



FAX from iBn

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To: Sarah Bachlard	From: Independent Booksellers Network 23 Evelina Street Mont Albert North Victoria 3129
Phone:	E-mail: ibn@pacific.net.au
Fax: 02 6277 5719	Phone: (03) 9898 6605
CC:	Fax: (03) 9897 4630

Inquiry into the Effectiveness of the Trade Practices Act 1974 in Protecting Small Business

The Independent Booksellers Network comprises 20 independent bookshops and produces material for another 8 bookshops nationally. It is the only Australian association comprised solely of independent bookshops.

The iBn has become aware of this inquiry only recently and this submission is necessarily brief. We would welcome the opportunity, if the inquiry thought it appropriate, to amplify our submission.

Our concern is that the independent sector is treated differently to the chains by publishers. The major chains (Angus & Robertson, Dymocks, Collins and Borders) all receive base discounts of 45% from publishers and on top of that are given subsidies, rebates, promotional funds and extended terms of trade not available to independents.

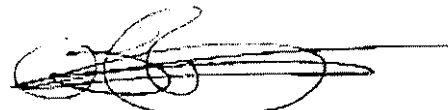
By contrast base discounts to independents are set at 40% and many smaller independents receive discounts lower than this.

There thus exists an anomalous situation where a small chain store which may have a turnover of say \$10,000 with a particular publisher receives 45% discount, while an independent with a turnover of 10 times this amount receives only 40%.

A further example concerns the Harry Potter book released recently. As has been the case with previous releases, many independents have purchased supplies of the book from stores like Target and Big W and K Mart where the book is sold at prices comparable to the purchasing price to independents from the sole Australian distributor. The same phenomenon occurs with CD's where chart titles are often sold by the above retailers at prices comparable to purchasing prices for independents or in some cases even less.

This situation contrasts strongly with the U.S. experience where independent bookstores have conducted successful prosecutions against publishers and chains for misuse of market power and predatory pricing against independents.

In summary the chains are using their buying power to undercut independents. The share of the national market enjoyed by independents falls each year as the chains and the discounters build market share by differential pricing permitting uncompetitive market practices.



PRESIDENT.