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26 May 2015

Hannah Ransom
Australian Competition and Consumer Affairs

RE; Association of Magazine Publishers of Australia Inc. application for authorisation
A91472 – Submission 2

Dear Hannah

I would like to make a second submission regarding the proposed MPA Trial for the ACCC to consider. Attached are spreadsheets and photographs to help back up my concerns that the current rules of the proposed MPA Trial will not be very different to the current system except the removal of early returns of magazines, and therefore Newsagents will not benefit at all from the MPA Trial and there will therefore be no public benefit, no gained profitability for Newsagents and no gained competitiveness for Newsagents. In fact Newsagents will be worse off if these current set of rules are used to form an Industry Code of Conduct.

I am not opposed to a trial, but the rules and motives must be carefully considered before a trial gets underway. A trial for example under current rules may well prove what the MPA says it will. They control supply and can set parameters to make the trial work, and I cannot see how the current rules will not work in a trial. What I am opposed to and extremely concerned about is if the current rules are then approved for the Industry Code of Conduct.

I have collated this year's sales and returns data in a spreadsheet and have taken photographs to highlight some current issues such as how long some of the on sale dates are on magazines, how bagging magazines affects newsagents, and how the practice of Delayed billing can be used to push out return dates of magazines. The figures will quantify why there can be a large increase in the amount of magazines distributed under the Trial rules and will show why the need to retain early returns of magazines is a must for Newsagents to remain in the business of magazines and to have any chance of being competitive in the uneven playing field we now have. Any Trial proposal that removes early returns must be clearly stated that it is for the Trial purposes only so that the MPA cannot then claim it as part of an industry Code of Conduct.

Attachment "mag sales" shows the year to date sales of magazines Gordon and Gotch V's Network Services(Bauer), with 58% of \$ sales being Gotch, and 42% of \$ sales being Network.

Attachment "mag returns" shows the weekly magazine returns for the year to date of Gordon and Gotch V's Network Services(Bauer). On time returns are the returns directed by the MPA to come off the shelf on that current week and most may be returned as covers only. Supplementary returns are 99.9% early returns, and a small amount of Supplementary returns are magazines returned that were missed on the shelf when taking off On time returns or magazines we chose to leave on the shelf past the return date to gain more sales.

The figures clearly demonstrate that with 55.4% of supplementary magazine returns, yet only 42% of sales Network Services(Bauer) are abusing their supply power against us and to use the MPA phrase are indiscriminately supplying us with magazines that do not sell, yet they get paid to distribute them. This is deliberate as they have Xchange it data to correct supply. Our returns are at 27% of all magazines received, and we have worked extremely hard over 4 years to get this figure down from over 50%. The MPA trial rules takes away our ability to early return these magazines, does not limit the amount of magazine titles to available pockets, and does not address limiting the amount of magazines supplied because the rules state they can supply to a 45% to 55% sell through, which is a massive increase on what we have now. We do not have the space for a 23% increase in magazines, most of which we do not have the consumer market for and are magazines that we have already reduced over 4 years. Of the many magazine titles that we do not get oversupplied with now for whatever reason, they can be increased considerably under the trial rules giving us a further increase in oversupplied titles. This will leave us less profitable, and less competitive. The current Trial rules, if implemented into an industry "Code of Conduct" will put many newsagents in a position of financial and personal stress.

Attachment "mag volume" shows the amount of returns on 14.5.15 with the pile on the right being Network (Bauer), and significantly more than Gotch. This ratio of Network to Gotch is normal. These are all early returns except for one box for each supplier, and has to be taken off the shelf to fit new arrivals.

Attachment "poor sale 1" shows Aust 4WD Action, received 8 bagged mags. They were on sale for 54 days with zero sales and still had 4 weeks to go till return date set by MPA when we early returned them. The MPA Trial rules say we have to keep them for 4 more weeks.

Attachment "long onsale delay bill" shows Poolside Showcase. Arrived April 2nd, early returned 2 immediately as only 2 would fit in a pocket, sold 1 on May 23rd and still have 1 today (30.5.15). Delayed billing to August 20th with a return date of late October. With a sale value of \$9.95 and an onsale period of some 22 weeks, at a profit of \$2.26 per mag it is not worth keeping for more than 6 weeks at most. With a delayed billing for August 20th how do we track return credits for those returned early? By the MPA Trial rules we have to keep all 4 until October.

Attachment "Delay bill A" shows 4 Secondhand Boat Secrets arrived on December 22nd 2014. Sold 1 on January 16th. We early returned 3 on May 9th after 74 days on the shelf. For a profit of \$2.71 after 74 days these magazines did not pay the rent for their space, even with a delayed bill until April 20th. By the MPA Trial rules we will have to keep these until July.

Attachment "bagged mags" shows another issue we have with distributors and the MPA which is not covered adequately in the MPA Trial rules. On May 21st we received 1)Wheels magazine June issue and 2)Wheels magazine June issue plus the current Motor issue bagged together. The current Motor issue has been on the shelf for 2 weeks unbagged. This continuous crossover of magazines and recycling of old magazines bagged together confuses customers and gets them angry, especially if their only choice to buy the current

magazine they want is bagged with another at an increased price. They nearly always just want the one magazine. To have them all on the shelf together in this case is ridiculous, space wasting and time wasting. We have even had 2 of the same magazines in the same bag! All the bagged magazines have their old return stickers left on them so quality control is poor or non-existent.

These examples are a very small sample of this type of oversupply we deal with every day, as can be seen by the volume of early returns on the spreadsheet and photo supplied.

If the ACCC is to make an informed decision I believe the ACCC must look at all aspects of the magazine industry as there are at least two clear models, one for newsagencies, the other being for the supermarkets and convenience/petrol outlets, giving them substantial benefits over the newsagency channel model. A post deregulation (1999) assessment/enquiry of the newsagency channel regarding magazines is long overdue.

Another point I would like to make about newsagents being disadvantaged is the returns of magazines are a cost for newsagents, yet I believe there are no returns for supermarkets. Also we are required to have a Bank Guarantee to have an account with Network Services to the value of \$13,400, tying up funds. This guarantee cost us \$250 to set up and has a 1.5% annual fee. It is hard to see supermarkets agreeing to this!

On this issue we have resigned from the ANF because the ANF is severely out of touch with the reality of what newsagents require. Even though they have membership of slightly over half of all newsagents, but falling fast, they are not representing newsagents views on this matter and many other issues. Their failure to communicate adequately and willingness to jump on the bandwagon with the MPA without consulting newsagencies views on this serious matter to me shows the ANF has a complete lack of knowledge of industry problems.

In closing, I believe the information provided here shows that the MPA Trial rules have the ability to extend the oversupply of magazines. There is really a lack of rules to get any meaningful information from the trial. If these current Trial rules are engaged as an industry "Code of Conduct" then newsagents will close or go out of magazines. Magazines listed above such as Poolside Showcase, Second Hand Boat Secrets and many more niche magazine titles will then disappear as will their publishers because only newsagents sell them being low volume titles. This will be a public detriment.

Regards

Peter Barrant

newsXpress West Lakes

Supplier Sales AnalysisAll Prices, except where
indicated, do not include GST

From 01/01/2015 to 28/05/2015 for Selected Suppliers

NEWSXPRESS WEST LAKES

Date 28/05/2015 Time 5:57 pm

Shop Sales

Description	No. Of Items	QOH	Total Cost	Date Last Arrived	Total GP %	Avg. Unit Cost	Avg. \$ Per Day	Avg. Qty. Per Day	
RETAIL									
GORDON AND GOTCH AUST LTD									
<u>MAGAZINES</u>									
Category - ADULT	2		\$16.30		24.99%	\$8.15	\$0.15	0.01	
Category - BUYING & SELLING	5		\$13.47		24.96%	\$2.69	\$0.12	0.03	
Category - CHILDREN'S	259		\$1,047.50		25.00%	\$4.04	\$9.50	1.76	
Category - COMPUTERS & GAMING	63		\$765.71		24.99%	\$12.15	\$6.94	0.43	
Category - CRAFT & HOBBIES	684		\$6,438.85		25.00%	\$9.41	\$58.40	4.65	
Category - CROSSWORDS & PUZZLES	1,016		\$4,183.69		25.00%	\$4.12	\$37.95	6.91	
Category - CURRENT AFFAIRS / BUSINESS	80		\$619.38		25.00%	\$7.74	\$5.62	0.54	
Category - FOOD & WINE	128		\$736.48		25.00%	\$5.75	\$6.68	0.87	
Category - HOME & LIFESTYLE	517		\$2,980.93		25.00%	\$5.77	\$27.04	3.52	
Category - MEN'S LIFESTYLE	59		\$403.40		25.00%	\$6.84	\$3.66	0.40	
Category - MOTORING	410		\$2,595.66		25.00%	\$6.33	\$23.54	2.79	
Category - MUSIC & ENTERTAINMENT	323		\$3,059.87		25.00%	\$9.47	\$27.75	2.20	
Category - NO MPA CATEGORY	14		\$101.05		25.01%	\$7.22	\$0.92	0.10	
Category - PARTWORKS	443		\$4,235.15		25.00%	\$9.56	\$38.41	3.01	
Category - SPECIAL INTEREST	3,763		\$13,116.42		25.04%	\$3.49	\$119.03	25.60	
Category - SPORT & LEISURE	545		\$4,084.66		25.84%	\$7.49	\$37.47	3.71	
Category - TEENAGER	37		\$203.55		25.00%	\$5.50	\$1.85	0.25	
Category - WOMEN'S INTERESTS	2,739		\$9,309.31		25.00%	\$3.40	\$84.44	18.63	
Department Total	11,087		\$53,911.38		25.07%	\$4.86	\$489.47	75.42	
Supplier Total	11,087		\$53,911.38	\$71,951.54	\$18,040.16	25.07%	\$4.86	\$489.47	75.42
NETWORK SERVICES									
<u>MAGAZINES</u>									
Category - ADULT	82		\$433.59		25.00%	\$5.29	\$3.93	0.56	
Category - BUYING & SELLING	87		\$512.41		25.00%	\$5.89	\$4.65	0.59	

Supplier Sales AnalysisAll Prices, except where
indicated, do not include GST

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Shop Sales

Description	No. Of Items	QOH	Total Cost	Date Last Arrived	Total GP %	Avg. Unit Cost	Avg. \$ Per Day	Avg. Qty. Per Day	
RETAIL									
Category - CHILDREN'S	94		\$593.94		25.01%	\$6.32	\$5.39	0.64	
Category - COMPUTERS & GAMING	187		\$1,470.42		25.00%	\$7.86	\$13.34	1.27	
Category - CRAFT & HOBBIES	938		\$4,074.99		25.00%	\$4.34	\$36.96	6.38	
Category - CROSSWORDS & PUZZLES	633		\$2,654.09		25.00%	\$4.19	\$24.07	4.31	
Category - CURRENT AFFAIRS / BUSINESS	123		\$828.69		25.25%	\$6.74	\$7.54	0.84	
Category - FOOD & WINE	150		\$1,319.99		25.23%	\$8.80	\$12.01	1.02	
Category - HOME & LIFESTYLE	303		\$1,947.80		25.01%	\$6.43	\$17.67	2.06	
Category - MEN'S LIFESTYLE	40		\$234.01		25.66%	\$5.85	\$2.14	0.27	
Category - MOTORING	818		\$5,195.48		25.01%	\$6.35	\$47.13	5.56	
Category - MUSIC & ENTERTAINMENT	910		\$3,282.32		25.00%	\$3.61	\$29.77	6.19	
Category - NO MPA CATEGORY	3		\$11.25		25.00%	\$3.75	\$0.10	0.02	
Category - PARTWORKS	465		\$2,871.40		25.01%	\$6.18	\$26.05	3.16	
Category - SPECIAL INTEREST	1,238		\$4,881.09		25.05%	\$3.94	\$44.31	8.42	
Category - SPORT & LEISURE	238		\$1,491.29		24.92%	\$6.27	\$13.51	1.62	
Category - TEENAGER	37		\$201.02		25.00%	\$5.43	\$1.82	0.25	
Category - WOMEN'S INTERESTS	2,068		\$7,179.33		25.00%	\$3.47	\$65.12	14.07	
Department Total	8,414		\$39,183.11		25.02%	\$4.66	\$355.52	57.24	
Supplier Total	8,414		\$39,183.11	\$52,261.01	\$13,077.90	25.02%	\$4.66	\$355.52	57.24
Total	19,501		\$93,094.49		25.05%	\$11.06	\$844.98	57.24	
GST			\$9,312.17		25.02%	\$1.11	\$84.49		
Total Including GST			\$102,406.66		25.05%	\$12.17	\$929.47		
Rounding									
Total After Rounding Including GST	19,501		\$102,406.66		25.15%	\$12.17	\$930.68	57.24	

MAGAZINE RETURNS

NETWORK From returns form

date	supplementary returns qty. mags	supplementary returns \$ exGST	ontime returns qty. mags	ontime returns \$ exGST	Total returns qty. mags	Total returns \$ exGST
8/01/2015	116	778.17	188	534.27	304	1312.44
15/01/2015	101	717.53	169	708.08	270	1425.61
22/01/2015	120	919.62	130	632.21	250	1551.83
29/01/2015	129	630.47	194	867.73	323	1498.2
5/02/2015	125	927.92	62	326.17	187	1254.09
12/02/2015	111	633.51	185	893.46	296	1526.97
19/02/2015	197	1437.29	138	657.44	335	2094.73
26/02/2015	176	1104.94	178	875.68	354	1980.62
6/03/2015	207	979.19	147	685.75	354	1664.94
12/03/2015	149	1017.11	201	932.08	350	1949.19
19/03/2015	391	1366.21	238	1139.65	629	2505.86
26/03/2015	270	1652.86	168	780.83	438	2433.69
2/04/2015	130	851.02	97	467.92	227	1318.94
9/04/2015	104	667.19	149	698.10	253	1365.29
16/04/2015	239	1667.44	200	789.30	439	2456.74
23/04/2015	144	811.71	193	923.4	337	1735.11
30/04/2015	180	1060.96	124	662.84	304	1723.8
7/05/2015	96	644.02	87	442.87	183	1086.89
14/05/2015	315	2143.33	192	962.89	507	3106.22
21/05/2015	91	490.19	193	940.72	284	1430.91
28/05/2015	178	1059.99	162	805.22	340	1865.21
					0	0
Total for period (21 weeks)	3,569	\$ 21,560.67	3,395	\$ 15,726.61	6,964	\$ 37,287.28

MAGAZINE RETURNS

GOTCH From EDI Returns Claim Acknowledgement

date	supplementary return qty. mags	supplementary returns \$ exGST	ontime return qty. mags	ontime returns \$ exGST	Total returns qty. mags	Total returns \$ exGST
8/01/2015	257	1839.38	305	1828.37	562	3667.75
15/01/2015	76	575.88	121	753.76	197	1329.64
22/01/2015	67	554.05	181	1299.85	248	1853.9
29/01/2015	156	961.29	118	624.05	274	1585.34
5/02/2015	146	939.33	177	1083.74	323	2023.07
12/02/2015	90	617.60	204	1164.64	294	1782.24
19/02/2015	103	794.34	187	1196.07	290	1990.41
26/02/2015	179	1345.35	195	1257.65	374	2603
6/03/2015	168	1054.45	180	1091.64	348	2146.09
12/03/2015	88	607.29	214	1296.44	302	1903.73
19/03/2015	183	1147.95	208	1346.89	391	2494.84
26/03/2015	200	1257.94	192	1227.38	392	2485.32
2/04/2015	134	933.08	160	1040.38	294	1973.46
9/04/2015	107	692.40	185	1164.47	292	1856.87
16/04/2015	148	1142.51	197	1479.68	345	2622.19
23/04/2015	148	883.90	153	886.84	301	1770.74
30/04/2015	134	890.48	203	1193.22	337	2083.7
7/05/2015	143	957.89	185	1146.92	328	2104.81
14/05/2015	175	1265.62	172	1095.42	347	2361.04
21/05/2015	88	555.90	255	1600.26	343	2156.16
28/05/2015	89	632.85	216	1278.26	305	1911.11
					0	0
Total for period (21 weeks)	2,879	\$ 19,649.48	4,008	\$ 25,055.93	6,887	\$ 44,705.41

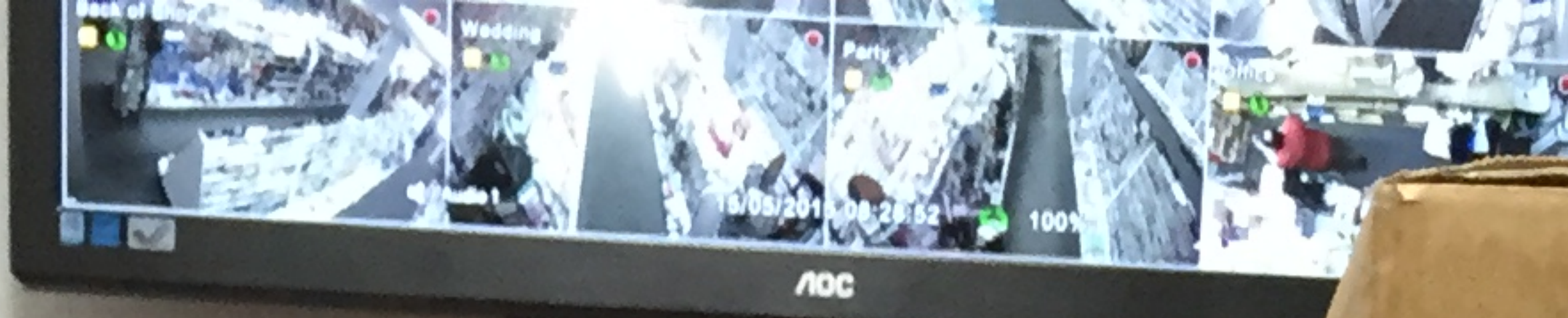
MAGAZINE RETURNS

NETWORK + GOTCH

date	supplementary return qty. mags	supplementary returns \$ exGST	ontime returns qty. mags	ontime returns \$ exGST	Total returns qty. mags	Total returns \$ exGST
8/01/2015	373	2617.55	493	2362.64	866	4980.19
15/01/2015	177	1293.41	290	1461.84	467	2755.25
22/01/2015	187	1473.67	311	1932.06	498	3405.73
29/01/2015	285	1591.76	312	1491.78	597	3083.54
5/02/2015	271	1867.25	239	1409.91	510	3277.16
12/02/2015	201	1251.11	389	2058.1	590	3309.21
19/02/2012	300	2231.63	325	1853.51	625	4085.14
26/02/2012	355	2450.29	373	2133.33	728	4583.62
6/03/2015	375	2033.64	327	1777.39	702	3811.03
12/03/2015	237	1624.4	415	2228.52	652	3852.92
19/03/2015	574	2514.16	446	2486.54	1020	5000.7
26/03/2015	470	2910.8	360	2008.21	830	4919.01
2/04/2015	264	1784.1	257	1508.3	521	3292.4
9/04/2015	211	1359.59	334	1862.57	545	3222.16
16/04/2015	387	2809.95	397	2268.98	784	5078.93
23/04/2015	292	1695.61	346	1810.24	638	3505.85
30/04/2015	314	1951.44	327	1856.06	641	3807.5
7/05/2015	239	1601.91	272	1589.79	511	3191.7
14/05/2015	490	3408.95	364	2058.31	854	5467.26
21/05/2015	179	1046.09	448	2540.98	627	3587.07
28/05/2015	267	1692.84	378	2083.48	645	3776.32
	0	0	0	0	0	0

TOTAL for period **6,448** \$ **41,210.15** **7,403** \$ **40,782.54** **13,851** \$ **81,992.69**
(21 weeks)

% supplementary returns qty. Network(Bauer)	55.40%
% supplementary returns qty. Gotch	44.60%
% ontime returns qty. Network(Bauer)	45.86%
% ontime returns qty. Gotch	54.14%
% of total returns qty. Network(Bauer)	50.28%
% of total returns qty. Gotch	49.72%
% of total sales Network(Bauer), from supplier sales analysis	42%
% of total sales Gotch, from supplier sales analysis	58%



NDC ✓
artwrap code: PRM20612
CARD GOOD LUCK BEE
Outer QTY: 144
29313569

Network

NETWORK
(BAUER)

Network

Go
wro
GOTCH

Network
Hallmark
When there are enough
to send the very best

10 to 16kg
CAUTION
GOTCH
BROCCOLI, CARROTS
CAULIFLOWER

3 NDC
1732
PO#294648 OUTER
A699GB636381-50
Qty 2X25 wu
NDC
Hallmark

GOTCH
Hallmark

NDC

GOTCH

NDC
EC CB24
Q'T SET.
N.Y. KGS.
G. KGS.
CU
UP I



SF80025
314

INCLUDES CURRENT

INCLUDES

AUSTRALIAN
4WD
ACTION

W24¹⁵
4WD TIPSTECH-DRIVIN
NDC 8T
16/03 100
\$9.95
7 8 2 3 3 0 0 3 0 9 9

W24¹⁵ \$9.
4WD TIPSTECH-DRIVIN
NDC 8T 16/03
7 8 2 3 3 0 0 3 0

W24¹⁵
4WD TIPSTECH-DRIVIN
NDC 8T
7 8 2 3

TIPS & TECH
HANDBOOK

TIPS
HANDBOOK

Week 20
9/5/15
Sold zero
Arrived 16/3/15

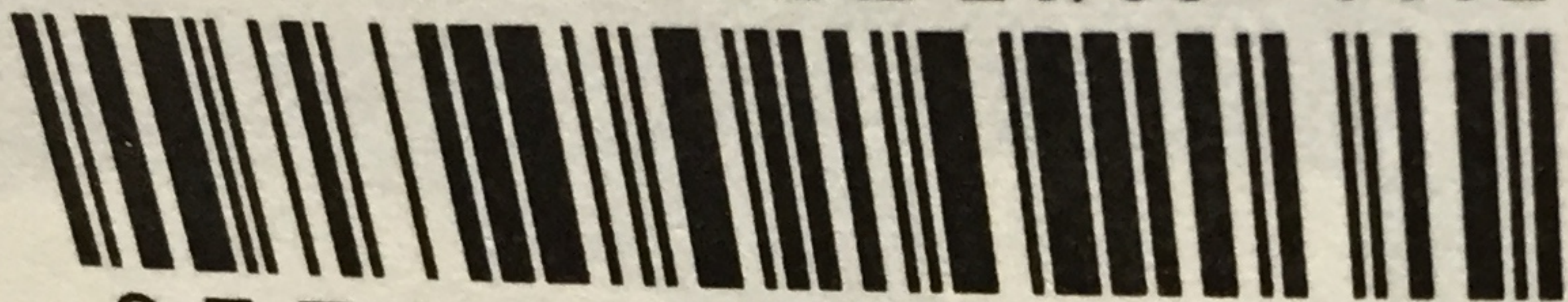
MORE TIPS
STRENGTHEN
S

ADDITIONAL

W40¹⁵ *2/4* \$9.95

POOLSIDE SHOWCASE #2 West Lakes

NDC 4T DB 20/08 0602



977144888500922

POOL

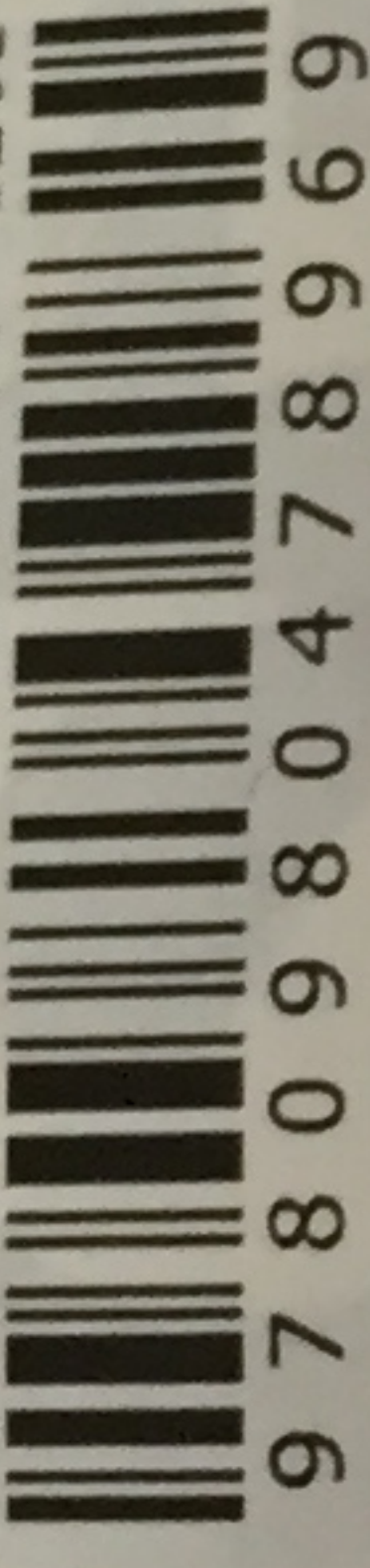
SPRING

1 Boat!

The Original & The Best Guide To Buying

W27¹⁵ \$11.95

SECONDHAND BOAT SECR West Lakes
NDC 4T DB 20/04 1202



9780980478969

Webster's

\$11.95 In

STAY AWAY FROM SECONDS

SECONDS

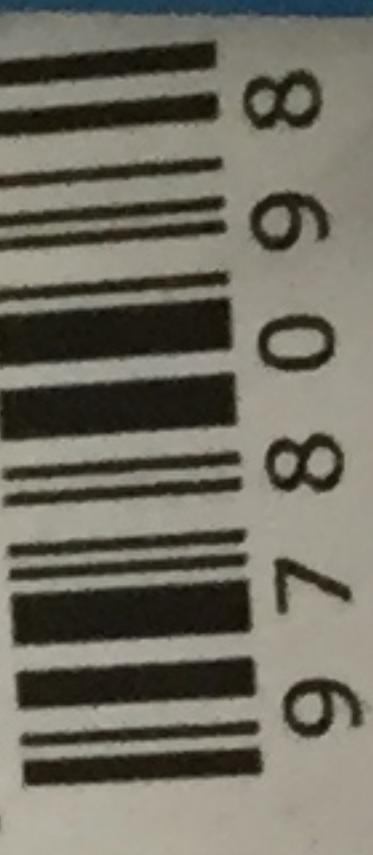
Collector's

Sh

The

W27¹⁵

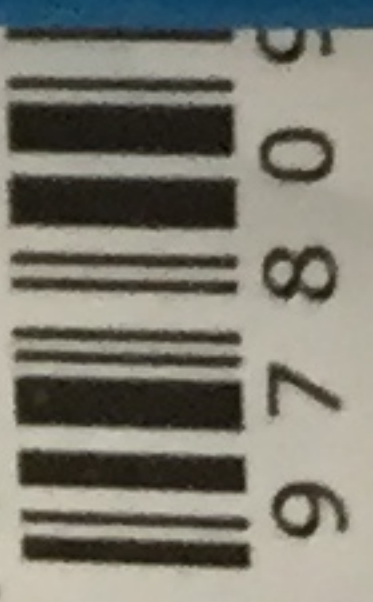
SECONDHAND BO
NDC 4T



978098

W27¹⁵

SECONDHAN
NDC 4T



97809



This week w20
9/5/15.

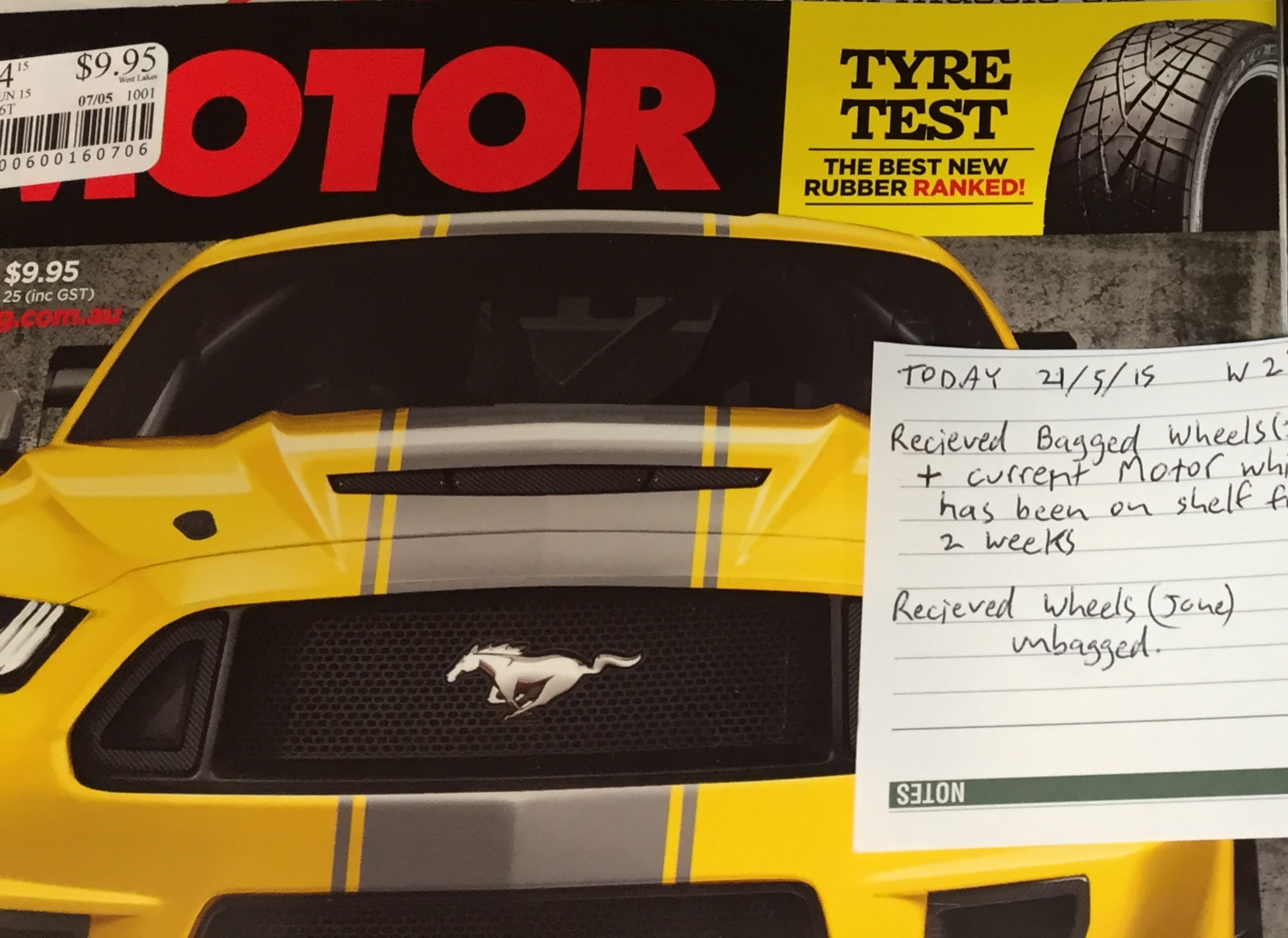
Arrived 22/12/14

Sold 1 of 4.

Delayed Billed
to 20/4/15.

Seafa
Chea

Se



W26¹⁵ \$9.50
WHEELS JUN 15
NDC 6T 21/05 1001
931300600150806

W26¹⁵ \$13.95
BUNDLE-WHEELS/MOTOR
NDC 6T 21/05 1001
931300602428610

TODAY 24/5/15 W 21
Received Bagged wheels (june)
+ current Motor which
has been on shelf for
2 weeks

Received wheels (june)
unbagged.

NOTES