



C A M P U S S T O R E S  
C A N A D A

## Campus Stores Canada

### Submission to the Standing Committee on Finance

### Budget 2012 Consultations

#### About Campus Stores Canada

Campus Stores Canada is the national trade association dedicated to providing a unified voice for Canadian post-secondary, institutionally owned and operated Campus stores, and by doing so enabling them to serve their institutions in the most effective manner. Campus Stores Canada has almost 100 member stores nationwide and more than 100 vendor and supplier associates.

#### How Monopolies and Parallel Imports Affect Book Pricing for Our Students

Looking towards the 2012 budget, the Standing Committee on Finance has asked for suggestions on ways to ensure relatively low levels of taxation. Low levels of taxation are an important consideration, but Campus Stores Canada feels that the committee should consider other measures that increase financial pressures on Canadians, particularly costs born by consumers because of regulatory burdens. Regulations are important tools of government, but they should be regularly re-evaluated to ensure that the original need remains and that they do not bring an undue cost to consumers. Reducing such burdens can achieve the same effect as reducing taxes, leaving more money in Canadians' pockets and improving competitiveness, without a corresponding reduction in government revenues. Campus Stores Canada is concerned that one such regulation under the *Copyright Act* artificially inflates book prices, while at the same time offering no corresponding benefit to government or the public.

The *Copyright Act* allows publishers to establish import monopolies on books from authors from around the world, and in turn outlines what these import monopolies may charge for the cost of books. Books imported by those other than these exclusive importers are referred to as "parallel imports". Section 27.1 of the Copyright Act makes the parallel importation of new books an offence, provided these exclusive distributors adhere to the regulations promulgated under that Act. Specifically, Section 5.1(a)(iii) of the Book Importation Regulations (SOR/99-324) stipulates that an importer can charge a bookseller the price of the book in the country of origin, plus the difference in the exchange rates between the two countries, plus an additional 10 or 15%, depending on the country of origin.

Campus Stores Canada considers this a "private tax" established by public policy. It is paid from the wallets of Canadian students and their families and is collected primarily by foreign private interests. It allows publishers to receive an additional 10 or 15 percent of pure profit from their products before risking losing a sale to parallel importers. Importantly, this returns no appreciable benefit to the artists or authors who created the works in question.

The tax's design is an artifact of publishing, commercial distribution, and policy paradigms that have changed radically since these regulations were promulgated in 1999, most notably through the development of internet-based commerce. Unlike booksellers, individual consumers are not bound by

these regulations and are able to freely and legally purchase books from the lowest cost provider, regardless of location. And they do: through internet retailers, Canadian consumers are often able to buy books more cheaply than Canadian resellers can. It confounds market logic that a Canadian student is able to import individual books more economically than a multinational corporation importing commercial volumes of products, but this is a direct result of the tax's artificial inflation of domestic book prices.

Campus bookstores are a critical service to Canada's post-secondary education system, matching students with the learning materials that their instructors use to teach. They provide the conveniences of a central location for all materials, regardless of discipline, and are best able to ensure a sufficient supply. Because of this tax, bookstores, campus or otherwise, are unable to offer the lowest possible price and in turn best serve students. To get best value on learning materials, students are effectively forced by this tax to turn to internet retailers based in other countries, an extra step that is as absurd as it is inconvenient.

### **Budget Recommendation**

Learning materials' cost are a significant component of post-secondary education affordability. This government has previously introduced measures addressing this in the past, such as the \$500 tax credit for the purchase of university textbooks. Campus Stores Canada supports any such measure that reduces the cost to students for such materials. However, **Campus Stores Canada recommends that Section 5.1(a)(iii)(A) and 5.1(a)(iii)(B) of the Book Importation Regulations be amended to remove the 10 and 15% taxes.** This will provide a significantly greater reduction in text book prices, and will see students spend millions of dollars less for textbooks. Importantly, particularly in light of the committee's objective to reduce deficit spending, it does so without the need for any expenditure or reduction in revenue on the part of government. Please note that, while changes to the *Copyright Act* are widely expected to be introduced in the near future, legislative changes are not needed to remove this tax, only adjustments to regulations.

### **For more information:**

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