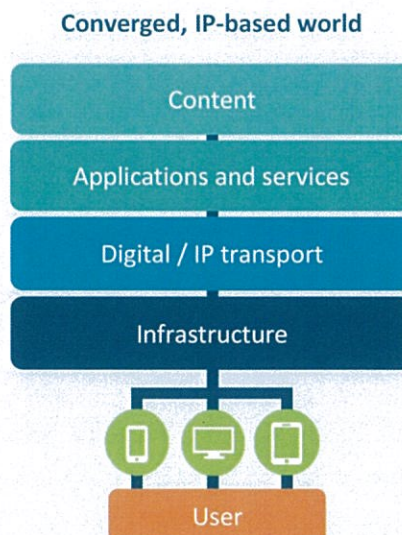


TO: Media Policy Team, Ministry of Culture and Heritage
RE: The New Zealand Government Convergence Programme
Submission by Recorded Music New Zealand Limited (*Recorded Music NZ*)
DATE: 16 October 2015

1. Recorded Music NZ represents recording artists and their labels in New Zealand. Please see our website at www.recordedmusic.co.nz for further detail.
2. Via this short submission, Recorded Music NZ wishes to both:
 - Register its interest in the New Zealand Government Convergence Programme (**Convergence Programme**), and more specifically the Creative Sector Study (**Study**); and
 - Make a number of key observations at this early stage of the Convergence Programme.
3. First, however, we congratulate the Government for its desire and willingness to ensure New Zealand's laws are fit for purpose in the digital age.
4. The right hand figure on page 7 of the Convergence Programme documentation sets out the Government's blue print for the new converged world as follows:



5. Recorded Music NZ agrees with this vision. While there are issues which the Government rightfully desires to address in respect of the legal framework relating to delivery platforms and digital infrastructure, it is the content (including recorded

music) that is delivered to New Zealand business' and consumers that should be the key consideration in any such discussion or decision. We urge the Government to ensure content (including recorded music and the IP created by it) is and remains the start and end point. This is where prosperity lies for New Zealand in the global trading economy.

6. To have content of value, including New Zealand content, there is and will be a need for a robust IP law framework which is able to be enforced in an efficient, cost-effective and timely way. For recorded music:

- Robust IP law will attract the investment and skills required to create music of value that can be sold for value. That realized value is then reinvested in the creation of further music.
- An efficient, effective and timely enforcement regime should then ensure the relevant market for recorded music is fairly balanced between those who create and invest in such music and those who consume or use music in their businesses to create valuable business' of their own.

7. This is not the case at present. While the internet and technology's many platforms provide opportunities, the challenges are also significant for the ongoing viability of recorded music:

- First, illegal use of recorded music is still a concern. For example, stream ripping of MP3 files via all devices is on-going. We do not, based on evidence, agree with the view that there is not a continuing problem:
 - i. From Recorded Music NZ's June 2015 Horizon research poll, 54% (1.7 million New Zealanders) said they had accessed You Tube or Vevo in the 3 months of March, April and May 2015 to listen to music or watch music videos.
 - ii. Of that 54% (1.7 million), 15% of respondents, indicated they had used an illegal stream ripping service. That is equivalent to 257,700 New Zealanders stream ripping music every month.
 - iii. Then there are all the other modes of illegal use from cyber lockers to peer-to-peer file sharing. This has not ceased either.
- In the legal market, more music is being made available, used and consumed (see www.promusicnz.co.nz) yet our revenues are still declining (see www.WeCreate.org.nz):
 - i. Major digital players are not paying fair value for the music they distribute. The world-wide music industry is worth \$US15 billion yet YouTube (as just one example of a number of platforms) is over 5 x larger with a market capitalization of \$US70 - 80 billion.

- ii. The market is therefore distorted and there is a yawning value gap between those creating and investing in recorded music compared to those who operate successful business from making recorded music available to their customers.
 - iii. This value gap is not a consumer issue but a business to business one. It arises because the legal regulatory settings in relation to our safe harbor provisions are not calibrated correctly. They cover not only mere carriers alone, but also active participants who benefit significantly (in revenue terms) from the music content they distribute to their customers.
8. Our overarching international body, IFPI, sets out in its attached submission the contribution of the international recording industry; the investment it makes in artist and repertoire development; as well as the issues it faces as an industry on a global scale. New Zealand is a much smaller market, but the issues are exactly the same.
9. Notwithstanding the challenges, we believe recorded music can be a potential NET exporter of IP from New Zealand. We look forward to providing you with the export analysis as part of the Study which will pick up the more recent successes of Broods, Gin Wigmore, Lorde, Sol3 Mio, Six60 and others.
10. Of main interest to the Recorded Music NZ is the Study itself. We will be submitting separately and comprehensively. We trust we can bring to you the voice of our creators and investors and the challenges they continue to face yet also the aspirations they have to be part of New Zealand's growth and export success story.

Signed by:

Recorded Music New Zealand Limited



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