

In reply to the Productivity Commission's Report on Australia's intellectual property arrangements.

About Dymocks

Dymocks is Australia's leading chain bookseller. We are 100% Australian owned and operated and have been in business for 137 years. Dymocks has 60 stores in Australia, employing over 800 people.

Dymocks' position on parallel importation restrictions

Dymocks supports the removal of the restrictions on parallel importation of books. With today's customers having access to a 24/7 global economy, we believe that these outdated restrictions belong to a pre-digital age.

Removing these restrictions would create an open market for books: enabling Australian booksellers the freedom to choose from local and overseas suppliers. This would lead to globally competitive prices and quicker availability on book titles. It would encourage greater efficiency from both retailers and publishers/suppliers in the Australian market and ultimately support a vibrant and flourishing publishing and book retail industry. This will benefit our customers and all Australian readers as well as the broader Australian economy.

The current situation

The past decade has seen significant growth in the online market in books. This is now estimated to be in excess of \$398 million* per year in Australia, with supply from Australian and international retailers. Overseas online sales have increased as consumers look for lower prices and greater availability. These are the precise benefits the removal of parallel importation restrictions will bring to the local market for books.

Parallel importation restrictions do not impact evenly upon Australian retailers. Australian *online* retailers currently have the advantage of effectively circumventing PIR. They can source from overseas suppliers enabling them to supply books often more quickly and cheaply than they can through a local publisher. Dymocks and other physical book retail stores are constrained by outdated agreements with only one method of supply, the Australian based publisher.

Currently, publishers are able to set an RRP through a combination of advisory pricing on the book and trade terms with retailers. The publishers can also increase their prices at any time due to their exclusive right to supply. This lack of competitive intensity can result in artificially high book prices which means booksellers lose market share to online retailers.

Publishers opposed to the removal of parallel importation restrictions can and in some cases do sell books directly to international online stores such as the Amazon-owned Book Depository to facilitate local supply into the Australian market. For example, when an Australian customer makes a purchase from UK based Book Depository the order is fulfilled through a local Australian publisher rather than being sent from the UK. Australian booksellers – unable to source supply from overseas – are not given the same freedom.

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Physical store retailers are unable to buy books from their supplier of choice, the one offering the best price and ability to deliver on time. Instead, they are forced to buy from the local publisher who has little incentive to improve their price or efficiencies as they are protected by these legislative restrictions.

The impact on bookselling in Australia

The consumer creates the demand for books, not the publishers who are protected by the closed market and able to set the selling price. Higher prices are imposed because parallel importation restrictions place control of pricing and supply with Australian publishers. An open market will remove this by making the publishing industry compete with the international market on pricing and availability.

The removal of parallel importation restrictions will give local suppliers stronger incentives to provide greater efficiencies in their operations, sharpen their supply chain practices and make their prices and delivery times more competitive. These benefits would be passed on to our customers.

We believe the current restrictions are inequitable and unsustainable in the modern global marketplace and our digital economy. A reform of the law will allow us to buy from the same markets as our competitors and customers do every day. Without reform, physical bookstores will struggle to compete with online competitors, placing their future – and the future employment of thousands of Australians – in jeopardy.

Dymocks strongly believes in Australian publishing and for 137 years Dymocks has proudly supported Australian authors. However no-one benefits if there are no longer locally owned physical bookstores to hand sell and recommend them.

Dymocks looks forward to the government acting upon the recommendations and repealing the outdated parallel importation restrictions.

Steve Cox, Managing Director, Dymocks is available for further comment if required.

**Source: Dymocks Quantum National Retail Book Market Report 2015*

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