PRINTING INDUSTRY WORKING GROUP

2.1 THE CURRENT CREDIT CRUNCH AND THE IMPACT ON THE PRINTING INDUSTRY

Background

A recent on-line survey conducted by *Printing Industries* shows that the deterioration in credit availability is placing the financial viability of printing businesses at risk.

Almost half of the respondents (49.4 per cent) reported deterioration in finance availability; just 0.6 per cent reported an improvement while 50 per cent reported no change.

On the question of whether respondents experienced withdrawal of credit or were refused credit in recent months a combined total of 14 per cent answered yes.

The respondents were also asked to indicate the purpose of the credit refused. The most common responses given were as follows:

- Acquisitions activity
- Overdraft facility
- Equipment purchases
- Working capital/cashflow
- Expansion

Assessing both the short and long term impact of the credit crunch, the respondents were asked if credit availability deteriorated further and it was not possible to access credit, what impact would that have on business during the next 6 months (short term impact) as well as during the next 12 months (long term impact).
In the short term (next 6 months):

- 50.4 per cent of the respondents indicated that they would be reducing employment levels
- 69.8 per cent said they would be deferring/postponing their investment plans
- 33.1 per cent said business viability would be placed at risk
- 10.1 per cent indicated other impacts such as limiting spending and suspending director’s salary; injecting more money from shareholders; and considering relocating.

In the long term (next 12 months):

- 45.3 per cent indicated they would be reducing employment
- 65.7 per cent said they would be deferring/postponing their investment plans
- 51.8 per cent said business viability would be placed at risk
- 5.8 per cent indicated other impacts such as becoming less competitive; being forced to close the business; and reduced turnover and profitability.

In comparing the responses of the likely impact of the credit crunch over the next 6 and 12 month periods, one noticeable impact was the significant rise in the proportion of businesses that may no longer be viable.

If the credit crunch continues with businesses in the printing and associated industries failing to access credit, then 33.1 per cent of the respondents indicated that the viability of their businesses will be placed at risk during the next 6 months. This proportion rises to almost 52 per cent of respondents in the long term (defined as 12 month or more).

Policy recommendation:

The Government needs to take action to ensure that credit is available to all commercially viable printing businesses.

2.2.1 LONG SERVICE LEAVE CHANGES AND LIKELY IMPACT ON PRINTING INDUSTRY

Background

_Painting Industries_ is concerned that attempts to standardise long service leave provisions will lead to the implementation of the highest common denominator standards resulting in significantly higher employer obligations for printing employers.

Given the current economic climate and the prospects of further additional costs which will flow to employers from the Award Modernisation process, these measures and associated costs imposts will make more printing businesses commercially unviable and further erode the industry’ international competitiveness.
Policy recommendation

The printing industry does not support increases in long service leave entitlements.

2.2.2 ESTABLISHMENT OF A PRINTING INDUSTRY EXIT/ADJUSTMENT FUND

Background

The proposed fund is for printing businesses wishing to exit the industry but cannot afford to pay outstanding legal entitlements.

The printing industry is a diverse industry with numerous mature sectors such as litho printing and some new and emerging sectors such as digital printing. Mature sectors of the industry are suffering from low rates of economic growth as well as experiencing falling profit margins and returns on investment.

*Printing Industries* would like to see new initiatives being introduced by the Government to assist companies to either exit the industry or to restructure and adopt new technologies and business models to improve performance and overall competitiveness. This may entail significant retraining.

Policy recommendation

Introduction of a Federal & State Government funded industry adjustment package to apply for a limited period of time (6 months) giving industry participants the opportunity to either exit the industry or to restructure.

2.2.3 PC DRAFT REPORT ON PARALLEL IMPORTATION AND 30-DAY RULE

Background

The Productivity Commission (PC) released its draft report on Friday 20th of March with the following recommendations.

Draft recommendation 7.1

Australia’s Parallel Import Restrictions (PIRs) for books should be modified as follows.

- PIRs should apply for 12 months from the date of first publication of a book in Australia. Thereafter, parallel importation should be freely permitted.
- If a PIR-protected book becomes unavailable during this 12 month period, then parallel importation should be freely permitted until local supply is re-established, or the expiry of the 12 month period allows for generalised parallel importation.
• Booksellers should be allowed to overtly offer an aggregation service for individual orders of imported books under the single use provisions.

All other aspects of the current PIR arrangements should continue unchanged, including the 30 day rule.

• The 7/90 resupply rule should be abolished.

Draft recommendation 7.2

The new arrangements should be reviewed five years after implementation. To assist that review, the Australian Bureau of Statistics should, as soon as possible, undertake a revised version of its 2003-04 survey on the books industry and market, having regard to the information gaps and interpretation problems identified in this study and relevant data held by other agencies. It should then update this revised survey prior to the commencement of the review.

Policy recommendation

The Victorian / Australian book production industry supports the retention of the existing copyright restrictions on the parallel importation of books.

The book production industry is currently reviewing the implications associated with the recommendations proposed by the PC and specifically the recommendation that parallel import restrictions apply for a period of 12 months from the first publication of a book in Australia, this issue is particularly important in the State of Victoria due to the major Book Printing companies being in that State (Maryborough with over 300 people employed).

2.2.4 BOOK INDUSTRY PLAN

Background

That the Australian book industry should commence discussions to develop a comprehensive industry plan, under the aegis of the Federal & State Ministers for Innovation, Industry, Science and Research.

This industry plan should reflect the need for an integrated approach and address the full range of issues affecting the book industry — focusing on the key goals of employment sustainability, respect for intellectual property, long-term growth in investment, competition and efficiency, and the consumer interest.

This will enable the views of the PC (which is currently reviewing parallel importing of books) to be considered in the broader context of designing policy for industry development and longer-term growth.
Policy recommendation

The proposal to develop an industry plan for the Australian book industry should be supported by the Federal & State Governments. The Printing Industry Working Group should facilitate the formation of an industry sub-group to advance the concept.

2.3.1 WHOLE OF VICTORIAN STATE GOVERNMENT PRINTING CONTRACT PURCHASING POLICY AND ITS IMPACT ON THE PRINTING INDUSTRY

Background

The Department of Premier & Cabinet has implemented The Printing procurement contract in July 2007.

The Premier’s Department was of the view that the Government can for certain areas of government procurement aggregate and consolidate purchasing to realise savings and benefits associated with its enhanced purchasing power this was reported in the initial Press Release, however the model chosen for this is what is considered to be “Price Only” Driven and has detrimental effect on many small businesses within the Printing Industry with a number of these businesses being forced to either walk away from business which was enjoyed over many years and or also downgrade with staff numbers due to the manner in which this contract is being portrayed.

There are many issues in which this contract has damaged the Printing manufacturing sector which we will name a few as follows:

1. Reverse Auction / Price Driven Only! – Model Not Sustainable to Industry suppliers.
2. Printers not being able to talk to end users ie. Government Departments for detailed printing issues.

The Printing Industry has stated that there intention is not to aggregate all government procurement but instead it is to devise a series of hybrid models that would give flexibility to government departments by allowing them to either coordinate purchases and use their combined purchasing power, the strong belief is that the technical nature of many printing jobs does cause many issues of reprinting etc.
Policy recommendation

*Printing Industries* needs to be fully consulted concerning any more proposed changes to the State government print purchasing policy, especially with this current contract up for renewal in July 2010, we believe there are better models available and we should be given the time and forum to do so.

The Print industry preference is to work with the State Government to improve current print procurement arrangements. This will be done by demonstrating to print procurement officers optimal/best practice print purchasing procedures through a “Print Purchasing” course.

The proposed course would focus on potential savings made via improvements to printing specifications, and a better understanding of the printing processes through these current Government Departments.

**2.3.2 REMOVAL OF THE 5 PER CENT DUTY ON PAPER IMPORTS**

**Background**

The printing industry is operating in a commercial environment that is ultra competitive and increasingly exposed to the forces of globalisation.

Most of the paper used in the production of printed matter is imported for a host of reasons chiefly amongst the fact that the local manufacturer produced a limited range of paper grades.

While printing companies can pursue the Tariff Concession System to obtain Tariff Concession Orders (TCO) and relieve themselves of duty on the paper grades that are subject to TCO’s, feedback from member companies indicated that TCO compliance related issues prevents them from pursuing the option.

Removing the existing 5 per cent duty on paper imports will increase industry competitiveness.

Policy recommendation

That the 5 per cent existing duty on paper imports be removed.
2.3.3 FREE TRADE AGREEMENTS

Background

In the absence of global agreement on trade, the Australian Government is pursuing the second best available option which is bilateral agreements by negotiating Free Trade Agreements

Australia has concluded a number of FTA’s with NZ, Singapore, Thailand, USA, Chile and the ASEAN nations which also comprise of Indonesia, Malaysia, Philippines and Vietnam.

A number of other FTA’s are currently being negotiated and are likely to be concluded within the next 2-3 years. These include negotiations with China, Japan, Korea, and the Gulf nations comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

While Printing Industries is not fundamentally opposed to FTA’s, the Association would like all future FTA’s be subjected to detailed sectoral based economic modelling analysis at the printing industry level and the Government should then work with any sector(s) that are made worse off under a proposed FTA to help mitigate the anticipated negative impacts.

Policy recommendation

All future FTA’s be subjected to detailed sectoral economic modelling at the printing industry level. Any sector(s) likely to be made worse off under an FTA should receive appropriate government support.

2.3.4 PRINT PROMOTION CAMPAIGN – Industry sustainability

Background

The raw material used by the industry to produce printed matter – paper is both a sustainable and renewable resource. Despite this fact, common misconceptions are regularly promoted about the paper and printing industry resulting in campaigns to reduce paper consumption.

The printing industry also suffers from an “image problem” which alienates young people from seeking employment/career opportunities within the industry. Again we know that this is not a true reflection of the state of the modern printing industry which is clean and technologically advanced. The fact that the printing industry is amongst the largest users of information technologies is not a known fact amongst the community.

Given the economic significance of the printing and associated industries the State Government with the support of key stakeholders in the printing industry needs to educate
government purchasing officers, the community and other key stakeholders that the Australian paper and printing industry is a sustainable industry.

**Policy recommendation**

Both State & Federal Government commit funding for the development of a national paper and print awareness and promotion campaign.

**2.4.1 WAYS AND MEANS FOR THE PRINTING INDUSTRY TO ADJUST TO A LOW CARBON ECONOMIC ENVIRONMENT**

**Background**

At an aggregated level the printing industry is not highly trade exposed. Some estimates put import penetration at less than 8 per cent of total industry sales while other estimates place import penetration at almost 13 per cent.

These estimates however are done at an aggregate level. Within the printing industry there are sectors such as books, calendars, greeting cards that face high levels of import competition. These sectors are highly trade exposed.

Based on estimates contained in the Government’s “Green Paper” which use the methodology of ranking a particular industry’s emission intensity by considering emissions per unit of industry revenue, printing and services to printing is ranked 66th amongst the 115 sectors that comprise the Australian economy. The printing industry is estimated to account for just 0.2 per cent of total national emissions.

The publishing and recorded media industry is ranked at 101 and is estimated to account for 0.1 per cent of total national emissions.

Pulp, paper and paperboard are ranked quite high in terms of emissions at number 16 and are estimated to account for 0.5 per cent of total national emissions.

Finally, paper containers and products are ranked 43rd and are estimated to account for 0.2 per cent of total national emissions. The print industry value chain originating from pulp and paper products to printing, fulfilment and publishing thus accounts for about 1.0 per cent of total national emissions.

Most of the Government’s assistance focus targets emissions-intensive trade exposed (EITE) industries. The printing industry may not qualify for such assistance since it is not an emissions-intensive industry as it is ranked at number 66, and secondly it may not be considered to be trade exposed as import penetration at the printing and services to printing level varies between 7.6 per cent (ABS input and output data for 2004-05) and 10.3 per cent (Econtech estimates for 2007-08).
Both the ACCC and the ABS use a benchmark of 10 per cent or greater import penetration to classify an industry as being trade exposed. If the Econtech estimate is accepted and subsequently used then the printing industry will be labelled as being trade exposed; if the ABS estimate is accepted and used it will not.

Besides higher energy costs and based on *Printing Industries* benchmarking data, electricity costs range between 0.4 per cent and 1.3 per cent of total turnover, printing companies are also likely to face higher raw material costs such as paper. But with the paper industry ranked much higher than printing in terms of emissions, the paper industry is likely to qualify in the short term for EITE assistance which should help to minimise the cost flow on to the printing industry. However, once the EITE assistance phases out as planned from 2020, the printing industry may be faced with higher costs from the paper industry unless that sector uses that period to become more efficient and reduce overall emissions.

The printing industry is also likely to be impacted by higher transportation costs as the transportation sector will not be exempt from the new scheme.

**Policy recommendation**

The printing industry must be adequately compensated for the expected higher raw material, energy and transportation costs at least in the short to medium term otherwise the industry will become less internationally competitive.

**2.4.2 EXAMINING THE ISSUE OF RECYCLING GIVEN THE CURRENT ECONOMIC CLIMATE**

**Background**

The global economic slowdown is adversely impacting markets associated with recycled products. As a result of reduced demand for recycled stock which also includes paper, it is no longer commercially viable to continue the practice of diverting paper from landfill.

In the context of the current economic climate, *Printing Industries* would like some flexibility being introduced to allow more paper to be diverted to landfill to help stabilise existing markets for recycled paper products.

**Policy recommendation**

Until the global economic situation improves and as a way of helping to stabilise recycling markets, the Federal Government should enter into dialogue with State and local Governments to enable more paper stock to be diverted to landfill.