

Giving in to lobbyists is a bad sign this early in a term

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The Coalition stood up on CDs, and Labor should have on books.

IT'S a bad day when Bob Carr starts lecturing about economic reform. He was opining on the weekend about how the parallel import rules make books more expensive and how the federal Labor Government should have adopted the recommendations of the Productivity Commission to abolish them.

It is hard to think of a tough decision taken by Carr in his 10 years as NSW premier. Reform at the state level usually involves taking on public sector unions and their work practices in one way or another — which Carr was never inclined to do. His attitude can be seen in his response to the GST, which he railed against as a wicked, unfair and unjust tax, yet he declared that should it be introduced, NSW would insist on a fair share of the proceeds. And when it was, he did. Just like all the other Labor premiers who opposed the GST on “principle”.

In 1990, the then Price Surveillance Authority recommended that parallel import restrictions be abolished for sound recordings (CDs). The recommendation was subject to furious arguments inside the Labor government, and the recommendation had not been implemented by the time the Coalition was elected in 1996. And, when we were, the music industry unleashed a furious lobbying effort against it.

The recording industry assembled Australia's premier singers to campaign against the recommendation. John Farnham, who was then making his first farewell tour, was enlisted in the campaign. We were told that thousands of jobs would be lost and Australians

would never get record contracts because the overseas companies would dominate the market and ignore local talent. We were told Australian talent could only be nurtured by Australian labels with the money they made behind a wall of protection.

The Coalition government ignored all this and legislated to allow parallel imports for CDs. It cleared the Senate in 1998 against the opposition of Labor and the Greens. The Australian music industry is still here, the price of CDs has fallen and Farnham is still pulling huge crowds to farewell performances. There was a lot of hyperbole from the opponents of reform. Even some from the proponents. The Australian market became more competitive, prices fell, but it was not a life-changing event. Consumers probably noticed it the first time they bought a cheaper CD. Now they take it for granted. I expect that the repeal of provisions in relation to books would have the same outcome.

But it was fundamental that the Coalition government — so early in its term — took the hard decision. If we had faltered at that hurdle we would have faltered at the next one — the reduction of tariffs for the passenger motor vehicle and textile industries after 2000. And if we had faltered on that, we would have faltered on the GST.

The Coalition decision on CDs was a declaration that the government was prepared to promote competition and benefit consumers even if that meant taking on a powerful lobby. As time passed, the reformers got worn down. The lobbyists figure out the soft ministers and vulnerable points

in a government. By the end of a decade, there was less stomach for hard decisions. But if we had started out badly, we would have finished much worse.

The most depressing aspect of the Government's decision on books is the self-congratulations of the lobbyists. The Australian Publishers Association retained Hawker Britton to run its campaign. They explain that their campaign was successful because it was based on “jobs”, “cultural nationalism” and “backing Australia's most successful cultural industry”. Insert the word “manufacturing” for the word “cultural” and you have the template for many repeat campaigns. And there will be many clients lining up to pay for them. A little bit of protection can be highly valuable.

You can say that you want to cut down the influence of lobbyists, you can register them, you can require them to declare an interest, but nothing is better for their business than a successful decision to impose protection.

The consumer will lose, a little. The Australian publishers will gain, a little. The decision is especially bad for the Productivity Commission. Since its recommendations have been rejected, either it came to the wrong conclusion or the Government does not trust its judgment. Either way it does not bode well for micro-economic reform.

Peter Costello's memoir was published by Melbourne University Publishing, which supports parallel import restrictions.

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