

From: Redmayne, Charlie
Sent: Friday, January 22, 2010 12:07 PM
To: Murray, Brian (HarperCollins US)
Subject: FW:

From: Redmayne, Charlie
Sent: 22 January 2010 16:34
To: Miller, Jonathan (Newscorp)
Subject:

Hi Jon,

I think we are talking at 2.00 but I wanted to give you the latest on Apple.

Brian met with Eddy this afternoon and asked for some movement on the offer he is making – Eddy was unwilling to give anything at this point. It would be brilliant to get Apple into the Book industry but the terms that they are offering would deliver long term damage to our business.

Apple want us to deliver them the entire catalogue of front list and back list titles under an agency model where we guarantee that we will provide the best price in the market and that the price would be in predetermined bands that Apple has set. We would have no flexibility on pricing and would have to exclude content from anyone who was not on the same agency model for up to a year (Amazon).

The upshot is that Apple would control price and that price would be standard across the industry meaning that they would be clear to compete in the areas that they are strong: Hardware, Reach, Experience etc. Ultimately the terms they want to impose would mean that Publishers would deliver the eBook industry to Apple and at the same time would be expected to take the pain of \$4 less revenue per book, upsetting 2 million Kindle customers and all the pain that Amazon would impose with their retaliation.

We are keen to have Apple in the business but not at any price.

I don't believe this negotiation is over – Steve Jobs is getting up on 27th to announce his new hardware – he will want to have a solution in place – the pressure is on Eddy to deliver it – I believe it is vital we push back and get a deal that gives us a sustainable business. This is our moment to negotiate - there is no advantage on caving at this point – the deal if signed will be standard to all partners.

I have pasted below Brian's email to Chase.

Am available at 2.00 EST for the call

Best

Charlie

From: Murray, Brian (HarperCollins US)
Sent: Friday, January 22, 2010 11:14 AM
To: Carey, Chase (Newscorp)
Subject: Apple

Chase,

I met with Eddy this morning. We did not come to terms with them today because I don't believe the terms work for us in the long term.

The major issue for us is that Apple's contract caps the consumer price that we can set for them but more importantly for ALL OTHER PARTNERS. If an author, HarperCollins and B&N think we can charge \$1 more than Apple believes is the



right price for an ebook simultaneously available with the hardcover, I can't make the book available to anyone. Apple becomes the gatekeeper on ebook price and windows for the industry. And we have to pay Apple a 30% commission to give them this value. Our hands are tied as long as we have this deal with Apple.

I believe RH is not signing with Apple.
Penguin and S&S have.
Hachette and Macmillan are undecided.

I'm sure more will happen over the weekend. I'd like to talk to you about this and the scenarios we may still pursue.

Brian