

Do you agree with the way this paper defines convergence? Why/why not?

Publishers, the industry which the Publishers Association of New Zealand represent, have gone through a digital transformation over the last decade with the rise of internet booksellers like Amazon and Book Depository, then the explosion of ebook sales, and now the increasing use of devices and online content in education. As a key creative industry, we have comments on a number of aspects of the definition of 'convergence'.

- **'Distribution is no longer a significant barrier for content creators.'**

In our industry, this is incorrect.

Distribution costs for digital (ebooks, e-content for education) are about the same as for print—we now pay e-distributors (eg Faber Factory to the trade, Vital Source in education) and then e-retailers (eg Amazon) the same proportion of net revenue as we formerly paid print book distributors and retailers. Tech enthusiasts frequently exaggerate the power of the internet to directly connect creators with consumers. That exaggeration leads them to some deep misunderstandings about how the creative industries find audiences and run businesses.

- **'While online distribution presents some threats to the business models of traditional content publishers, it offers great opportunities for content creators....[it] has levelled the playing field between amateur and professional producers in their ability to influence public debate and popular culture, and is fostering a new generation of writers, film-makers, performers and app developers.'**

In our industry, this is incorrect.

Publishers have quickly evolved over the last decade to engage with the digital market, but online distribution has produced few fundamental changes to business models. We now produce in digital as well as print, we deal with digital retailers and distributors as well as print retailers and distributors, we more easily reach readers around the world than we did before, but mostly we are in the same business that we have always been in: discovering author talent, creating great content, finding audiences who are willing to pay for that content in any format that they want it, then paying our authors royalties so that they can create new great content.

Digital has not levelled the playing field between amateurs and professionals even in the creation of quality content. In secondary education, workbooks produced by our local educational publishers are one key foundation for this country's educational success. Producing a digital workbook requires publisher investment of at least 10 x that required for a print book.

With very rare exceptions, content creators (we call them authors) have found few new opportunities in online distribution. In a market that has settled at 20% digital, getting books into print and digital, putting them into bookstores, on TV and Radio, on the bestseller lists is something that professional publishers can do and amateurs cannot. The path to international commercial and cultural success of a book like Eleanor Catton's *THE LUMINARIES* was a path dug and paved by professionals—literary agents and publishers in London, co-publishers in New Zealand and the US, foreign language publishers in many countries. They discovered the talent, shaped the manuscript, produced the book in digital and print, found audiences in many markets, and paid the author. That, not free online distribution, is what 'fosters a new generation of writers, film-makers, performers, and app developers.'

Content creators can distribute their work for free on the internet, but they don't get paid and they usually don't get found. That's not much of an opportunity. And it's the reason why most of the 'literature' and 'educational' content found on the internet isn't literature or educational.

Do New Zealand's current regulations and policies need to change to account for convergence? Why/why not

See below on classification and GST.

Do you agree with the proposed convergence work programme?

- **'The Government's Response: The disruptive influence of digital technology is opening up exciting possibilities in almost every part of the economy. The Government's long-term vision for the TIME sectors is:
High-quality, affordable communications services delivered to all New Zealanders, enabling our economy to grow, innovate and compete in a dynamic global environment.
New Zealanders can access relevant, quality content, legally, safely, and cost-effectively.'**

Right now, this prioritises communicators and consumers. But consumers will access nothing, and there'll be nothing to communicate, without a sharp focus on content creators. We suggest a third element should be added to the government's long term vision:

- New Zealand creators and innovators are able to distribute and sell high quality content around the world.

Putting the third focus on creators will help shape key government priorities around copyright, GST, territorial rights, etc. And, as set out later in the document, this priority is reflected in 'the Government's investment in high-

quality content through funding agencies such as NZ On Air, and initiatives such as the New Zealand Screen Production Grant.'

- **'Jurisdictional Issues...such overseas-based services, like their counterparts in other areas of commerce, are not currently subject to GST, resulting in potentially unfair competition between providers in the same sector**

We agree. The government introducing GST on imports of physical goods and intangibles is essential to removing unfair competition from overseas, allowing a flourishing New Zealand book retail industry to operate effectively, and filling the government's coffers. Imposing GST on Ebooks and not physical books will just introduce new unfairness into the marketplace.

- **Jurisdictional Issues: Tension is also rising between the traditional, geographically-bound commercial and contractual frameworks for the copyright and licensing of digital content, and the idea of the internet as a single, free, open, global marketplace.**

We disagree. First, geographically-bound licensing of content is much easier to achieve in digital than it is in print because metadata makes it so much easier to specify territorial markets for both retailers and consumers.. Second, geographically-bound licensing is the engine of growth for the creative industries. It's what allows authors like Eleanor Catton or Witi Ihimaera or Paul Cleave to have local publishers finding audiences, selling books, sending back royalties in markets all around the world. And it's what allows local innovative educational publishers like Kiwa Digital and Wendy Pye Publishing to license local publishers and distributors in foreign markets to sell their high quality content to get children around the world reading.

- **Content classification and standards.**

The recent one-man book-banning of the award-winning young adult novel *Into the River* because it has a few swear words and a sex scene, while the internet is awash with unregulated pornography, indicates that there is a need for convergence so that the classification regime is blind to medium.

- **Study of the creative sector use of the copyright and designs regime.**

We welcome the government's interest in the ability of New Zealand's creative sector to exploit the new opportunities offered by the digital economy. With consistent government policy and support, we believe that there are huge opportunities for growth. And we welcome the awareness of 'the new challenges for people seeking to protect the works they disseminate digitally.'

Should the Government be doing anything else to address convergence?

No.

What barriers are you aware of that prevent you from benefiting from, or responding to, convergence?

New Zealand's open market seriously hinders the development of the territorially-based rights and licenses that are the engine of international innovation in patents and copyright. Very few other countries do it, and for good reason.