



2 June 2016

The Productivity Commission

Dear Sir/Madam

We are a small independent bookshop in Newcastle, New South Wales. The shop is situated in the inner city suburb of Hamilton and has been there for 19 years, and my wife Amanda and I have owned it for the last 13 years. We have many loyal local customers, we are committed to our local community, and we partner with and support many other local businesses and local schools.

We are aware of the recommendation by the Productivity Commission that the Parallel Importation Restrictions ("PIR") with regard to books should be removed, and we are extremely concerned about the impact that this will have on the Australian book industry and many local businesses like ours.

The justification for removal of the PIR is apparently the belief that there will be a reduction in book prices in Australia if they are removed. However, I think this is very doubtful.

The PIR currently prevent bulk quantities of a title from being imported into Australia where an Australian edition of that title has been published (as long as publication is soon after its release anywhere else in the world) and where publishers are able to supply copies of that title within a short period from time of ordering.

However, the PIR do not prevent consumers from buying copies of a title directly from overseas for their own use. Hence, if a cheaper edition was available overseas then consumers already have the ability to take advantage of that cheaper price.

In addition, the PIR also allow retailers to import single copies of books from overseas into Australia to satisfy specific customer orders, without any restriction. Hence, if a cheaper edition was available overseas then retailers already have the ability to take advantage of that cheaper price for their customers.

We do regularly import single copies of books from overseas for our customers, where the books are not currently available from Australian publishers. We do not generally import single copies for our customers on a price basis, as we have not often seen any significant price differences between the overseas editions and the Australian one. Obviously this comparison can vary depending on the prevailing exchange rate of the day.

Therefore, it seems to me that the only practical effect of removing the PIR would be to allow the large retailers who sell books among many other items (Coles Myer group, Woolworths group, Amazon) to import large quantities of overseas editions of titles into the Australian market. However, these retailers already employ anti-competitive behaviour in the market by using books as "loss leaders". ie. selling books at below cost in order to entice customers to purchase other non-book products from their stores (physical or online), and so it is difficult to see how there could be any significant further reduction in their prices.

Also, small retailers like us do not have the resources to import bulk quantities of books from overseas, assuming there was actually a price advantage to doing so, plus Australian publishers sell books to us on more favourable terms than purchasing from overseas. Therefore, removing the PIR really only gives even further market power to the big retailers in the market, and reduces competition and diversity in the market.

However, there are also some possibly unforeseen implications from removing the PIR.

Firstly, Australian publishers generate significant revenue from publishing Australian editions of overseas titles. This means that they have a sustainable business and are also able to publish many great books by Australian authors. Without this revenue from Australian editions of overseas titles, then there is likely to be many fewer Australian publishers and many fewer books published by Australian authors.

The removal of the PIR would likely reduce the ability of publishers to earn this revenue from Australian editions of overseas titles. With the removal of the PIR, overseas publishers could simply export their own editions to Australia, without the need to find an Australian publisher.

Australian publishers and authors also rely on the sale of overseas rights to their books to make their businesses and writing financially viable. The removal of the PIR would mean that Australian publishers and authors would likely have to be more restrictive with overseas rights sales, as any overseas rights sales they make could see those overseas editions exported back into Australia to take sales away from the Australian editions (and Australian publishers and authors earn much less on overseas editions than Australian editions).

Therefore, I believe that the practical implications of removing the PIR would be:

- Increased market power to the largest retailers at the expense of small retailers
- A flow of profits from Australian publishers and authors to large overseas publishers
- A reduction in the number and diversity of Australian books published
- Significant job losses in the Australian book industry, which currently employs more than 20,000 people.

Is it really worth risking these outcomes for some undefined, unlikely reduction in book prices in Australia?

I don't think so.

Please feel free to contact me
discuss this further or need further information.

should you wish to

Yours faithfully

Max Shirley
Owner/Manager
MacLean's Booksellers