

Extract from the Report of the National Heritage Committee

CONCLUSION

40. The Consumers' Association placed much of the blame for the unfavourable price comparisons between the United States and the United Kingdom on copyright restrictions. While acknowledging the absolute necessity for legislation to protect against piracy and counterfeiting the Association did not believe that the legislation should also be used to prevent parallel imports from countries that had signed the various intellectual property conventions and enforced them properly. The OFT is currently examining such restrictions on international trade to consider whether they might be the basis for a complex monopoly finding. The Committee welcomes this examination and re-emphasises the importance it attaches to the question of parallel imports. Even if the result should not prove a reliable basis for a complex monopoly finding, the Committee believes that the operation of the Copyright, Designs and Patents Act 1988 as it relates to parallel imports could work against the public interest. **The Committee recommends accordingly that the Department of Trade and Industry re-examine current legislation on copyright with particular reference to its anti-competitive effects in the recorded music industry.**

41. It is essential, however, that any relaxation of the law relating to parallel imports in the UK should not be used to place the UK at a disadvantage compared with other countries. The Committee was told that section 602 of the United States Copyright Act prevents the importation into the USA from the UK of any CDs, tapes or LPs containing copyright owned, controlled or licensed to American producers or publishers and that as a result of the trade barrier the UK's share of the American market had diminished from 34% in 1985 to 14% currently. It appears that the effect of existing international copyright agreements is that the record music industry has been able to segment the world market to enable it to charge different prices to its own advantage and to the detriment of the consumer. **The Committee recommends that the Government should seek ways of lowering or removing this barrier.**

42. The Committee condemns most strongly the pricing practices of the major record companies. Sir Malcolm Field of W H Smith advocated in evidence to the Committee a reduction of £2 in the dealer price of full-price CDs. This Committee believes that such a reduction is the minimum that is required. The difference between the dealer price of full-price CDs and full-price cassettes is more than enough to accommodate such a reduction. Instead, however, the record companies are seeking to reduce this difference not by cutting the price of CDs but by raising the price of cassettes. The Committee also believes that the major retailers can and should play their own part in securing price reductions both by exerting pressure on the major record companies and by making their own price reductions.

43. It is now time for consumers to show that they will no longer bear the prices currently charged for full-price compact discs. In the United States 'the consumer is king': it is high time that the customer insisted on a similar status in the United Kingdom.