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Hannah Ransom  
Australian Competition and Consumer Affairs

RE; Association of Magazine Publishers of Australia Inc. application for authorisation A91472 -  
Submission

Dear Sir/Madam

As a Newsagent who will be adversely affected by this Magazine Publishers of Australia Code of Conduct if it were to become an industry standard, I must put forward a submission highlighting the flaws of this ill-conceived idea by the Distributors and Publishers.

I must draw attention to the fact Newsagencies, the end of the magazine chain and the ones the Code of Conduct is aimed at were not asked nor invited to participate in the preparation of this Code of Conduct. There was one small mention of the Australian Newsagency Federation in an attempt to somehow infer that they had input but this is clearly not the case. Newsagents are the ones the Publishers and Distributors in this document seem to be blaming for the downturn in magazine sales and these documents infer that re-EDUCATION of the Newsagents is their key to address the decline in magazine sales. Newsagents are small businesses owners who do not need re-educating and can make business decisions for themselves. In fact a vast number of Newsagencies have made the business decision to reduce magazine pockets for the betterment of their business as a whole.

There is no addressing the poor content of magazines, which is a major reason for the decline in sales, or the technological age where consumers are turning to the Internet and social media for information and entertainment at no perceived financial cost.

In reference to FORM A point 4 part (a) Public benefits claims. As quoted" The MPA submits that the proposed Code of Conduct **WILL** result in an improvement in the commercial viability of newsagencies, by reducing business costs while **INCREASING** magazine sales." The MPA is dreaming. The "Code of Conduct" allows generally for a 45%-55% sales efficiency. (ANNEXURE A, Part 2 – Distribution rules, point 1, Minimum Sales Efficiency). This means that only about half of the Magazines in a Newsagency are sold, the other half are returned. This is the oversupply that

Newsagencies have been complaining about for years and is totally unacceptable. At present Newsagents can early return magazines oversupplied before the return date set by Distributors and Publishers. Under this "Code of Conduct Newsagents are not allowed to early return magazines, yet still get an oversupply of 50%. These oversupplied magazines will stay in our stores taking up space and restricting cash flow for up to 3 months until return date set by Publishers and Distributors. These return dates are getting longer at present, and under this "Code of Conduct" these return dates could be much longer without newsagents being able to return stock. Newsagents will have no say in the matter and are left with dead stock for weeks that does not pay for its space or the rent.

In point (b) as quoted" many newsagents are engaging in indiscriminate early returns, sometimes without offering the product for sale. We early return for the following reasons. 1) oversupply, 2) the magazine does not meet our demographic and we know it will not sell, 3) we do not have the space on the shelf for it, 4) generally 1, 2, or 3 of the previous reasons together. There are no indiscriminate early returns and this statement shows the contempt that Distributors and Publishers have for Newsagents.

In reference to FORM A point 6 Public detriments (a). The MPA says that there will be a decline in distribution. There will actually be an increase in distribution because the "Code of Conduct" locks in a 45% to 55% sales efficiency. This allows the current magazine titles that are distributed but not oversupplied to be increased considerably. There are also at any one time hundreds of titles that a Newsagency does not have. Since there is no limit as to how many magazine titles a Distributor can distribute to a single Newsagency, there is vast scope for massive oversupply without the safety net of early returns. Again Newsagents have no say with magazines that come into their business!

Three years ago we had 2400 magazine pockets with the estimated number of titles over 3000. We returned over 50% of magazines received. At present we have 1,200 pockets, carrying an estimated 1,600 titles, overlapped considerably in some areas. The reduction was the removal of magazine titles that mostly did not sell any at all, and had little effect on actual sales or profit in our business. It took many tries, and many hours over two years to achieve this reduction because every time we submitted a list of magazines to not receive any more, the Distributors bombarded us with new titles which were not wanted. We would then submit another list to not receive and the Distributors would then retaliate by sending more titles that we did not want, many of which we had stopped with the previous request. We are continually trying to reduce oversupply of magazine titles that we sell some of, but it is a futile exercise as the numbers keep creeping up all the time. At present we still return 52% of all magazines received.

Network Services, a member of the MPA has considerably increased its use of "delayed billing" in recent times. This means we are expected to keep a title on the shelf for long periods of time, up to 3 months or more, because we are not billed for the title until near or after its return date. Most magazines are sold within the first 2 weeks on sale, then after 4 weeks the title is not paying the rent for its space. When early returned, because the billing may be weeks away it is then difficult to track and see if we in fact get credited for the returns. This practice of "delayed billing" is a waste of time and should be outlawed, but it will be increased under this "Code of Conduct".

We have micro managed our magazines as much as we can to get the maximum sales from our space. We are efficiently managing our magazines and do not want or need to be educated or interfered with from outside businesses. If we cannot early return magazines that we know will not

sell, and there is no limit to the number of magazine titles that Distributors can send us as proposed by the MPA "Code of Conduct", my concern is we will be swamped with magazines.

The result from this is Newsagents will reduce magazines considerably more, or not sell magazines at all, leaving the public with less choice as the Supermarkets will not carry small specialist titles because they only want the high turnover titles. The Supermarkets are noticeably absent from this pilot program too as they will not be subject to anything that will create unnecessary work or cost. Supermarkets do not have to do physical magazine returns, but ALL newsagencies do.

The first paragraph of press release number MR30/15 states that "This program will test the effectiveness of a proposed approach to address longstanding problems with the oversupply of magazines to newsagents". The Distributors and Publishers have the tools right now to reduce oversupply. They have our sales data uploaded daily on XchangeIT (a requirement to be a part of this pilot program is the use of technology e.g. XchangeIT, as outlined in Annexure A), and they have everyone's sales history for years previous, but they refuse to use this as they do not want to reduce oversupply!!!

Reducing oversupply would result in a loss of income for both Distributors and Publishers and there will not be a reduction in oversupply with the introduction of this "Code of Conduct" neither. The Distributors and Publishers are certainly not proposing this "Code of Conduct" out of the goodness in their hearts for Newsagents. If so we would have been consulted.

Deregulation in the Newsagency industry occurred years ago and this "Code of Conduct" is a colluded attempt by the Distributors and Publishers to go back to that era of large companies forcing themselves on small business. It is a deliberate attempt to remove the early return of magazines, and they have come up with this "Code of Conduct" deliberately without consultation from Newsagents because it would never be accepted by Newsagents. The concept of forcing another business to accept delivery of unwanted stock, without the right to return it is in itself unfair and surely cannot be legal.

In light of what I have outlined above and the unfairness of the "Code of Conduct" that the MPA is trying to impose on retail Newsagencies I strongly recommend for the sake of all Newsagents that the Australian Competition and Consumer Commission DO NOT authorise the Association of Magazine Publishers of Australia to run this pilot program.

Regards

Peter Barrand

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