. LAT

195

TO: Paul Asser

FROM: Daniel Waingart

TRANSLATIONS

New editions

We are all aware of the financial headaches caused by new editions. Of course, the original publisher is also, but I will comment about us, Ibero-american publishers who detent the translation rights for the Spanish language.

There are two kinds of new editions.

a) The genuine deep revision accomplished by the same author and/or with a new team of coauthors, due to the death of the original author.

b) A cosmetic revision, so called a new edition.

In the first case, the scientific knowledge has changed and we face an updated new manuscript to translate.

In the second case, only local competitiveness in the developed world asked for a new launching on time to compete with an X publisher with a new book or a new cosmetic edition, or new edition. What are the consequences for us?

In spite of the fact that we believe we are genuinely buying the book, unfortunately, later, the reality is different and the original publishers try to make a new sale out of a new edition. During the last couple of years we have been witnesses to calls for "public auctions" to three or four IB publishers, and the request for outrageous new advances, in US dollars, of course, and the insistence of higher royalties for that new edition, whether or not that IB publisher was the one who launched several previous editions, and spent a fortune in launching and marketing the book. Worse than this, no compensation on profit loss has been

. . .

considered. I am highlighting today this situation because due to current market conditions in this part of the world, dollar scarcity, collections of export delays; unit fall-offs, a general market retrenchment, we must re-position ourselves.

- The subpublisher who buys the rights for translation is buying present and all subsequent editions. (Or at least must be granted a firm option of 120 days to exercise the right for the following edition).

- If there's the case of a cosmetic (new) edition, the subpublisher must have the right to skip it, if the IB market doesn't request a revision and, of course, to keep paying the same scale of royalties.

- If there's an accepted by both sides real new edition, the subpublisher keeps the rights without paying any additional advance.

I'm commenting on these issues, important but not trascendental before these days, because for all IB that honor the payments on due time, any debt in a foreign currency without a proper hedge, could wipe out the benefit expected at the time of costing the title life margin. If we don't protect our rights cautiously and carefully at the time of contracting, we will see front-list squeezing margins from back-list, drying the business. (Please bear in mind the consequences for instance of the 460% devaluation in a major publishing center like Mexico).

And this last comment takes me to an example that has and still is causing misunderstandings from the foreign-right officer of some publishing companies.

Sound familiar questions like:

. . .

- Why was your last royalty liquidation so small?
- Selling similar units why are payments for less dollars?
- Pay me royalties on my US list price, and avoid the devaluation problem you have mentioned.
- Why is a $US price different for your domestic sales than for your export sales?
- Why don't you have the same pricing for domestic as for exports?
- What's wrong with buying around? Why does selling domestically to someone who exports your product instead of you, cause you problems? Etc., etc.

FINANCIAL IMPLICATIONS AFTER A MAXIDEVALUATION

Believe it or not, entrepreneurs from the developed world, probably see a devaluation as an appreciation of their own currency against our soft-currencies. This is the same as what's wrong for you is fine for us, so what's wrong? Excuse me for these naiveties, but it happens that there's such a lack of understanding at some management levels about our daily miseries, that most of the time it works against what should be the basic approach, which is:

> Working together with your customer to overcome the present problems. To be able to work with, the first indispensable step is to understand what's going on...

Perhaps through the following case we can clear up some misunderstanding on royalty amounts.

After the 1982-83 "maxis" many foreign rights agents instead of trying to put themselves in their customers shoes, simply insisted on the same or higher terms, repeating questions like the ones mentioned above. Example: Royalty rate 10% on subpublisher list price, unit sales 1,000 copies, List price 1,000 pesos or the equivalent of $US 10.- before devaluation. Exchange rate (before devaluation) 100 P = 1 (after)

...

300 P = 1

LIQUIDATION BEFORE THE DEVALUATION

Price increase, one 5% during the six months liquidated.

500	copies at 1.000 pesos	=	500.000	pesos
500	" " 1.050 "	=	525.000	"
1.000	"		1.025.000	"

10% of 500,000 pesos	=	50,000	pesos
10% of 525,000 pesos	=	52,500	"
		102,500	"

102,500 pesos / (100 = 1) = US$ 1,025

AFTER

Devaluation 200%

Price increase 50%. We could only offset inflation in the period. It was impossible to fill the GAP caused by the maxidevaluation.

500	copies at 1.000 pesos	=	500,000	pesos
500	" " 1.500 "	=	750,000	"
			1,250,000	"

10% of 500,000	=	50,000	pesos
10% of 750,000	=	75,000	"
		125,000	"

125,000 pesos / (300 = 1) = $ 416.66

. . .

Let's exaggerate the case with a 100% price increase for 750 copies

250 copies at 1.000 pesos	=	250,000	pesos
750 " " 2.000 "	=	1,500,000	"
		1,750,000	

10% of 250,000 pesos	=	25,000	pesos
10% " 1,500,000 "	=	150,000	"
		175,000	"

175,000 pesos / (300 = 1) = $ 583.33

I do think that among all of us, we should try to didactically explain and keep explaining to our suppliers what a devaluation means. Remember in most of the cases we're talking with entrepreneurs, witnesses of inflations of 3 to 4% a year, not complications at all at the time of buying hard currencies, lack of banking red tape, predictable changes, same language, etc.

It is almost impossible to really understand what the consequences of a three digits inflation and devaluation rates are. Even though, intellectually it could be understood, business-wise it sounds like a tale of the "A thousand and one nights"...

Our devaluation is seen as an appreciation of their own currencies.

Fair play would be, us honoring punctually our committments, and our suppliers softening their terms, after a clear understanding with no suspiciousness on their part, to help us -BOTH sides actually, to better survive these days to come. There could remain less participants in the ball game. Please let's help each other. We need your understanding, and cooperation.