reduction in the last 6 months, suggesting that prices may not be reduced until the paperback edition of the book is released.

The Australian publishing industry is missing an important opportunity of embracing the e-book revolution by setting realistic prices and vigorously promoting their books via the online e-book retailers. Because of current high prices, many readers of e-books may boycott publisher books and instead purchase lower priced "Indie" publications.

### **Households**

Book readers, especially those who read a lot, are now increasingly reading e-books instead of print books. They are enjoying the change to e-book because there is a far greater number of books readily available at prices that are normally less expensive than print books. Online bookstores help with book selection with detailed descriptions and reader submitted reviews and provide comprehensive reading recommendations based on prior purchased both online and via email. Importantly, e-books are never out of print and older publications are rapidly being converted to e-book format.

E-book readers are small and can store hundreds of books in a single pocket/handbag sized reader. They can be read easily on trains, buses, planes, and while waiting for appointments etc. Ownership of e-book readers in Australia is increasing rapidly, especially since Amazon Kindle e-book readers started being sold locally throughout Australia by Big W, Dick Smith and even Woolworths supermarkets.

The book reading community is rapidly embracing e-books and is disappointed that, price-wise, they are disadvantaged by higher publisher e-book pricing in Australia than in other countries. Amazon allows international price comparisons to be made readily on their website and also allows Kindle owners to change country when they are travelling so that they can take advantage of local prices. Many Australian e-book readers delay the purchase of publisher books until they travel to the US, the UK or NZ.

Experienced e-book readers are increasingly turning to the constantly expanding range of lower priced and frequently good quality "Indie" publications and are cutting back on their purchases of publisher books. For example, during April and May 2102 I spent around \$80 (the equivalent of 4 recent release trade paperbacks at Big W or Kmart) and was able to purchase 45 books! During that time I only purchased one full priced publisher e-book and the rest were heavily discounted Amazon specials, or low priced or free Indie books.

**Terms of Reference**

**(e) Determine what actions might be taken to help address any differences that operate to the disadvantage to Australian consumers**

1. The Committee should ask some major Australian publishers to explain why their e-book prices are significantly higher than in other countries.
2. The Committee should ask the ACCC for advice on whether agency pricing of e-books can be examined under Australian competition legislation and if not what legislative changes are needed to bring this pricing under ACCC control.
3. The ACCC should be asked to examine the impact of current publisher e-book pricing on consumers, having regard to lower prices charged in other countries. Because e-book pricing seems to be linked to print book pricing, the ACCC should also be asked to re-examine the regulations on parallel importation of print books and its impact on Australian consumers.
4. The Committee should recommend that agency pricing of e-books be made illegal and pricing revert to the wholesale model.

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**Support for this submission from the Australian Kindle User Forum**

As mentioned earlier, this submission is made by an individual. I am also an active contributor to the Australian Kindle User Forum where the subject of high prices of Australian Kindle e-books is frequently discussed. This submission has been circulated to active contributors of the forum and the following contributors have given their endorsement and support to this submission:

Name	Address
Carol Anne Bruce Carol Cronin Bev Elliott Angela Frank Dianne Gorman Douglas N Gow Lauren Henderson Vicki Herman Liana Hodgkin Alina Holgate Julie Jester Rolf Jester Elizabeth Litster Pete Loveday Clare Pascoe Donna C Savige Rebecca Sherman Sandie Stockwell Vicki Tyley Janice Vincent	