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Dr R Chadwick
General Manager, Adjudication
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2610
By email: adjudication@accc.gov.au

Dear Dr Chadwick

Magazine Publishers of Australia application A91472

In Annexure C of the submission by the Association of Magazine Publishers Australia Inc. (MPA), the MPA claims newsagents have become *increasingly disengaged with the magazine sector* (point 7). They say this has occurred because of labour costs, freight costs and cash flow issues (point 6).

The MPA proposes a three-pillar solution at point 8 of Annexure C: a Code of Conduct, Channel Engagement (educating of newsagents to revive interest in magazines) and Retail Skills (training newsagents on how to manage magazines efficiently).

It is our view that the goals set by the MPA could be achieved if newsagents are supplied on the basis of what will reasonably sell in their businesses. We do not see a need for training or education. Indeed, newsagents themselves have demonstrated how much they value magazines by engaging in matters related to this point by the MPA and not quitting the category altogether.

To demonstrate that a trial is not needed, newsXpress sought from its members magazine sell through data from the last year. We provide this data to the ACCC today under cover of this letter. Each report is for one business and details the sell through rate percentage by distributor and magazine category. Some provide data at the magazine title level.

In the reports from a selection of businesses for which we have received sell through rate data you can see situations of gross oversupply over the long term. This is the sole reason newsagents have become *increasingly disengaged with the magazine sector*. Fix this and you fix the problem.

In the reports you can see the extent of product wastage. Newsagents carry the major cost of this in terms of space, labour, freight and opportunity cost. They have no mechanism for reducing any of these costs as they have no control over supply.

The MPA has the capacity to address this oversupply issue among publishers, indeed among their own membership. While the MPA has been prosecuting the case for ACCC approval of its Pilot program, some of its members have knowingly engaged in oversupply not supported by the sales data evidence provided by newsagents. Again, fix this and you fix the problem.

The package of data provided with this letter demonstrates just some of the evidence of oversupply of magazines that newsagents have on their computer systems. This is evidence that has been offered to the Australian Newsagents' Federation in the past in support of making a case for fair and equitable supply of magazines.

This sell through rate data is also available to the magazine distributors and publishers.

For the record we note that the *sell through rate* is the percentage of copies of magazines unsold by the end of the on-sale period. The sell through data is isolated to individual issues. For example, a sell through rate of 30% for Food magazines for, say, June 2014, would be the result of supply for the June issue less returns for the June issue when it came off sale.

We hope the data piques the interest of the ACCC in this matter and that it asks why it is that small business newsagents are supplied some magazine titles at a level to drive a continuously uneconomic sell through rate.

The MPA says the ACCC should not open its consideration of this matter to be broader, into a consideration of supply to newsagents versus other retailers. We say consideration of such matters is invited through the MPA description of the supply model to newsagents. That this model is quite different to the model for newsagent competitors is a key factor in the efficiency of magazines for newsagents. It sits at the heart of our ability to be competitive with magazines. Any change maintains terms for us that hinder our ability to compete ought to be considered as having little public benefit.

newsXpress would welcome an opportunity to further explore the data provided and the points canvassed in this letter should the ACCC be open to such.

Sincerely,



Mark Fletcher
Director

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