

15 July 2009

## Customs, Trade & Transport e-alert

### Productivity Commission recommends removal of parallel import protection for books

As many would be aware, the Australian Productivity Commission (“**Productivity Commission**”) has been undertaking a review of “parallel import” protection afforded to Australian authors and publishers. The current provisions allow copyright holders to prevent the importation into Australia of books that have been published in other countries even if those books had been legitimately purchased and even if those books cost less than the price of the equivalent published book in Australia.

In recent years, Australia has relieved parallel import prohibitions on a number of other products including software and music CD’s.

As part of the review, there was a lively debate between those supporting the current provisions (mainly authors and local publishing houses) and those seeking for the prohibitions to be relaxed (basically the large book retailers in Australia).

The Productivity Commission released its Report on 14 July 2009 and some of the main findings and recommendations are set out below.

- Parallel Import Restrictions (“**PIRs**”) provide territorial protection for the publication of many books in Australia, preventing booksellers from sourcing cheaper or better value-for-money editions of those titles from world markets.
- From the available quantitative and qualitative evidence, the Productivity Commission has concluded that the PIRs place upward pressure on book prices and that, at times, the price effect is likely to be substantial. The magnitude of the effect will vary over time and across book genres.
- Most of the benefits of PIR protection accrue to publishers and authors, with demand for local printing also increased.
- Most of the costs are met by consumers, who fund these benefits in a non-transparent manner through higher book prices.
- Some of the effects represent transfers from book purchasers to local copyright holders, but the restrictions also cause economic inefficiencies and a significant transfer of income from Australian consumers to overseas authors and publishers.
- Reform of the current arrangements is necessary, to place downward pressure on book prices, remove constraints on the commercial activities of booksellers and overcome the poor targeting of assistance to the cultural externalities.
- Having considered industry feedback and undertaken further analysis, the Productivity Commission is recommending that the PIR provisions be repealed, and that:
  - Three years notice should be given to facilitate industry adjustment.
  - Current financial assistance for encouraging Australian writing and publishing should be reviewed immediately, and any changes implemented prior to the repeal of the PIRs. The new arrangements should be reviewed after five years.

The crucial issue now is whether the Australian Federal Government will accept all or any of the recommendations of the Productivity Commission. Certainly the recommendation regarding a three year period to facilitate industry adjustment and the other recommendation to increase assistance to local publishing and writing may afford the Federal Government an opportunity to “gently” accept the recommendations. However, the arts lobby is extremely strong and persuasive in Australia and there is already significant action being undertaken on this front.

We will keep you informed of developments. For further information, please contact Andrew Hudson.

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