



24 February 2011

Ms Sharon Bird
Committee Chair
The House of Representatives Standing Committee on Infrastructure and Communications
Parliament House
Canberra ACT 2600

By email: ic.reps@aph.gov.au

Dear Ms Bird

Inquiry into the role and potential of the National Broadband Network

The Australian Publishers Association (APA) is the peak industry body representing publishers and distributors of books, journals and educational materials in print and electronic form. The APA has 215 members representing more than 90% of the industry, based on turnover.

The Australian Publishers Association strongly supports the roll-out of the NBN and the Government's other initiatives to assist and encourage the development of the digital economy in Australia including the Digital Education Revolution and the Innovation Agenda.

However, it is important for the Government to recognise that while the NBN is crucial to extending access to digital materials, including e-books, the roll-out of such a network simultaneously underscores the need to rapidly and proactively address the IP (copyright), competition and cultural requirements of a healthy *Australian* digital content marketplace.

This submission will focus primarily on one of the Committee's terms of reference — the capacity of the NBN to contribute to:

- c) improving the educational resources and training available for teachers and students.

Introduction: The Copyright Industries

For many years, the book publishing industry has embraced new technologies to better meet the needs of readers, authors and booksellers. Digital delivery of information has long been central to the business models of scholarly and educational publishers and although e-books constitute a relatively small proportion of the 'trade' market in the world's advanced economies at the moment, no-one seriously imagines that will continue. The rise of the e-book globally means that book publishing is very much concerned with issues to do with the digital economy, new platforms, media convergence and new delivery channels.

Australia's 'knowledge industries' — those which depend completely or partly on copyright — generate approximately the same income as the mining sector, but rarely gain the headlines. In 2006-07, Australia's copyright industries:¹

- Employed 837,507 people, or 8.0% of the Australian workforce;
- Generated \$97.7 billion in economic value, or 10.3% of Australia's GDP;
- Earned \$6.873 billion in exports, or 4.1% of total exports.

Adjusting for inflation, between 1995-96 and 2006-07 Australia's copyright sector grew at an average of 4.7% a year, with core copyright industries (those that exist only because of copyright) growing at 5.1% a year — compared to an annual rate of 3.6% for the economy overall.

Spurred by digitisation, copyright industry employees have significantly increased their productivity and earnings. Between 1995-96 and 2006-07, the value generated in Australia's copyright industries increased in real terms from \$85,512 to \$116,742 per employee. Over the same period, real average wages in these industries increased from \$51,572 to \$61,355.

At the same time, Australia remains a significant net *importer* of copyright goods and services. Exports have grown in real terms by 0.6% a year while imports have grown by 2.1% a year, creating a trade deficit of \$20.8 billion in the copyright sector.

As a nation, Australia needs to give as much thought to the policies required to strengthen its knowledge industries as it does to policies that support its mining industries. And the key to building the value of Australia's knowledge industries lies in maintaining the value of their intellectual property (IP) and adapting it to respond to technological change.

The rollout of fast broadband access to over 90 per cent of Australian homes and businesses obviously offers content industries, like book publishing, many new opportunities to create, develop and disseminate high-value digital resources across the country. Combined with the Commonwealth Government's plans for a national curriculum, Australian education publishers will be well-placed to help deliver the 'high tech, high skill, clean energy economy that is self-sustaining beyond our reliance on mineral exports' that Prime Minister Gillard recently envisioned for a future Australia.²

The value of Australia's IP is enormous — creating wealth and jobs. Yet traditional economic policy — manifested in some current Government policies in the education sector, for example, sees intellectual property as a cost rather than an asset. It is time for a real shake-up of this mindset.

Unshackled from the tyranny of distance by the emerging digital economy, we have the opportunity to show that Australia can compete and prosper in the global knowledge industry. This inquiry can assist that process, by demonstrating a commitment to helping the nation's knowledge industries reach their full potential.

¹ *Making the Intangible Tangible: the Economic Contribution of Australia's Copyright Industries*, PriceWaterhouseCoopers: Sydney 2008

² Julia Gillard, speech to CEDA luncheon, 1 February 2011.



Intellectual Property

The 2009 report by the Department of Broadband, Communications and the Digital Economy, *Australia's Digital Economy*, recognises³ the need for government to set conducive regulatory frameworks, and notes that two key areas of relevance to the digital economy are copyright law and the national communications framework. On copyright, the report acknowledges that the Commonwealth Government was working, at that time, with representatives of copyright owners and the internet industry to reach a consensus on peer-to-peer file-sharing. We note that this consensus has, as yet, not been achieved and that, in this context, the roll-out of the NBN poses a number of serious threats to Australia's copyright industries.

Current Australian copyright law, including the protection of territorial copyright for physical books, provides a secure investment environment which has fostered the development of a strong and vibrant book publishing industry. Australian Authors are strongly supported, publishers provide Australian and overseas books in a timely way and at highly competitive prices, the range and spread of Australia's bookshops are the envy of the world, and Australian printers provide fast, efficient and highly competitive services, in particular to trade publishers, and are major employers in several parts of the nation.

The digital challenge for the book industry is twofold:

- Maintaining, as far as possible, the advantages the nation currently enjoys in the physical book market as fast-growing e-book markets impact on physical book sales; and
- Creating and developing an e-book publishing industry in Australia which both meets consumer demands and provides competitive returns for all sectors involved.

The key to meeting this challenge in a period of volatility and rapid change is maintaining the strong shield for IP that Australian books now enjoy. Allied to that, Australia needs to continue contributing to international efforts to prevent IP piracy. Extrapolating from overseas and local studies, the APA estimates that, by 2016, unless internet copyright infringement is curtailed, over 6 million Australian internet users will access online content illegally, the annual value of lost retail to Australian content providers in the core copyright industries will be over \$5 billion, that around 40,000 jobs could be lost in this part of the sector, and that the annual impact of internet piracy on Commonwealth Government revenues will be over \$1 billion.⁴ As a core copyright industry, book publishing will be substantially affected by these trends.

Over the past three years, a number of attempts have been made to address the issue of online piracy. A new content industry group (Australian Content Industry Group) came together last year, to seek an appropriate solution to the issue of unauthorised file sharing and copyright theft online. The APA is a member of ACIG and we refer the Committee to the ACIG submission in this regard,

³ *Australia's Digital Economy: Future Directions*, Department of Broadband, Communications and the Digital Economy, Canberra 2009.

⁴ Research accessed includes PWC, *Making the Intangible Tangible*, op cit; TERA Consultants, *Building a Digital Economy*, 2010; ARC Centre for Excellence for Creative Industries, *CCi Digital Futures 2010*.

noting that a solution to these issues will most likely require an industry code agreed between content rights holders and ISPs.⁵

Australian Education Publishing

As the NBN is rolled out, the oft-stated commitment by Australian Governments to protecting copyright and other varieties of intellectual property faces its most crucial test in the education publishing sector. It is increasingly apparent that government agencies refuse to treat Australia's IP resources as assets to be nurtured, developed and supported. Instead, from the education publishers' perspective, it seems that government agencies regard commercial publishers as obstacles to be avoided, and the IP they create as cost centres to be contained and cut wherever possible. For more detail in this regard, we refer the Committee to the APA's submission to the Book Industry Strategy Group.

Education publishers appear to lack appropriate recognition by segments of the public education bureaucracy. At recent briefings by the Australian Curriculum and Reporting Authority, for example, publishers were told they were not seen as stakeholders in the development of a national curriculum.

A significant contributor to this situation may be a lack of understanding by the public education sector of the investment required to produce digital materials. These costs can exceed \$200,000 a year for a single product website for a major publisher. Simply producing interactive digital content involves not only authors, illustrators, editors, art directors and graphic designers, but also voice-over artists, animators, video producers, audio engineers, musicians, sound effect artists, scriptwriters and Web developers. Additional resources required for an educational publishing website include:

- Help desks;
- High powered servers;
- Large databases to hold content;
- Technical staff to avoid redundancy of online platforms by maintaining and developing website functionality as ICT technology (unlike print technology) changes exponentially, offering new solutions, new consumption platforms and new consumer demands;
- Internet access charges and increased payment for bandwidth usage and file storage capacity as traffic increases;
- Periodic upgrading of hardware and software for housing website content and services;
- Editorial staff for the constant development of content communicated to consumers;
- Graphic design staff for the constant updating of the visual presentation;
- Increased external technical services and training costs for infrastructure systems as computer technology continues to develop rapidly, and consumers expect improved internet speeds and efficiency;
- Monitoring and analysis of the site; and
- Disaster protection.

⁵ The recent judgement in the Federal Court in the Roadshow Films vs iiNet case underscores the need for clarity and security of investment in this area.

In Australian schools, digital teaching and learning content is no longer seen as a mere supplement to traditional printed textbooks, but is now the key purchase decision discriminator. There is a strong belief across the industry that digital content over the next five years will overtake textbooks as the key classroom resource. Teachers rely on publishers to help develop and deliver digital content that is appropriate for the curriculum. In a world where it is increasingly difficult to discern between accurate and inaccurate material on the Web, the role of the publisher in adding value, being a developer and quality assurer has never been more important.

For many years, the issue of online copyright theft has been of major concern to those businesses creating and delivering content via the internet. All publishers have a stake in ensuring that their IP remains secure no matter what the means of transmission. This primarily economic issue becomes one of more strategic national importance in the case of education publishers, because it will have enormous impacts on the kind of education we can deliver, and therefore the kind of Australia that will be created in the future.

The Australian Publishers Association believes that a strong education publishing sector in Australia is vital to provide the innovative, imaginative and vibrant learning materials that all Australian students deserve. We believe that a strong education publishing sector is essential to achieving the national curriculum being developed by Commonwealth and State education departments. And we believe that a strong education publishing sector is essential to providing Australian children with specifically *Australian* learning material.

Conclusion

To build and strengthen Australia's education system, we must ensure that the materials needed to make the educational revolution a reality are of the highest quality, and that they are available to all teachers and students in sufficient quantities and at reasonable prices. The NBN will clearly have an enormous impact on the fast and efficient delivery of the digital component of these materials. Unless appropriate steps are taken, however, it may also present some appreciable threats to innovation and investment in online content.

This is an opportunity to strengthen Australia's content creators and to show a commitment to a future Australia that values the IP sector as much as it does the mining sector.

We would be pleased to provide any further information for the Committee, upon request.

Yours sincerely

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Maree McCaskill
Chief Executive Officer

