



**Printing Industries
Association of Australia**

Submission

**To the Productivity Commissions'
Copyright Restrictions on the Parallel
Importation of Books Study**

19th of January 2009



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INTRODUCTION

Association background

The Printing Industries Association of Australia (*Printing Industries*) is the peak advocate and support organisation for companies operating in the paper, print, packaging and visual communication industry in Australia.

The Association is an independent member based organisation, representing large, medium and small businesses. The Association's governing and policy-making body is the National Council comprised of representatives of member companies from all States in addition to the National Office Bearers.

The Association has a diverse membership representing some 2000 companies and includes printers, desktop publishers, graphic designers, prepress houses, publishers, mail houses, software and hardware manufacturers and distributors, paper and paper board manufacturers, paper merchants, ink manufacturers, manufacturers and suppliers of printing equipment and consumables, packaging and flexible packaging, paper converting, binding and finishing, communication and media services.

The Association has a network of offices serving all States and Territories.

Industry background

While the book printing industry is part of the wider printing industry community, it nevertheless constitutes a distinctive segment of the industry. Unlike general commercial printing companies who produce a vast range of printed matter items, book printing companies produce a more distinctive product – the printed book.

There are a number of specialist book printers in Australia including three major companies comprising of McPherson's Printing Group situated in the regional Victorian town of Maryborough; PMP Griffin Press located in Adelaide; and Ligare which is based in Sydney. There are also other specialist book printers such as the BPA Print Group located in Melbourne and Hyde Park Press in Adelaide as well as a number of smaller book printers dispersed throughout Australia.



While the product focus may be narrower, the final product the printed book is still a diverse product. Books tend to vary in content, size, and style as well as the market which they are serving – educational which comprise of secondary, tertiary, professional and reference categories, and general comprising of hardback, trade paperback and mass-market paperback covering categories such as fiction, non-fiction and children's.

The Australian book printing market is estimated to be worth \$250 million to \$300 million annually. This estimate covers dedicated book printers whose primary activity comprises of book printing. But since commercial printers such as Blue Star Print Group also tend to produce books but on a less regular basis, the real market value of book printing is well in excess of \$300 million.

The printing requirements of book publishers are satisfied by web fed, sheet fed and digital printing processes. Factors such as the print run and quality determine the type of printing process used. Web printing is economical for longer run mono work followed by sheet fed printing which is suited for colour printing and high quality mono printing. Digital printing is generally suitable for shorter run work typically up to 1,000 copies.

The Australian book printing industry makes an economic contribution at both metropolitan and regional level. It is a significant employer in Adelaide and in Maryborough in Victoria where a quarter of the towns' workforce is employed directly and indirectly by the book printing industry.

A number of other industries both upstream and downstream depend on the book printing industry starting from pulp and paper operations to prepress firms, designers, binding and finishing operations, suppliers of consumables such as inks and printing plates, and suppliers of software and equipment.

The economic welfare of the book printing industry has a direct impact on these upstream and downstream industries.



***Printing Industries* interest in the current study/inquiry**

Having member companies that operate in both upstream industries such as pulp and paper, as well as downstream industries such as prepress, printing and binding, and publishing, the outcome of this latest study/inquiry into copyright restrictions on the parallel importation of books is of great interest to *Printing Industries* and its membership.

A new government a new inquiry

The Issues Paper by the Productivity Commission correctly points out there have now been several studies/inquiries that have examined restrictions on the parallel importation of books. This latest study/inquiry represents the sixth such examination during the past 20 years.

Printing Industries hopes that this latest study/inquiry will finally determine that the current arrangements which were introduced in 1991 and are commonly known in the industry as the '**30 day**' rule are working as intended by protecting the interests of book readers and book purchasers as well as other stakeholders in the book production value chain such as those creating the content of the book – the authors, those commissioning the book – the publishers, and those producing the book – the book printers and binders.

The book production stakeholders during these times of economic uncertainty need to harmonise their collective energy to help maintain a viable and sustainable book production industry in Australia. The last thing they want is to be distracted by another study/inquiry into copyright restrictions on the parallel importation of books.

This is why it is critical that the current study/inquiry settles the issue once and for all.

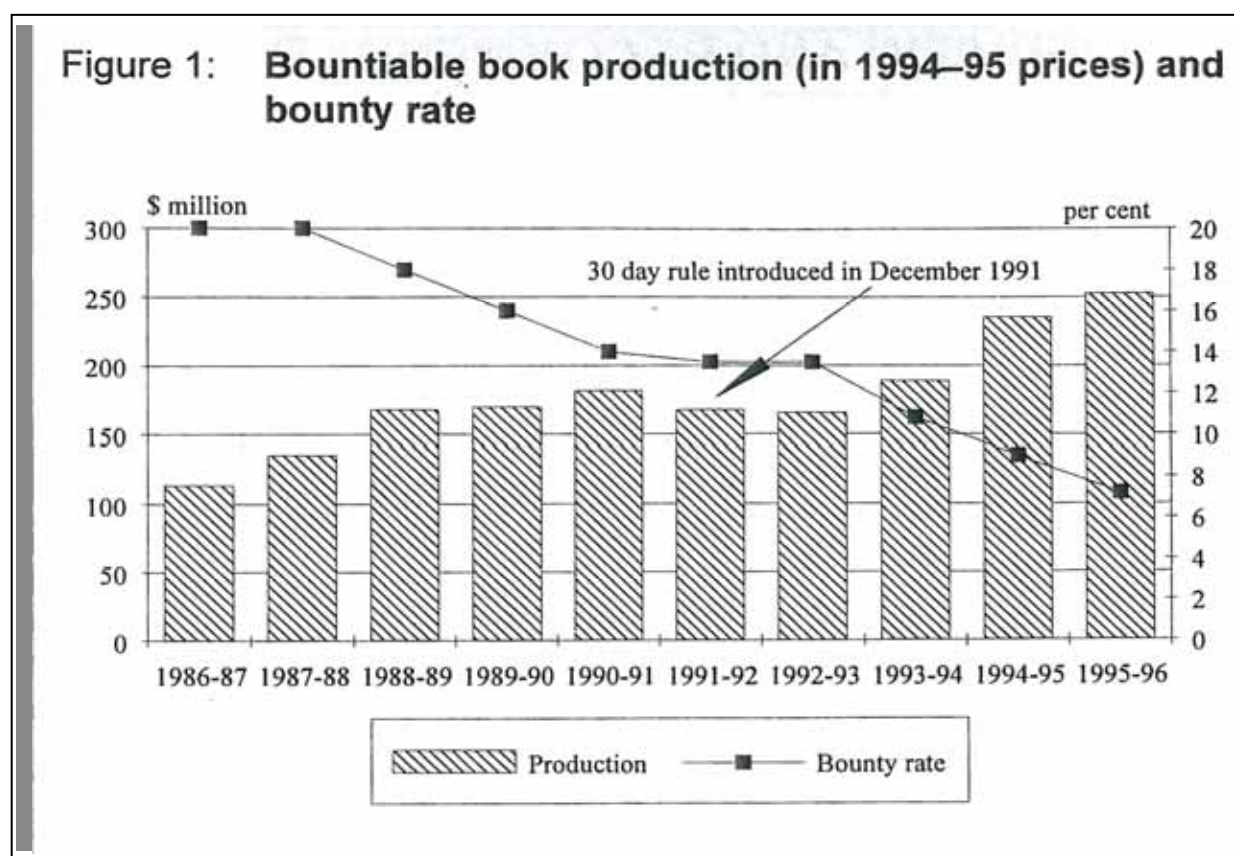
Why we need the 30 day rule

Since its introduction in 1991 the 30 day rule has had a positive impact on book printing activity in Australia. This positive impact is supported by both official data showing increased book printing activity following the introduction of the 30 day rule,

as well as feedback from book printers who stress the importance of the current arrangements to their overall activity levels and commercial viability.

The following chart sourced from the 1996 Industry Commission Report into Book Printing clearly shows the positive impact that the 30 day rule had on local book printing activity (production) in the immediate years following its introduction.

Book publishers started placing more of their book orders onshore to meet the requirements of the 30 day rule which stipulates that in order for publishers to protect against parallel importation into Australia, they must make available for sale new book titles within 30 days of first publication overseas.



Increased production equates to jobs, and given the nature of the industry with a significant regional presence, regional centres such as Maryborough in Victoria as well as metropolitan areas such as Adelaide will severely be impacted if the 30 day rule is abolished.



In Maryborough as previously stated, a quarter of the workforce is employed directly or indirectly by the book printing industry.

Based on industry feedback, *Printing Industries* projections point to the loss of significant number of jobs in regional centres, with the impact not just limited to book printing, but also associated industries such as paper manufacturers and suppliers, inks and other consumable suppliers, pre press companies, post press companies such as book binders and local transport companies are all expected to experience reduced activity.

Again, based on industry feedback, the abolition of the 30 day rule may result in a loss of book production work of \$70 million to \$80 million. This equates to between \$26 million to \$30 million in loss of paper production.

If we take into account historical industry input-output and industry multiplier analysis, the estimated production losses above could result in the loss of between 1400 and 1600 jobs throughout the Australian economy, including several hundred book printing related jobs.

The reason why the projected impact on the book production industry is so great is that both book printers and associated companies that supply services to book printing such as cover embellishment companies like Allkotes in Melbourne and Protectaprint in Adelaide, tend to use specialist equipment which can not be utilised for other general printing activities if book printing activities in Australia experience a decline.

Feedback received from a veteran book manufacturing operator suggests that monochrome paperback and hard case segments will be severely impacted by any changes to the 30 day rule. These are the largest book manufacturing market sectors still left in the Australian industry, and they have hitherto withstood the main thrust of overseas competition, but they will become severely disadvantaged if the 30 day is abolished resulting in wholesale losses to overseas competitors.

Abolishing the 30 day rule makes no sense

Given the economic significance of the 30 day rule to the local book printing industry no economic argument can be used to justify its removal. Not only do book printers directly benefit from the operation of the 30 day rule, but also a range of industries associated with book printing activity in both upstream and downstream areas along the book production industry value chain also benefit.

Australian book consumers and readers have also benefited from the operation of the 30 day rule. At first this statement may sound contradictory as common sense would suggest that any restrictions placed on imports tends to be detrimental to consumers.

Firstly, the 30 day rule is not a blanket prohibition on the supply of the new book titles to the Australian market. If the Australian copyright holder fails to make available a new title to the Australian market within 30 days, they forsake their copyright privileges. Secondly, as pointed out in the “Issues Paper”, the current law allows booksellers to import a single copy of a book to fulfil a customer order, even if the book is otherwise covered by the parallel import provisions. And importantly, consumers can always import books themselves directly by purchasing books online.

Because the 30 day rule is not a blanket prohibition on the import of new book titles, it does not raise the price of new book titles in Australia. What it does however do, is to raise local book production activity, and provide positive spin offs for employment, regional growth and activity, as well as augment the economic activity of associated industries providing goods and services to the Australian book printing industry.

Advocates of the removal of the 30 day rule often argue that retail book prices will be cheaper if the current provisions restricting parallel importation of books are removed.

This issue was critically analysed by *Printing Industries* during the last inquiry into the current arrangements – the Senate Legal and Constitutional Affairs Committee (2001).



The analysis conducted by *Printing Industries* which compared popular new book titles in Australia, United Kingdom (UK) and the United States (USA), debunked the myth that prices of new book titles are consistently more expensive in Australia when compared to the UK or the USA.

Printing Industries analysis at the time clearly showed that since its introduction the 30 day rule not only has exerted a downward pressure on book prices in Australia, but it had also made newly released book titles cheaper in Australia compared to both the USA and the UK.

No plausible evidence exists suggesting that book prices will decline if the 30 day rule is abolished. One can however advance the argument that book prices could well increase due to reduced book production volumes in Australia.

The reason why it is worthwhile reiterating the book price findings above is to help dispel the pricing myth as cited in the background section of the Terms of Reference of the current study/inquiry by the Productivity Commission which states “***However, there are a range of views about whether the provisions result in significantly higher prices for Australian consumers compared to other markets***”.

A related and important beneficial impact that the current arrangements have had is that they have ensured Australian book readers get access to a range of overseas authored/origin books in a timely manner. Because the 30 day rule does not represent a blanket prohibition on the supply of foreign authored/origin books into Australia, it has provided an incentive for Australian copyright holders to make available new book titles in a timely manner, normally within 30 days. As previously stated, the quickest way for Australian copyright holders to comply with the 30 day rule obligation is by placing orders for new book titles with local book printers.

On the other hand if the 30 day rule is abolished, it is unlikely that all overseas authored/origin books will be made available in such a timely manner. While the market will dictate that popular book titles continue to be made available in a timely manner, less popular book titles are unlikely to be made available to Australian book readers in such a timely manner.

Changes to the 30 day rule will stifle innovation

Another reason to oppose changes to the existing parallel importation arrangements concerns industry innovation efforts.

One such type of innovation involves Roylebind which is a new innovation in manufacturing books which has been proved to be a paradigm shift in the binding of hard case books.

Invented locally in Melbourne, Roylebind can produce quality hard cased books on legacy perfect binding lines (which many printers own) using a unique method of producing the cases. The costs of producing books in this manner are approximately half of that when using conventional technology.

Any further erosion of the monochrome hard case market will significantly minimise the market opportunities in the commercial application of this technology in Australia. The innovation will be stifled and inevitably, it will be necessary to license the technology to overseas printers (probably South East Asia) rather than to offer it to the Australian industry.

This technology has the potential to greatly assist this sector of the industry through the realisation of significant cost saving opportunities, which in turn will greatly enhance the industries international competitiveness. But any changes to existing parallel importation provisions will mean such an industry opportunity for innovation and competitiveness is likely to remain unrealised.

Pricing remains a complex issue

In discussions with publishers it has become evident that pricing is not a simple issue as it first seems. Even when a pricing methodology is perfected allowing book prices in one market to be compared with another, there are many factors that influence retail prices that need to be taken into account.

Doing a snapshot of book prices at any given time is associated with certain problems. If the analysis for instance is conducted during the summer period in Australia this means it is the winter season in the USA and UK. Booksellers in the

UK and USA may lower book prices during the winter months to encourage more book readership and boost sales.

Then there are the simple facts of economics and demographics. Both the USA and UK have much larger populations than Australia. The UK has both a larger population and smaller geographical region than Australia, thus it is able to benefit from both economies of scale and lower transportation and distribution costs.

Unless these and numerous related factors that have a bearing on retail book prices are properly accounted for, then international price comparison exercises have at best limited value.

The other reason that makes the pricing issue less plausible in contemporary times is the fact that book readers/consumers are now able to purchase books online. If domestic prices for one reason or another prove prohibitive, book consumers can obtain the same book online. And given that almost two-thirds of Australian households currently have internet access, such an option is now available for most Australian book consumers and households.

Putting the issue of book pricing in a proper perspective it is worthwhile citing the following quote made by Malcolm Knox who is an author and a journalist with the Sydney Morning Herald. His article piece on the current Productivity Commission study into parallel importation appeared in the January 10-11 weekend edition of the paper:

““Are our books too expensive? It is a legitimate question. The whims of moody currency markets, which make our books seem expensive one day and cheap the next, should not dictate long-term policy”.

Comparison with Asia not useful

It is no secret that on the basis of cost, Australian book printers can not compete with Asian book printers.

There are a number of reasons for this cost differential. While a primary reason is the cost of labour which is higher in Australia due to the payment of good wages and



working conditions, other reasons also include Asian book printers having access to dumped paper, having the ability to bulk purchase due to significantly larger print runs and the associated benefits of economies of scale means per unit output costs are lower because plant utilisation levels are much higher.

Another important cost faced by Australian book printers involves the 5 per cent tariff that is imposed on high quality paper grades imported to Australia. In contrast a printed book can be imported to Australia duty free.

Besides the factors cited above, Australian book printers also face certain costs that Asian printers do not typically face such as costs associated with adherence to stringent OH&S, certain business taxes (such as Payroll Tax, Land Tax, etc.) and environmental regulations all of which affect their ability to compete on price with Asian based book printers.

Local book printing good for the environment

There is a strong environmental case associated with printing more books in Australia and if the current copyright restrictions on the parallel importation of books are encouraging more domestic book printing activity as indicated earlier, then the retention of the 30 day rule will also be associated with better environmental outcomes.

Australian book printers adhere to some of the most stringent OH&S and environmental regulations in the world. They use paper that comes from sustainable forestry practices, and there is less Greenhouse Gas Emission associated with domestic production due to the significantly shorter transport routes - the so called carbon miles to market compared to books that are printed offshore and subsequently transported to Australia. Not only is the latter associated with significantly higher emissions, but the overall sustainability practise of those overseas based book printing entities need to also be considered.

In short, the more books we print locally for local consumption the better off will be the environment.



Reducing the carbon footprint of activities associated with book printing is an important consideration. The “Issues Paper” states that the Productivity Commission has been asked to have regard to the intended objectives of the parallel importation provisions within the overall policy framework of the Government. This **overall policy framework** includes appropriate considerations being given to the Government’s new policy of moving towards a lower emissions economy and working with other nations to reduce global emission levels.

Any measure that results in increased global emissions such as the removal of the 30 day rule which would encourage more overseas printed books to be imported to Australia at the expense of the local book printing industry would run counter to the Government’s newly adopted policy on carbon emissions.

This is why it is important that consideration is also given to adding a notional cost to all imported books to help cover the associated carbon impact.

The future of book printing in Australia

The importance of the current copyright restrictions on the parallel importation of books - the so called 30 and 90 day rules for the Australian book printing industry should not be underestimated.

The general consensus by industry is that should the current arrangements change and the copyright restrictions get removed, such a policy decision will have a detrimental impact on both the local book printing industry as well as the associated industries.

The local book printing industry is already operating in a highly competitive environment. Import penetration is the highest level of any printing sector and for some book categories such as educational and children’s, the import share of the overall market segment is significantly higher than the domestic production share.

Unlike other imported products, the printed book is imported to Australia duty free and the book printing industry is no longer a recipient of government assistance programs. The book bounty which was a production based subsidy ceased in



December 1997 and subsequent programs such as the Printing Industry Competitiveness Scheme which offset the cost of duty on paper inputs and the Enhanced Printing Industry Competitiveness Scheme which provided grants for projects designed for improving the business performance of book producers ceased in June 2003 and June 2004 respectively.

Technological changes including the proliferation of the internet and the increasing tendency to purchase books online coupled with the release of electronic devices such as ebooks, as well as plans to produce electronic versions of printed textbooks all pose serious competitive challenges for the Australian book printing industry.

November 2007 saw one of Australia's largest booksellers – Dymocks launch a website containing digital books. Currently, over 120,000 digital books are available for download from the Dymocks website,

Technological change has also started to blur the current distinction between book printers and booksellers. The bookseller Angus and Robertson for example has started to introduce print-on-demand facilities in its bookstores allowing customers to order books that are currently out of print. In less than 15 minutes the selected title is printed, bound and handed to the customer. Dymocks main store in Sydney allows customers to download digital books to digital applications using specially designed kiosks.

While out of print titles and the downloading digital books do not currently pose a major threat to dedicated book printers, what the print on demand machines deployed by Angus and Roberson and the book downloading kiosks at Dymocks clearly show is that technology is helping to breakdown some of the distinctive lines that have existed in the book production value chain, enabling a downstream activity such as bookselling to compete and displace an upstream activity such as book printing.

The size of print runs continue to decline because the advent of digital printing applications has allowed niche titles to be published profitably to small, targeted markets. Also more titles are being published by Australian publishing houses with smaller conventional printing run sizes as the technological advances offered by



Australian book printers allow this change in publishing style. It is only the largest print runs that are being sent to Asian printers. This suits the Australian market size and the diversity of interests of the Australian book consumers. Parallel importation will definitely impact this diversity of publishing making the range of titles now available from Australian publishing houses more limited.

For the book printing industry to successfully confront some of the emerging challenges outlined above, it requires not only certainty in government policy but confidence to continue to operate and invest in Australia. A positive policy response by the Government that retains the current arrangements especially the 30 day rule would provide that reassurance for the Australian book printing industry as well as the associated industries.

Conclusion

Printing Industries supports the retention of the copyright restrictions on the parallel importation of books especially the 30 day rule provisions. Feedback from the book printing industry confirms the importance of the 30 day rule to ongoing commercial viability.

The Australian book printing industry has benefited economically from the introduction of the 30 day rule in 1991 with output rising significantly. The industry remains an important employer in both metropolitan and regional areas and its activities support a number of associated industries that will also be adversely affected if there are changes to the 30 day rule.

While the direct economic benefit associated with the 30 day rule is no longer debatable, the operation of the 30 day rule has also resulted in Australian book readers and consumers getting access to overseas authored/origin books in a timely manner. Furthermore, in addition to these benefits, previous detailed analysis of retail book pricing conducted by *Printing Industries* has dispelled the myth that the 30 day rule has resulted in book prices being significantly higher in Australia.

There are a number of reasons to support the retention of the 30 day rule as outlined in this submission ranging from the economic benefit of having a local book



production industry to better environmental outcomes of having books printed in Australia due to the sustainability practices of local book producers. And with consumers enjoying timely access to books, the overall benefits to the Australian economy of the current arrangements pertaining to parallel importation of books can not be questioned.

Recommendations

***Printing Industries* recommends that the current copyright restrictions on the parallel importation of books and especially the 30 day rule provisions be retained.**

While we also support the retention of the 90 day rule which applies to existing book titles, we recognise that given technological advancements, the provision could be shortened to 45 days or possibly even 30 days.