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Parallel Importation of Books Study
Productivity Commission
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As the leaders in new distribution systems in Australia this information is provided as background.

DA Information Services and Central Book Services are pioneering a new delivery model for books in Australia. This involves the technology of the Espresso Book Machine (EBM) which makes printing books in-store possible.

In the article "As I See It -The Future of the Monograph has Arrived", John Cox, Against the Grain, December 2008 /January 2009, the author identifies the "new way" of print book distribution and sales. (Excerpts below and full article attached.)

Importantly some Australian industry stakeholders have embraced this technology. However further participation and investment in this technology is critical as the Australian publishing community has an opportunity to increase sales more cost effectively by adopting this model.

Lack of local content is an impediment to its success.

Furthermore, as international publishers adopt this model the previous competitive advantage of the Australian publishers and distributors of having local products available quickly could evaporate. The current extra cost of Freight, Airline Terminal Fee, Terminal Handling Charges, Destination Security Surcharge (yes this is a real cost), Airline Terminal Fees, Fuel Levy's, Customs Clearance, Cartage and other costs are removed instantly. The relative cost of imported books could come down making the Australian product less competitive potentially impacting local product sales.

In the EBM world, the ***30/90 day*** rule is effectively the 3***0/90 second*** rule. Our customers are ecstatic.

With more stakeholders in the Australian publishing industry adopting this model many of the costs, inefficiencies and environmental impacts in the current supply chain could be remedied.

Some are:

- Instant customer satisfaction
- Developing a demand driven supply chain instead of supply driven.
- Reducing pulping of unsold stock.
- Avoiding minimum order surcharges that increase the price of books
- Sale or return processing costs
- Encouraging diversity of content creation (print run of one is possible)
- Reducing carbon footprint
- Lower warehousing costs

As the installed base of Espresso Book Machine type technologies grows globally, the opportunity to increase export revenues is significant as digital print ready files can be made available instantly to a global market.

The digital age provides Australian publishers and authors with significant opportunities. The tyranny of distance we have lived with till now has been removed.

We need to harness the will to move forward collaboratively – quickly.

In my July column I wrote about developments in technology that will affect the monograph in the future. This encompassed not only eBooks and digital printing in small quantities, but also "Distribute and Print" processes, where the publisher sends PDF files to facilities in distant markets where small quantities, or even single copies, can be printed to fill local orders.

Not many months have passed, and distribute and print has become a reality. On December 2, 2008, the **OECD** published *OECD Insights: Sustainable Development* by transmitting a PDF file of the book from its headquarters in Paris, France, to the Australian retail bookseller **Angus & Robertson's** flagship shop in Bourke Street, one of the main shopping thoroughfares in Melbourne, Australia. It was immediately printed and bound as a paperback book in the shop using **On Demand Inc.'s Espresso Book Machine**. It was published simultaneously using the same process on all eleven **Espresso Book Machines** currently installed in North America, Egypt, and the UK as well as Australia.

The **Espresso Book Machine** is a digital printing machine that prints and binds a paperback book of a quality acceptable to most libraries in minutes from a digital file sent from the publisher. In 2007 it was described by *Time* magazine as one of the "Best Inventions of the Year." **On Demand Inc.** describes it as "just in time" technology. Regardless of the public relations hooplah, this represents a major step forward with financial, customer service and environmental implications for the scholarly publishing industry.

It can be set up in retail shops such as **Angus & Robertson** or **Blackwells** — which has recently announced its installation in some of its UK shops — or in wholesalers and library booksellers such as **DA Information Services**. **DA** is **OECD's** Australian distributor, and has been responsible for bringing the technology to Australia and working with **Angus & Robertson** to make the machine available in a retail context.

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The benefit to the customer is clear. As soon as an order is placed, a book can be produced and supplied. No longer will US customers for books published in Europe or Asia-Pacific have to wait for stock to be shipped across the seas. The further away from the major centers of publishing the customer is — e.g., libraries in Australia, New Zealand — the greater the benefit. Books that today take two to three months to deliver if they are not in stock locally will be available within a day or two — in under three minutes if the customer is on-site.

The implications for publishers are equally striking. Distribute and print replaces the centralized book distribution supply chain, where the publisher holds stock in its warehouse and supplies its local wholesalers, retailers and library vendors, and its overseas distributors. What takes its place is a de-centralized distribution system where digital files are distributed by the publisher, but book production is undertaken locally to meet consumer or library orders as, when and where they arise. Not only does this remove shipping costs, but it also reduces the publisher's inventory — the costs of printing and holding stock — and reduces the amount of money tied up in financing that inventory. It also reduces waste by reducing the number of unsold copies held in stock that eventually have to be written off and pulped.

The financial implications for the publishing industry are huge. Not only are the direct costs of distributing physical stock reduced, but publisher's investment in inventory — the stock they hold in their warehouses waiting to be sold — can be reduced. By reducing inventory, cash is released for investing in new publishing, or reducing the publisher's bank borrowing. At the extreme, the availability of that cash can be the difference between survival and bankruptcy. It also reduces the investment barrier — the amount of money needed — to enter the publishing business, so more publishers with new ideas can enter the market.

In 2007 the **Book Industry Study Group** and **Green Press** published a calculation that the industry emits 8.8 lbs, or nearly four kg, of carbon for every book published. And we publish 100,000 new titles each year, in quantities ranging from a few hundred to millions of copies of best sellers. Much of this carbon is generated by the removal of trees from the forest (somewhat offset by new tree planting), and to paper production and printing processes. Much is also due to unsold books, which provide no benefit to anybody, but merely consume carbon by being stored in warehouses that use energy for heating and lighting, and eventually release further carbon if and when they are pulped or incinerated. Why do publishers end up with unsold stock? One of the reasons for such wastage is that publishers have to calculate an optimum print run on the basis that the cost of printing a few more copies when the presses are already set up to go is less than that of restarting the process from scratch to reprint if sales are better than expected.

However, the supply chain itself is a significant component of the carbon footprint, dramatically increasing as the distance to the customer increases. **OECD** reckons that each copy sold in distant markets such as Australia using distribute and print will save over 12 lbs, or 5.8kg, in carbon emissions per book sold, simply by producing locally rather than air-freighting from its central warehouse. It makes no sense to print and distribute books with low print runs such as monographs centrally, when technology enables us to save money and help the planet.

So we now have a practical demonstration of a technology that saves the publisher money, improves service to customers, creates local publishing opportunities, reduces the barrier to entry into publishing, and is environmentally friendly. The wonder is why we have had to wait so long!