

Submission 2 to the Productivity Commission on restrictions on the Parallel Importation of Books by Ligare Pty Ltd in Reaction to the Discussion Draft March 2009

This second submission is a reaction to the Productivity Commission's Discussion Draft on the Restrictions on the Parallel Importation of Books. It is not the intention of this subsequent submission to unnecessarily repeat issues raised in the first submission by Ligare to the Productivity Commission (PC) unless it directly relates to Ligare's comments on the Discussion Draft (DD).

Draft Recommendation 7.1 states that the current Parallel Importation Restrictions (PIRs) should be modified such that PIRs should apply for 12 months from the date of first publication of a book and thereafter parallel importation should be freely permitted. This recommendation is opposed by Ligare for several reasons.

1. Ligare's reprint work would be severely reduced on both imported titles and locally published titles as both would be freely available in the world market to be imported by resellers from other sources. Since the educational market relies very heavily on reprints, and Ligare's clients are principally educational publishers, Ligare's reprint revenue would be under threat. Currently Ligare's reprint revenue comprises approximately 15% of its total revenue, thus at risk are 15 jobs at Ligare and also indirect jobs in the book production sector.
2. The educational publishing industry in Australia already battles with book piracy (principally from Asia) and currently has the legal protection of the PIRs to assist in its fight to retain the revenue stream that is its right, especially in the tertiary sector. Asian pirate producers would see this weakening of the PIRs as an invitation by the Australian Government to strengthen its attack on the Australian market with books produced with inferior production qualities, which would have the dual effect of both de-valuing the tertiary students educational experience by using inferior books, as well as the threat to the local publication of the highly valued teaching aids. Since most textbooks take at least 12 months to secure adoptions in

tertiary courses the initial research and development investment in locally published titles, or re-versioned titles, is not re-couped until well into its second or third year after publication. If this revenue is not secured by PIRs it is most likely that locally published textbooks would almost cease, jeopardising Ligare's revenue of new title production as well as reprints. This would have a devastating effect on Ligare. Ligare currently employs 100 staff and indirectly supports at least 300 jobs in the book production sector.

3. Ligare contends that not enough thought and emphasis in the DD has been undertaken when evaluating the impact of the recommended changes on the educational sector, in particular the most at risk sub-sector of tertiary publishing. It is not just reprints that would be at risk in this sector but the whole sector itself as the risk would be too great for the significant investment in R&D to bring a locally published tertiary textbook to the market, and Australia's tertiary educational sector would be poorer devaluing the 'clever nation'.
4. Section 5.3 of the DD discussed the impact on Australian printers where the PC admits that the 30 day rule "created some demand for Australian printers". The steady growth in this sector would be dramatically undermined, and could result in what the ACCC feared when it ruled against the merger of Griffin Press and McPherson, where there may only be enough business for one long run printer to survive in Australia with the DD recommendations; or worse, no long run printer in Australia at all. It is very easy to conceive of a situation in the current economic downturn that Australia will either have a monopoly of long run printing or no long run printer on shore, which would a major loss of printing revenue and jobs. Thus the point of this PC inquiry of trying to give the Australian consumer 'cheaper books' would have the Australian public and students poorer in educational and cultural content, as well as devastating what is at the current time a healthy industry. Additionally it will not necessarily follow that the Australian public will have cheaper books, as the mixed findings in the study show. It is more than likely that if Australian booksellers are able to import all books that are more than 12 months old from the initial publication date, the Australian booksellers will keep the extra margin that they gain from the direct import in part, at least, to offset the extra risk of both freight and the 'firm sale' deals they will need to make.

Draft Recommendation 7.2 suggests that this recommendation should be reviewed after five years and that the Australian Bureau of Statistics (ABS) should undertake an up-to-date books industry survey "having regard to the information gaps and interpretation problems identified in this study". Ligare supports the involvement of the ABS however:

If the PC does not currently hold all the necessary information to come to a truly informed conclusion then Ligare asks how could it come to the conclusion that lifting the PIRs after 12

months would be good for the Australian consumer? If the PC goes ahead with the recommendation in the DD it would be proceeding irresponsibly, no doubt devastating a currently healthy industry, without having sufficient evidence to support its recommendations. The PC needs to ask itself more strenuously why other major English speaking markets retain PIRs.

Ligare's Recommendations

1. Given the issues raised above, Ligare recommends that the current PIRs remain in place. The only moderation to the current PIRs which seem reasonable to all the stakeholders Ligare has engaged in its conversation about PIRs, would be to change the PIRs to a 30 day protection for the full life of the published book. This would have the effect of increasing backlist availability to the Australian consumer and would likely increase further Australian book printing activity.
2. Ligare also recommends the reinstatement of the ABS survey of the book industry which should occur at least bi-annually.
3. Ligare also reiterates its recommendation for an education program for the Australian consumers of books which would inform them of the benefits they receive culturally and educationally from the retention of PIRs, which should also include the fact that both the UK and the USA also have these in place. If Australian consumers of books understood what they are really paying for when they buy a book in Australia then like all other choices Australian consumers make they would be able to decide where the real value resides.