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Dear Commissioners

The Australian Industry Group welcomes this opportunity to provide comment on the Productivity Commission's review of the provisions of the *Copyright Act 1968* (the 'Copyright Act') and its 1991 amendments that restrict the parallel importation of books.

The Australian Industry Group (Ai Group) is a leading industry association in Australia and is committed to helping Australian industry meet the challenge of change. Our focus is on building competitive industries through global integration, human capital development, productive workplace relations practices, infrastructure development and innovation.

Ai Group member businesses employ around 750,000 staff in a number of industry sectors including: manufacturing, engineering, construction, defence, ICT, call centres, labour hire, transport, logistics, utilities, infrastructure, publishing, environmental products and services and business services. Together, Ai Group and its affiliates represent the interests of approximately 60,000 businesses which employ in excess of 1.2 million staff across Australia and the world.

The *Copyright Act* currently provides Australian territorial copyright through 'parallel import restrictions' (PIR) provisions, that allow Australian copyright holders to prevent the importation, for sale, of copies of their works that have been legally produced and purchased overseas.

Exemption provisions allow Australian booksellers to import a book from foreign publishers themselves, if a book is not published in Australia within 30 days of first publication overseas (known as the "30 day" rule). A bookseller can also import copies of a book if an Australian publisher does not respond to a written request within 7 days, or cannot supply those copies within 90 days (the "90 day" rule). In this circumstance, a bookseller may import a reasonable number of copies.

Booksellers can also import a single copy of a book to fill a customer order. There is no restriction on individual consumers from importing books themselves directly for private use, for example by purchasing a book via a foreign on-line bookseller.

Australian copyright industries include press and literature, music, theatrical productions, motion picture and video, radio and television, photography, visual and graphic arts, software and advertising. As a whole, they represent a very significant sector of the Australian economy, employing almost 840,000 people, representing 8% of the total Australian workforce in 2007. Australia's modern economy and a balanced mix of activity across the copyright industry sector, affords Australia with a relatively high labour productivity when compared with the copyright industries of our developed country counterparts.

In 2006-07, copyright industries generated over 10% gross domestic product valued at \$97.7 billion and over 4% of total exports (\$6.9 billion). While exports of copyright products have grown over the last ten years, import growth has outstripped exports almost four-fold. With a shortfall between imports and exports in excess of \$20 billion, Australia remains a significant net importer of copyright material, including books.

Within the broader copyright industry, the literature core of the publishing sector is a major contributor to the Australian economy worth approximately \$2 billion a year, with almost 130 million books sold. More than half the books sold in Australia are published locally and that the large majority of these books are written by Australians. Publishing books in Australia provides more than 6,000 jobs and results in the release of 14,000 new book titles each year.

In Australia, it is generally accepted that an open market builds companies better equipped to compete globally and in turn, more resilient businesses. Some proponents of removing the current PIR provisions in the Copyright Act to allow parallel importation of books may rely on this general principle while citing opportunities to depart from the status quo.

Supposed grounds to remove the current PIR provisions include: increased competition may encourage future capital investment in stores; may reduce book prices to consumers and may increase readership; may reduce loss of custom to overseas internet sales; and reduce regulatory need to investigate if a book falls within the 30-day rule.

Further, there is a suggestion that if PIR provisions were removed the Government could assist Australian book producers with direct subsidies – to provide a comparable level of support as the PIR provisions (at less cost to the community) but without the need for Australian book consumers to subsidise foreign copyright holders. This is anti-competitive in nature. Under such an approach, consumers as Australian taxpayers would need to provide the funding for such subsidies which also may not be World Trade Organization consistent.

There is no evidence that removal of PIR provisions would, in fact, lead to lower book prices in Australia. With removal, major book sellers may indeed employ the leverage of importing from foreign publishers and distributors to seek more favourable terms from local suppliers. If successful, it could likely have an inflationary effect on Australian book prices as local suppliers attempt to recover the additional cost of doing business.

The restrictions of the existing parallel import provisions allow for more than sufficient competition in the Australian publishing sector. Australian booksellers provide a range of local and imported titles, backed up by high-quality customer service.

Foreign titles are made available in Australia in a timely fashion and at prices competitive with those overseas. The internet has made price comparison so simple that all Australian distributors are keenly aware of foreign on-line competition.

The argument to the remove PIR provisions does not hold weight when compared with the significant risks, not only economically for the Australian copyright industry but also culturally.

The current provisions generate broader cultural benefits by promoting Australian authorship and the generation of Australian-centric stories. The potential flow-on effects from the removal of PIR provisions are considerable and numerous. The removal could likely lead to fewer Australian books being published and pressure for Australian authors to tailor writing for foreign publishers' global audience, thus reducing the 'Australianess' of the themes and language.

The effects of fewer Australian books being published would be far reaching, Australian writers may no longer be over represented in international literary prizes, fewer films reflecting our nation (as many films are based on books) may be produced, schools would have a narrower book base to explore Australian life and overseas culture, language, history and values would greater dominate our shelves.

Australian authors are now competing and respected on the international stage. Through their efforts, Australian culture and ideas are exported across the globe, a removal of the PIR provisions would have a negative effect on the Australian publishing sector's capacity to continue to support and develop Australian authors' ability to do so.

The quantity and quality of Australian independent publishers also make a significant contribution to Australia's cultural landscape. These businesses depend on close links with local distributors, and rely on service, stockholding and in store author appearances to provide value to their customers. The removal of territorial copyright would have a largely negative effect on these businesses and their customers.

For small-to-medium Australian publishers, trading in book rights represents a valuable income stream. The selection of foreign books and in some cases re-editing and re-designing them for the Australian consumer supplements the offerings to booksellers and to the public. This trading in foreign book rights enhances incomes of authors, agents and publishers while lowering the trade deficit. The income from trading in book rights allows these companies to invest in the development of Australian authors, to hire and train editors and publicity staff, to contribute greatly to the country's culture. The removal of territorial copyright would again have a largely negative effect on Australia publishers, authors and ultimately the Australian book consumer.

The current provisions are justified and provide essential assistance to Australian publishers. This assistance facilitates a healthy Australian publishing sector and helps foster the development of works by Australian authors through providing an incentive to create literary works. Removal of the provisions could likely lead to a reduction in local and specialised forms of literature, including creative writing, reducing opportunities for local authors and a reduced awareness among Australians of local writers and their works.

Removal of the PIR provisions could surrender the local market to foreign publishers and authors, who would retain such protections in their local markets – especially the United States and the United Kingdom where the majority of books subject to Australian PIR provisions originate.

It is also imperative to provide a continued incentive for Australian publishers to buy and establish a local market for Australian authors. Without a strong local track record Australian authors would face difficulty in accessing foreign markets, in particular in the United States.

Across the broader copyright sector, Australian publishing benefits booksellers through an expanded range of titles and enables acquisition of books on a 'sale or return' basis from the publishers. The provisions also assist the Australian printing industry and provide the related benefit of reducing the carbon footprint associated with the transportation of imported books.

For Australian writers the removal of PIR provisions would likely lead to erosion of income through reduced royalties. Removal may also lead to dumping of remainders of foreign book runs on the local market, which would undercut the locally produced product and further reduce author royalties. Without sufficient income or the ability to assert creative rights, Australian writers may be forced to stop writing.

The loss of territorial copyright through the removal of the parallel import restrictions would result in several negative effects, including: providing an advantage to large international publishers over smaller local independent publishers; eroding the market share of independent booksellers; fewer books being published locally; job losses in distribution centres, publishing houses and printers; a sharp decline in international rights trading and increase in net importing; and stifled creativity and a loss of income for local authors.

The existing PIR provisions of the Copyright Act allow a healthy amount of parallel importation, while giving consumers sufficient choice. The benefits to the community from the current provisions outweigh any costs, including the minimal restrictions on competition and the impacts on some foreign-owned booksellers in Australia.

With a view to enhancing Australia's longer term growth prospects, both economically and culturally, the Ai Group recommends retention of the status quo for parallel import restrictions on books.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Heather Ridout', with a stylized flourish at the end.

**Heather Ridout**  
**Chief Executive**