



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**PRIVATE MEMBERS BUSINESS**

**Parallel Importing**

**SPEECH**

**Monday, 30 October 2000**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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# SPEECH

**Date** Monday, 30 October 2000  
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**Questioner**  
**Speaker** Pyne, Chris, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

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**Mr PYNE** (Sturt) (4.45 pm)—I move:

That the House:

- (1) recognises that easing restrictions on parallel importing will result in cheaper prices for Australian consumers;
- (2) acknowledges that easing restrictions on parallel importing will allow Australian consumers to enjoy a greater range of products; and
- (3) confirms that easing restrictions on parallel importing improves product innovation and development.

In Australia we are now doing business in a global economy where economic borders are becoming more porous and diffuse. Conducting our business with the handicap of a prohibition on parallel importing is an unsustainable situation. The prohibition on parallel importing is effectively a non-tariff barrier to trade that creates a marketplace with monopolistic characteristics. As a consequence, consumers are the losers through inflated prices and a restricted range of product. In 1998 the coalition government successfully argued to dismantle the restrictions on the parallel importation of compact discs and some other branded goods. It was an initiative that was met with great resistance by members on the opposite side of the House. In arguing the case for the multinational sound recording industry, Labor forecasted that the government's consumer-friendly reforms would decimate Australia's local music industry. All of Labor's prophecies have proven groundless. The Australian music industry has not collapsed and, if last week's ARIA awards are any indication, the industry is thriving from emerging talents such as Killing Heidi, Powderfinger and South Australia's Kasey Chambers.

In 1998 Labor, sounding almost triumphant, predicted that 50,000 jobs would be lost due to the government's decision to make CDs cheaper. Labor were almost triumphant in their announcement of those potential 50,000 job losses. Instead, the retail sector for compact discs is in fact growing strongly. Indeed, in my electorate of Sturt a CD retailer commenced operation not more than a kilometre from my electorate office only a month ago. Labor's warning that the market would be flooded with pirated products has also proven to be baseless. Instead, Australians are enjoying appreciative savings on CDs and a greater range of products to choose from. Dismantling the prohibition on parallel importing of CDs has been an unqualified success.

**Mr Albanese**—Who says that the prices of CDs have gone down?

**Mr PYNE**—The member for Grayndler obviously has not been purchasing CDs lately, which surprises me. I would have thought that, as he is a newly married man, he and his wife would be enjoying the lower prices of compact discs and purchasing CDs together to listen to at home. It is against this backdrop—

**Mr Albanese**—Maybe old CDs are cheaper—maybe the daggy things that you listen to!

**Mr PYNE**—I do not listen to daggy CDs, Member for Grayndler. In fact, you would be surprised at my eclectic range of tastes with respect to music, as I am sure the Minister for Veterans' Affairs will attest. It is against this backdrop that the coalition government needs to move to extend the principle of allowing parallel importing of books and computer software products. In 1992 a report by the Prices Surveillance Authority found that the differential between Australian and United States software prices was 49 per cent. Subsequent independent analysis indicates that the differential has narrowed over the last decade. The Australian Consumers Association estimates that at present Australians are paying 25 per cent too much for software. A report to the government by the Australian Competition and Consumer Commission showed that over the past 10 years Australian small businesses have had to pay an average of 27 per cent more for packaged business software than their United States counterparts. But this could soon change for the worse—

**Mr Sidebottom**—Bring them in, close us down!

**Mr PYNE**—Far from trying to close you down, Member for Braddon, the government is proposing that small businesses pay less for their software, which has to be good for small business. Far from closing small business

down, that bane of the cheat, the ACCC, has proposed that we help small business by reducing the cost to them of computer software—but, of course, I would not expect you to understand that. This could soon change for the worse. The *Sydney Morning Herald* reported last week that Microsoft Australia has announced a 10 to 18 per cent increase in the retail price of its software products, effective from December. Microsoft cites exchange rates as the reason behind the price hike, but there is little doubt that the price rises are largely due to a lack of competition in the software market. This impacts on all facets of the Australian economy. The Yellow Pages Small Business Index of February 2000 showed that 84 per cent of Australian small businesses and 100 per cent of medium sized businesses use a computer and therefore require computer software. The current monopolistic arrangement of allowing only one importer to source software product does not serve the long-term interests of consumers. Lifting the prohibition on the parallel importing of computer software and allowing people to compete in the alternative sourcing of products will help push down the price of software and promote product innovation and development.

The primary benefit of dismantling the prohibition on parallel importing is an increase in product choice and lower prices for consumers. But there are other, peripheral arguments that support the removal of this barrier to trade. Labor's policy of preserving restrictions on parallel importing fails to recognise that globalisation—and, in particular, the Internet—has made domestic distribution monopolies redundant and obsolete. It is estimated that online spending in 1999 by Australians was worth about \$920 million. Some industry sources say that by 2001 e-commerce in Australia will be worth as much as \$1.3 billion. There are real concerns as to how much of this billion dollar industry is being captured by Australian e-retailers. Figures released by the Australian Bureau of Statistics show 1.3 million purchases were conducted online during the year to August 1998—two-thirds were through offshore web sites. This is revenue that the Australian e-commerce industry lost. Some industry figures—including Software Engineering Australia chief executive, Phil Scanlon—believe that removing import restrictions will give Australian e-commerce vendors a boost. Mr Scanlon reasons that Australian e-commerce vendors are presently at a disadvantage compared to United States vendors, as they are barred from approaching foreign goods wholesalers directly. Mr Scanlon argues that the import restrictions also deter global corporations from locating their operations in Australia.

Restrictions on parallel importing have prevented Australian retailers from purchasing products from the same source, and at the same price, as overseas e-commerce retailers. As a result, Australian online retail prices are not as competitive as their overseas counterparts. This is a situation that the member for Braddon and the member for Grayndler would happily keep in place.

**Dr Southcott**—They are troglodytes.

**Mr PYNE**—They are troglodytes. Sadly for young people, they are troglodytes. The member for Boothby is quite right. Geographically, Australia is in a strong position to compete for online business against the United States in the lucrative and expanding Asian market, but that means being able to purchase the products at the cheapest possible price, which is what the coalition would like to be able to do for them.

In the last two parliaments, Labor have repeatedly demonstrated a reluctance to embrace new ideas, whether it be tax reform or private health insurance initiatives. Labor are giving Australian consumers every indication that, despite being proved wrong on the deregulation of the CD market, they are prepared to trundle out the same tired old arguments in the current parallel import debate.

**Mr Albanese**—Just because Wham CDs are cheaper.

**Mr PYNE**—As a 1980s child, I am a great fan of Wham. They have moved, and now we are a fan of more modern music, especially some of our own home-grown South Australian music.

**Mr Albanese**—Name them.

**Mr PYNE**—I already have. I named them earlier in my speech. People like Kasey Chambers, Killing Heidi and Powderfinger.

**Mr Sidebottom**—Never heard of them.

**Mr PYNE**—You would never have heard of them. Of course you wouldn't. You are the troglodytes on the Labor side of the House. Mr Deputy Speaker, I must get on with my address—

**Mr Albanese**—Mr Deputy Speaker, I raise a point of order. The member opposite is not only insulting members with personal remarks but also misleading the House, because Killing Heidi are in fact from Victoria.

**Mr DEPUTY SPEAKER (Mr Jenkins)**—The honourable member will resume his seat. Honourable members will cease interjecting.

**Mr PYNE**—It is proving very difficult to give a speech on a quite important subject. By standing up for the vested interests of multinationals, Labor are again attempting to hoodwink Australians into believing that the domestic market will be flooded with pirated products. This is a disingenuous argument. By making imported products cheaper, the government is actually eliminating one of the main reasons why consumers buy pirated goods: inflated prices. Piracy is best dealt with by efficiently allocating resources for Customs and increasing penalties for infringers. There is no evidence that preventing import competition will address piracy concerns.

Labor's plan to wind back the government's initiatives that have lifted import restrictions on CDs will not work. Their 30- and 90-day 'use it or lose it' rule will not result in cheaper prices for imported goods that are in demand. Instead, Labor's policy entrenches the monopolistic advantage that many multinationals currently enjoy in Australia. By removing the restrictions on parallel importing, there is potential for price falls of around 30 per cent in the cost of books, computer games and various software applications. Surely this kind of initiative that makes educational material cheaper for all Australians would be an important plank in Labor's yet to be released knowledge nation policy. Instead, Labor is supporting cosy monopolistic protection for multinational cartels irrespective of the interests of consumers. (*Time expired*)

**Mr DEPUTY SPEAKER**—Is the motion seconded?

**Dr Southcott**—I second the motion and reserve my right to speak.