



**Printing Industries
Association of Australia**

**Submission
To the Productivity Commissions'
Discussion Draft**

**Restrictions on the Parallel
Importation of Books**

15 April 2009



Introduction

The Printing Industries Association of Australia (*Printing Industries*) the peak advocate and support organisation for companies operating in the paper, print, packaging and visual communication industry in Australia welcomes the opportunity to comment on the recommendations outlined in the Productivity Commissions' discussion draft concerning Restrictions on the Parallel Importation of Books.

Productivity Commission's proposals

The Productivity Commission in its discussion draft is proposing the following changes:

- Parallel Import Restriction (PIR) protection should only apply for 12 months from the date of first publication of a book in Australia (while retaining the 30 day release rule)
- The 7/90 day resupply rule should be abolished
- Booksellers should be allowed to overtly offer an aggregation service for individual import orders under the single use provisions.
- A further review should be held five years after implementation of the changes arising from this study.

Proposed recommendations run counter to most submissions

The draft recommendations proposed by the Productivity Commission appear to be an attempt at reaching a compromise position reflecting the commercial interests of the key stakeholders of the book production value chain comprising of authors, publishers, printers and booksellers as well as the end consumer.

Adopting a compromise position was not warranted however as a quick scan of the submissions made to the study clearly shows that the vast majority of book production industry stakeholders advocate the retention of the current arrangements pertaining to parallel import restrictions. Even the segment of the value chain that would in theory benefit from the removal of the current provisions – the booksellers



failed to reach a consensus on the issue with a number of submissions from this segment supporting the current arrangements.

***Printing Industries* position concerning the Productivity Commission's recommendations**

As is noted by the Productivity Commission, restricting parallel import restrictions to a period of 12 months after the first publication of a book in Australia represents liberalisation of the current arrangements while retaining incentives for local publishers to invest in works by local authors, beyond that based on the immediate commercial value of those works. But based on initial feedback from publishers the Productivity Commissions assessment might be overtly optimistic.

Publishers are opposed to the recommendation that parallel import restrictions should apply for a period of 12 months stressing that their investments in local literal activity will suffer accordingly as the proposed timeframe does not provide sufficient time to build a book or an author. Reduced publishing activity is a concern to *Printing Industries* because if publishers wind back their investments in the local market, then there will be adverse impacts on the local book printing industry which has benefited enormously from the current arrangements known as the 30-day rule that date back to 1991.

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.

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 publishing activity is wind back.

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

Limiting parallel import restriction protection for books to just 12 months and abolishing the 7/90 day rule will impact on domestic reprints of books. Based on industry feedback this market segment represents some 40 per cent of total book printing turnover. If the Productivity Commission recommendations are implemented, overseas remainders will replace domestic reprints.

This could place in jeopardy up to \$95 million in local book printing activity and about \$35 million in paper production. Taking into account historical input-output and industry multiplier analysis, the estimated output losses above could result in the loss of 1900 jobs throughout the Australian economy, including several hundred jobs in the book production sector. A contracting local book printing market is likely to result in significant lessening of competition amongst book printers as pressures for consolidation increase at the top end.

***Printing Industries* opposes the recommendation by the Productivity Commission to limit parallel import restriction protection to a period of 12 months and abolishing the 7/90 day rule on the basis that the implementation of such recommendations will result in reduced local publishing and printing activity including local printing of titles published outside Australia.**

***Printing Industries* supports modification of the existing 90 day rule provisions that apply to existing book titles to reflect technological advancements. As such, the 90 day provision could be shortened to 30 days.**

The recommendation that booksellers should be allowed to overtly offer an aggregation service for individual import orders under the single use provisions is not opposed by *Printing Industries*.



Such a measure in addition to the current ability of book consumers to purchase books directly from overseas sources through online facilities will enhance the flexibility of the current arrangements by providing book readers with multiple avenues to source overseas based books if they so wish to.

Such arrangements will also help destroy the main argument or more accurately the main myth put forward for recommending changes to parallel import restriction protection – the pricing argument. Book consumers through the ability to purchase overseas based books titles online or via a bookstore have the ability to shop around for the best available deals – if they are not happy with the price of the local edition they can purchase the foreign edition.

The recommendation by the Productivity Commission that a further review should be held five years after implementation of the changes arising from this study will be made somewhat redundant if the proposed changes are not implemented as is being advocated by *Printing Industries*.

Printing Industries is disappointed that in the midst of its current inquiry the Productivity Commission had the audacity to recommend yet another inquiry despite the fact that the current inquiry represents the sixth inquiry over the past two decades.

Printing Industries hopes that this latest study/inquiry will finally determine that the current arrangements 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 by providing certainty to book production stakeholders so that they can invest and commit to the local book production industry with confidence and certainty.

In the discussion draft the Productivity Commission alludes to the issue of data challenge which hampered its' efforts at fully describing and analysing the Australian book market. *Printing Industries* concurs with the sentiments of the Productivity Commission regarding this issue and supports the proposal that the Australian Bureau of Statistics (ABS) should update its survey of the Australian book industry as the most recent survey of the industry dates back to the 2003-04 financial year. The Federal Government should give the ABS the necessary resources to conduct this survey on a regular basis preferably every two years. The availability of current data on the book industry is vital for both business planning and government policy decisions.

Proper consideration need to be given to environmental issues

Printing Industries was also disappointed that scant regard and consideration was given by the Productivity Commission to environmental related issues. This is a clear shortcoming of the discussion draft as 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.

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 current arrangements are associated with better environmental outcomes.



As has been previously stated, 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. The same logic can also be applied to book exports. The Productivity Commission notes that an extension of the logic of curtailing imports to secure reductions in greenhouse gas reductions would seemingly require Australia to reduce its exports of books – at least insofar as it was concerned about the carbon footprint associated with the consumption of books in other countries.

While it is true that there are “carbon miles” associated with the export of Australian books, the fact that Australian book printers are typically more environmentally responsible than their overseas counterparts means that the “carbon miles” argument assumes fewer relevancies when applied to Australian books exports.

Any measure that results in increased global emissions such as limiting parallel import restriction protection to just 12 months 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 position on carbon emissions. This is why it is important that proper consideration is also given to adding a notional cost to all imported books to help cover the associated carbon impact.

Regional development/support

In the discussion draft the Productivity Commission states that it recognises the regional significance of parts of the books industry. The Commission states that in particular without parallel import restrictions and some alternative support mechanism, printing activity and employment in certain regional areas could be



significantly affected. It also states that given the smaller economic base of the regional areas the absorption of the displaced resources into other activities may be more difficult. It however concludes by saying that it is not the role of parallel import restrictions to operate as a regional development/support mechanism.

The same argument was raised by the Productivity Commission during the round table discussions held with book industry stakeholders in Sydney on 8th of April 2009. It is interesting to note that during the same discussion the Productivity Commission stated that while the recommendations that it makes may have adverse impacts on a certain sector, it is interested in the impact that it has on Australia.

Applying this logic would therefore necessitate that the Productivity Commission takes into account all relevant factors when assessing the impact of its recommendations on the Australian entity, including the current role of parallel import restrictions as a regional development/support mechanism.

Recommendations

- 1. *Printing Industries* opposes the recommendation by the Productivity Commission to limit parallel import restriction protection to a period of 12 months and abolishing the 7/90 day rule on the basis that the implementation of such recommendations will result in reduced local publishing and printing activity.**
- 2. *Printing Industries* supports modification of the existing 90 day rule provisions that apply to existing book titles to reflect technological advancements. As such, the 90 day provision should be shortened to 30 days.**
- 3. The recommendation that booksellers should be allowed to overtly offer an aggregation service for individual import orders under the single use provisions is not opposed by *Printing Industries*.**



Recommendations

4. The recommendation by the Productivity Commission that a further review should be held five years after implementation of the changes arising from this study will be made somewhat redundant if the proposed changes are not implemented as is being advocated by *Printing Industries*.
5. 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 by providing certainty to book production stakeholders so that they can invest and commit to the local book production industry with confidence and certainty.

6. Policy recommendations concerning parallel import restriction protection need to give proper consideration to environmental issues especially the carbon impact associated with imported books.
7. To address the data challenge issue which arises due to the absence of current data on the Australian book industry, the ABS should be given the necessary resources to undertake regular surveys of the book industry.
8. Given that the Productivity Commission is interested in evaluating the impact of a particular measure(s) on Australia as an entity, then all relevant factors including the role of parallel import restrictions as a regional development/support mechanism need to be properly considered and acknowledged.