



A M W U

**AMWU Submission to the Productivity
Commission's Study of Parallel
Importation of Books**

January 2009



Introduction

The AMWU has sole coverage for employees employed by book printers and employed in the industrial pursuits associated with book printing, from pre press design and layout, right through out the process to binding and finishing. The Printing Division of the Australian Manufacturing Workers' Union (AMWU) has members employed in the book printing and paper production segments of the printing and paper and pulp industries.

The major dedicated book printers in Australia are:

- McPherson's Printing Group in Maryborough in regional Victoria;
- Griffin Press, part of PMP Limited in Adelaide; and,
- Ligare in Sydney.

The Maryborough region of Victoria accounts for approximately 75% of all printed books produced in Australia.¹

There are also around two dozen dedicated book printers, each employing up to 20 persons or so, and commercial printers who have the capacity to print books along with their other printing activities.

A major paper producer supplying these book printers, and employing our members, is Australian Paper, part of the PaperLinx Group, situated in Northern Tasmania, Victoria and New South Wales.

¹ Ibis World Report 26 September 2008, p 9



The AMWU supports the retention of the copyright restrictions on the Parallel Importation of books. This restriction, along with the so called "90 day rule" has operated in Australia since 1991. Since then, these restrictions have coincided with a healthy growth in the book printing industry in Australia, as well as economic benefits for associated industries. Consumers have not been subjected to overpricing and Australian printers are able to source local paper produced with more environmentally friendly processes than paper produced cheaply in Asia. To abolish the copyright restrictions would cause enormous damage to a healthy industry.

The AMWU is totally committed to maintaining jobs in Australian industry, particularly in the current climate of the global financial crisis. We can see no benefit in altering the status quo.

Industry Background

The printing industry can be divided into two broad areas:

- *Small-scale operators (mainly commercial, job, or specialty printers), which operate in local markets, where they can develop commercial relationships with the local business community, and have local market dominance - these firms operate on a very small scale on processes (mainly multi-colour offset printing machinery) which enables them to produce a variety of final products - entry into this segment is fairly easy, as capital equipment costs are quite low (relative to most other manufacturing industries) and economies of scale are not an apparent barrier to entry - this segment comprises around 60% of the market; and*



- *Medium and large-scale plants (mainly printing large print run publications, such as directories, magazines, periodicals, annual reports, prospectuses, catalogues, large consumer company invoices, and paperback editions of books), which are often subsidiaries of media corporations or publishing houses. These plants principally comprise heat-set, cold-set and sheet-fed printing facilities.*

Products can be divided into two areas:

- *publications; and*
- *non-publications.²*

Publications account for around 15% of the industry output and comprise magazines, periodicals and so forth in addition to books. Middle and larger scales printers operate in this segment of the industry and book printing is critical to their viability. In 2000, there were around 230 book printers in Australia. These printers generated revenue of around \$250 million in 2000 and employed more than 2,000 people, although book printing revenue is believed to have declined since 2000 due to an increase in imports. According to the Australian Competition and Consumer Commission (June 2007), colour printing has been shifted offshore to a significant extent.³

The above facts regarding the book printing industry is evidence that the industry already operates in a highly competitive environment with significant global pressures, even with the 30 day rule operating. The decline in revenue since 2000 mentioned above will decline even further if the 30 day rule was to be abolished.

² Ibis World Industry Report 26 September 2008

³ Ibid, p 7

Griffin Press (PMP's book printing subsidiary), with McPherson's Printing (the book publishing division of McPherson's Ltd) are the largest book printers in Australia (in 2006-07, Griffin produced 8 out of 10 of the largest selling titles in Australia). Griffin Press and McPherson's Printing are the only two printers in Australia that operate high speed fixed-format web-fed presses, and printing technology that offers low print costs for longer print runs. In August, 2007, the Australian Competition and Consumer Commission rejected a planned merger of Griffin Press (PMP's book printing subsidiary), with McPherson's Printing (the book publishing division of McPherson's Ltd). In relation to the proposed merger, the ACCC expressed concerns about a lessening of competition for longer print runs and mono books in standard formats. In addition, the ACCC was also concerned that the proposed joint venture could negotiate comprehensive agreements with publishers also affecting competition for the printing of short run books.⁴

Implicit in the ACCC's rejection of the merger between PMP Limited and McPherson's is that competition exists in the market with these major players, (as well as Ligare and commercial printers with books capability) providing the market with choice for a cost effective production means.

Impact of 30 day rule

Since the introduction of the 30 day rule, book production in Australia has enjoyed healthy growth. This has occurred over the period where industry (government) assistance to the printing industry has progressively declined. Books may be imported into Australia duty free. The effect of the introduction of the 30 day rule was to make

⁴ Ibid, p 9

book publishers place orders for book runs with Australian printers who were, and are able to meet the 30 day time line. This is often met by producing paper back versions which are cheaper to consumers. They also allow publishers to operate on a "sale or return" basis with the Australia printer and, depending on sales, order quick turnaround prints. This would not be possible with ordering the title from an overseas printer. The ACCC reported in 2007 that:

"most publishers said that it is almost always impossible to print offshore or import directly and still meet the 30 day requirement (except with airfreight, which is not cost-effective). Reasons for this included the time lapse between Australian release and overseas publication which generally does not allow enough time for an Australian rights holder to print overseas and transport the books and still have the books supplied to the public within 30 days".⁵

Implicit in this is the assertion that; if the 30 day rule did **not** exist, there would be no incentive, other than profit on 'blockbuster' titles, for publishers to make titles available to Australian readers within a timely manner, that is, 30 days.

Further, the 30 day rule does not operate to the total exclusion of parallel importation. Readers may order a book 'on line' directly from an overseas supplier, or may request that a book supplier in Australia place an on line order for them.

⁵ Public Competition Assessment, PMP Limited and McPherson's Limited book printing businesses – proposed joint venture, ACCC, 27 August 2007, p 8



Impact on the price of books to consumers

As mentioned above, the operation of the 30 day rule does not prohibit imports via on line ordering, thereby local suppliers face cost restraints via this competition. It also makes available to Australian readers locally produced paper back versions which are cheaper to produce than hard back which are often the format of the overseas originals. The AMWU notes that there has been comment in the broadsheet media regarding the issue of the impact of the 30 day rule on costs to Australian book consumers, most recently via an article written by the book sellers *Dymocks* board member Mr Bob Carr. This article appeared in the "Weekend Australian" issue dated 13 - 14 December 2008. The AMWU does not accept the simplistic arguments put forward by Mr Carr as to why the abolition of copyright restrictions on parallel importation of books would bring down prices. A costing exercise is not a simple one. Issues of currency fluctuation, factoring of value added or good and services taxes, freight costs to book suppliers of importing the finished overseas product need to be considered. Further, the industry in Australia operates on the practice of "sale or return". The sale or return practice operates in the context of publishers, if unsure of volume, ordering a smaller number of books and then ordering "quick turnarounds" if the initial number sells out. If book sellers sourced copies from overseas, they would not operate on a "sale or return" basis and so would bear the cost of unwanted copies. In short, the AMWU does not accept arguments proffered regarding cheaper prices for consumers if the restrictions are abolished.



Impact on jobs

If the 30 day rule were abolished, there would be significant impact on jobs in the direct book printing industry and the associated industries, such as paper production. The major book printers and paper producers employ the following approximate numbers of people:

- **McPherson's Printing Division Maryborough Victoria: 320**
- **Griffin Press, Adelaide, South Australia: 165**
- **Ligare Pty Ltd, Sydney, New South Wales: 110**
- **Australian Paper, mills at Wesley Vale and Burnie Tasmania, Maryvale Victoria, and Shoalhaven New South Wales: 1,110.**

The effects would also be felt in the two dozen or so dedicated book printers mentioned in the Introduction section of this submission as well as commercial printers who also print books.

The resulting job losses would have a severe impact on all geographic areas, particularly regional areas. The above figures do not take into account other 'downstream and upstream' segments of the industry such as, for instance, ink suppliers and press equipment suppliers, artistic designers, and software design equipment.

Environmental considerations

Any review of the 30 day rule which would allow book sellers to order directly from overseas printers needs to factor in environmental considerations. All of the employers mentioned in the section above: that is; McPherson's, Griffin Press, Ligare and Australian Paper all operate environmental sustainability programs. Briefly, these include, but are not limited to:



McPherson's Printing Division.

- FSC accredited (Forest Conservation Program)
- Greenhouse Challenge Plus
- Greenfleet
- Waste Wise

Griffin Press

- FSC accredited

Ligare Pty Ltd

- FSC accredited
- Beginning work on providing carbon neutral printing to clients
- Use of vegetable soy inks
- Use of water soluble adhesives
- Reducing waste for landfill



Australian Paper

- Utilises “Envi”, a 100% carbon neutral production process
- Reduced greenhouse gases over recent years by reducing gas and electricity usage, converting boilers at two mills from coal to oil or gas fired, and has met 45% of energy needs from renewable sources.

If the 30 day rule was abolished and book production moved off shore, paper would also be sourced off shore. It is highly unlikely that cheaper producers operating in the Asian region would engage in environmentally sustainable production and have active environmental programs in production processes. The ‘carbon footprint’ of any production process should be factored into cost. Cost should not be measured as a one dimensional factor only affecting the consumer at point of sale. The environmental cost alone of paper production and book printing through non environmentally sustainable processes should be given considerable weight.

Summary and conclusion

The current review of the copyright restriction on parallel importation of books follows on from several previous reviews and/or inquiries. The current arrangement, that is the 30/90 rule, has been in operation since 1991, the period since coinciding with a healthy growth in book production in Australia. The economic and environmental costs to Australia, particularly in regional areas, of a change to the copyright restrictions on parallel imports would be extremely detrimental.



The consequences for *consumers of books* would be:

- uncertainty as to whether an overseas title would be imported at all by a book seller;
- a wait longer than 30 days it was imported,
- more expensive hard back versions rather than local paper backs.

The consequences for *publishers of books*:

- uncertainty about the time frame from publication overseas to availability in bookstores in Australia;
- freight costs;
- the loss of the "sale or return" basis of ordering copies

The consequences for *employees in book printing*:

- job losses and resulting economic impact on them as consumers
- flow on effect to other industries

The consequences for the *environment*:

- loss of work for local paper producers and book printers who are all engaged in environmentally sound production processes.

The AMWU supports the retention of the status quo which has served the industry and consumers well since this current scheme has been operating. At a time when governments around the world are concentrating on maintaining employment levels, to remove the restriction on parallel importation of books and potentially put at risk a significant industry is ignoring the impact of the global financial crisis.