

McPherson's Printing Pty Ltd
Submission to the Productivity Commission Study
Copyright Restrictions on the Parallel Importation of Books

January, 2009

Background

McPherson's Printing Pty Ltd (trading as McPherson's Printing Group ABN 36004911308) is a major Australian book printer with sales revenues of approximately \$70 million per annum, employing 350 staff with the majority located in the regional central Victorian town of Maryborough. The company is a subsidiary of McPherson's Limited, a public company listed on the ASX (code MCP).

McPherson's Printing Group's (MPG) major market is the Australian trade publishing sector with customers ranging from the large domestic arms of multinational publishers through to local independent publishers of varying sizes. The business operates in a vigorously competitive environment with several significant Australian based competitors and a multitude of offshore competitors.

The Australian book printing industry suffers from a relatively small domestic market restricting run lengths compared with European and North American markets. This is particularly relevant due to the high fixed capital equipment costs of printing and associated activities and the need to maximise equipment utilisation.

Proximity to relatively low cost Asian printers and the absence of any direct government assistance or protection has continued to exert downward pressure on margins. This has resulted in an industry driven to achieve maximum production efficiencies given its available market size. Efforts to further improve the efficiency of the Australian industry and to allow improved equipment utilisation have recently been thwarted by the ACCC's opposition to much needed rationalisation initiatives.

MPG's Interest in the Study

Introduction of the “30 Day Rule” in 1991 provided the catalyst for growth in the domestic book printing industry and its potential removal or weakening will certainly lead to significant reductions in available domestic book volumes. The consequences of such reductions in a finely balanced and volume dependent book printing industry will inevitably be reduced employment, higher unit prices and potentially a threat to long term viability.

General Observations on Questions raised in Issues Paper (November 2008)

While MPG can comment directly on the potential impacts and consequences with respect to its own business, it does not have access to the publishing data necessary to make detailed submissions in relation to many of the questions raised in the Issues Paper. However, the following observations are offered:

- There appears to be a complete absence of any plausible benefit from changing the current rules. The “cheaper books” argument lacks credibility on several fronts as the cost to print in Australia will actually increase if available domestic volumes drop. There is also considerable doubt as to whether current prices are in fact actually higher in Australia given a valid means of benchmarking.
- Any reasonable measure which assists Australian authors, publishers and printers maintain a viable domestic industry compared with the alternative of importing content and printed books from offshore should be supported in the national interest.
- A shift to books printed offshore will also disadvantage the consumer in terms of availability with longer lead times to market.
- It is difficult to see how weakening of the 30 day rule would achieve anything but cost Australian jobs/income at a time when the economy can least afford such losses.

MPG Specific Submissions

Clearly, weakening or removal of the 30 day rule can only reduce the number of books printed in Australia in lieu of imported product. Examination of the Government's previous book bounty statistics prior to and subsequent to 1991 provides ample evidence of the lift in local production which followed introduction of the 30 day rule in that year.

The extent of reduction in volumes which would follow removal of the 30 day rule is not able to be precisely predicted. However, based on the history following introduction of the rule in 1991 and the current market dynamics, a minimum reduction of 10% in MPG's book volumes would be certain with a longer term reduction of 20% or more likely.

Impacts on Employment and Financial Viability

Based on a 10% reduction in MPG's volumes the impact on employment, prices and profitability would be as follows:

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These impacts are quite serious with the significant reduction in MPG's employment in Maryborough likely to translate into an increase in long term unemployed in this regional economy. It is also clear that such reductions in financial returns could bring into doubt longer term investment viability. The consequential increase in printing unit prices arising from the reduced volumes should also be recognised.

Environmental Impact

A further important consideration is the environmental impact of reducing the portion of books printed in Australia. Major local book producers follow strict environmental policies in their production methods and their selection of paper from sustainable forest sources. A shift to imported books dilutes the certainty that these practices are being followed in diverse overseas manufacturing localities.

Also, the additional carbon emissions generated by the much longer supply chain on offshore shipments is contrary to the nation's objectives in this area.

The Option Raised of Direct Subsidies to Book Printers

The issues paper raises a proposition that direct subsidies to Australian book producers (including printers) could be less costly to the community than parallel import restrictions. MPG rejects this proposition as there is in fact no current cost to the community but rather a benefit arising from the Copyright arrangements.

However, the previous Book Bounty was of considerable assistance in promoting local manufacturing against competitors in Asia where the competitive “playing field” is not always level.

Have recent technological changes materially changed the industry with respect to how copyright issues should be addressed?

The major technological change impacting upon book printing in recent years has been the almost total shift to “digital file to plate” technology replacing hard copy/film methodology. This technology provides efficiency benefits as well as facilitating the global transfer of digital print files.

The other major change has been the significant improvement in digital print and finishing solutions for short run book printing allowing quick turnaround short run options at a lower unit cost than previously possible.

The combination of these changes has and will:

- promote the printing of shorter run books allowing the publication of back list titles which may have been cost prohibitive using conventional printing
- allow so called “print on demand” models using internet ordering and reduce wastage on unsold books
- reduce barriers to entry for new industry participants and generally further globalise the print procurement process.

It should be noted that the average print run length for Australian book printers using conventional web or sheet fed production methods has reduced substantially over recent years.

It is not considered that any of these trends fundamentally change the parameters under which copyright issues should be addressed in relation to printed books.