



Connecting and reflecting our nation

BRIEFING TO INCOMING MINISTER

**HON. KRIS FAAFOI
MINISTER OF BROADCASTING,
COMMUNICATIONS AND DIGITAL MEDIA**

13 SEPTEMBER 2018



What is NZ On Air?

NZ On Air aims to connect and reflect our nation.

NZ On Air (the Broadcasting Commission, an Autonomous Crown Entity) is New Zealand's **public media funder**. While we are an arm's length agency, you are accountable for us in Parliament and we engage with you as we prepare our Statements of Intent and Performance Expectations. We brief you on our activities, as and when you require, through the Ministry for Culture and Heritage.

NZ On Air supports New Zealand public media made by many different providers for many different audiences. Collectively public media, a broad church, enriches the New Zealand voice and contributes to informed debate and to inclusion.

New Zealanders are using all kinds of platforms, large and small, and all kinds of media services in **an environment of constant change**. Despite a decade of constrained funding, we have led innovation in public media content. We publish important public data on media trends: for example, our widely-referenced study [Where Are the Audiences?](#) - the 2018 study just released in August.

We operate both contestable and ring-fenced funds. Being flexible means we can both respond rapidly to change, and also reallocate resource if content or services become less attractive.

Our upcoming 2017/2018 annual report notes **high public support for NZ On Air's mission**:

- **74%** of NZers agree that NZ On Air supports local content that is important to New Zealanders
- **73%** of NZers audiences appreciate the diversity of content funded by NZ On Air
- **81%** agree it is important for NZ On Air to support local music and artists
- **76%** believe it is important for NZ On Air to support community broadcasting
- NZers increasingly like the content NZ On Air funds – 73% like the funded music, 72% like funded TV programmes, and 64% like the funded digital media content.

The unmatched scale of our contestable work - we invest in **thousands of hours of screen, multimedia, and radio content each year from hundreds of entities, large and small** - means we have a deep knowledge of audience behaviour trends, and gaps where public funding can be best applied.

We have a clear audience focus, concentrating on audience outcomes, not industry outputs. Nonetheless our investments have a wide cultural and sector impact.

- Public media on many different platforms stimulates **thought, debate, and fosters inclusiveness**
- We ensure **New Zealand stories and songs** are present on the most-used free-access platforms so intended audiences have local choices amid limitless foreign content
- All our content must be **online** so audiences can watch, listen and share at their convenience
- **Contestability** is the fairest way to find the best available ideas for the most appropriate platform
- We have **simple processes** to minimise red tape
- **Over 99% of our funded content is completed** and released, one of the highest success rates for creative content in the world
- We are **highly transparent** – our website makes it easy to see what we've invested in
- We administer ring-fenced funding for **Radio NZ**, to ensure **a high degree of separation** from the Crown and this important public media entity, which also encourages funding synergies
- Our investments **support skilled jobs** and contribute to economic growth.
- We also invest strategically in industry initiatives – at present the focus is to encourage more diverse creatives to come through the ranks.

Connecting and reflecting our nation



Below is a simple representation of our overarching strategy.

Figure 1: NZ On Air strategy summary



Funding overview

NZ On Air's challenge is to keep abreast of **profound environmental change** and ensure what we are funding is reaching intended audiences. Audience fragmentation is proving the biggest challenge for all media organisations – it's now all about content promotion and discovery.

From July 2017 we restructured our entire agency and our funding schemes to deliver a new strategy through the platform-neutral [NZ Media Fund](#) (NZMF). These moves were to enable us to be flexible in the midst of this change.

The NZMF is founded on core public media principles. These include enriching the New Zealand cultural experience, improving diversity of media content in many forms, ensuring content is accessible, strengthening community life, and promoting informed debate. Public media is a broad church that encourages content creation, from serious to funny, for a very wide variety of audiences.

The NZMF has four funding streams: *Scripted*, *Factual* and *Music* are open and contestable. *Platforms* is a closed fund providing operating funding to entities which provide a wide range of local public media, from [Radio New Zealand](#) to [Pacific radio](#) to [12 regional access radio stations](#) which broadcast and podcast in more than 50 languages; from broadcast [captioning and audio description](#) for audiences with hearing or vision disabilities, to content discovery websites like screen's [NZ On Screen](#) and music's [Audio Culture](#).

We partner with **hundreds of entities and artists** each year to provide a diverse slate of content made for many different audiences. And our wide reach means we can initiate and encourage sector collaboration.

We are expert in media policy development as it relates to resourcing; in efficient assessment; careful allocation; and effective contract management of public funds.

Connecting and reflecting our nation

We consult widely as we develop new policy and approaches: this approach helps us involve the sector and ensures that our strategies produce sound results. For example the launch of the award-winning [HEIHEI](#) portal for primary-aged children involved two years of research and consultation resulting in a careful [child-centred approach](#). In 2019 we will embark on a new round of consultation to create a roadmap for our Factual investments, similar to the [Scripted roadmap](#) we developed, consulted on, and published late last year. This work means our investment decision making is considered and aligned to a solid strategy.

For a taste of the delightful range of diverse content we support, a short showreel is worth a watch: <https://www.youtube.com/watch?v=h6QJsgX3Zw&feature=youtu.be>. We update our website weekly with new content – [see Watch and Listen](#).

NZ On Air’s funding strategy is designed to enable us to have **simple and flexible responses** to a rapidly shifting media landscape where linear broadcast is just one option to enjoy content. The full strategy can be read here: <http://www.nzonair.govt.nz/document-library/nz-on-air-funding-strategy/>. We summarise it as follows:



Figure 2: Funding strategy summary

Our funding strategy has three core goals:

He Hua Kounga

Quality content

NZ audiences enjoy well-made local content that matters

- Well-made funded content will reflect New Zealand in engaging and informative ways
- Funded content will be seen to be different to similar local content made without public funding

Connecting and reflecting our nation

He Hua Kanorau

Diverse content NZ audiences value local content made for a range of communities

- New Zealanders will appreciate local content made for audiences with diverse interests
- Content creators will have a range of opportunities to make different types of local content

He Hua Kitea

Discoverable content NZ audiences can find and appreciate local content

- Funded content will be available and enjoyed by audiences on the platforms they use
- Funded content will be online and free to watch or listen to at the beginning of its life and at regular points thereafter

Where the money goes

We are vigilant in seeking the best available content ideas for the platforms audiences are using. **Nine investment principles** guide all our decisions: Cultural Value; Balance; Risk; Competition; Value for Money; No Duplication; Leverage; Capability; Fairness.

Expenditure proportions have been relatively constant over time.

Figure 3 shows revenue and expenditure trends for the last six years. We keep our overheads low, just below 3% of revenue, so we can maximise content investment. **Our team comprises just 20 FTE staff.**

Figure 3: Revenue and expenditure trends by type and percentage over six years

FUNDING TYPE	2019 (projected)		2018 (unaudited)		2017		2016		2015		2014	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Contestable Funding^[1]	95.2	71%	96.3	71%	96.2	73%	96.2	73%	94.6	72%	96.8	74%
Radio NZ	35.4	26%	35.4	26%	31.8	24%	31.8	24%	32.5	25%	31.8	24%
Industry development	0.4		0.4		0.4		0.4		0.4		-	
Total Funding	131.0		132.1 [1a]		128.4		128.4		127.5		128.6	
NZOA overheads	4.1	3%	3.6	3%	3.4	3%	3.4	3%	3.3	3%	3.2	2%
Total Expenses	135.1		135.7		131.8		131.8		130.8		131.8	
Total Revenue [2]	134.5		134.8		131.3		131.3		131.9		131.4	
Equity \$m	0.4		2.1		2.0		2.0		3.0		4.7	

The 2019 figures reflect the original Statement of Performance Expectations for the year and do not include the one-off additional funding allocated for this year for NZ On Air and RNZ.

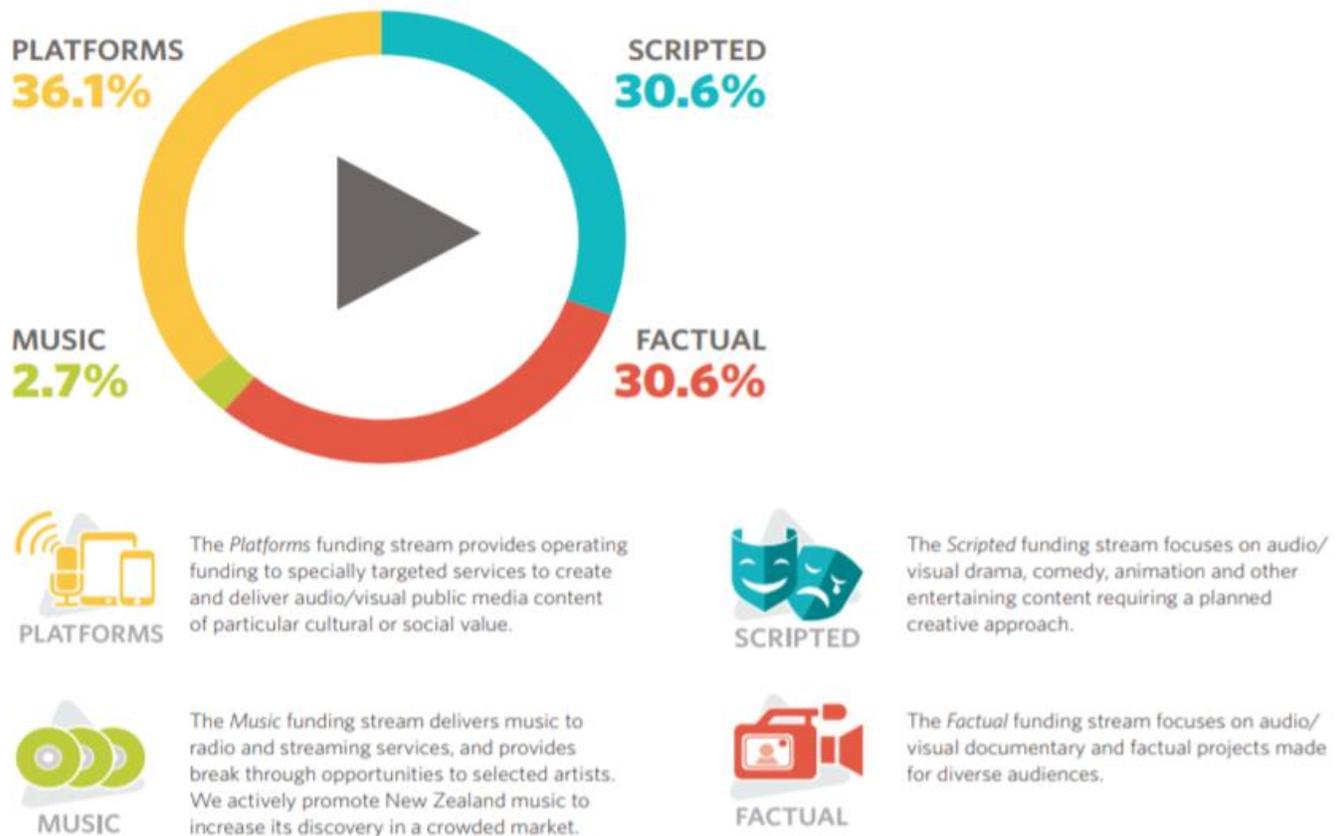
[1] Includes NZ Media Funding streams Scripted, Factual, Music and Platforms (except RNZ). RNZ is shown separately because funding is ring fenced. Does not include the one-off funding recently approved for both NZOA and RNZ for 2019.

[1a] Funding increase for RNZ.

[2] Total Revenue comprises Crown funding, sales and interest income, and write backs of unspent project funds.

Figure 4 shows this year's budgeted allocations in our SPE for the four streams of the NZ Media Fund (which includes RNZ in the Platforms stream but excludes the new one-off funding for 2019).

Figure 4: NZMF budget summary



Looking back,

- our latest annual report is here (designed to be read online): <http://annualreport2017.nzonair.govt.nz/>

Looking forward,

- our **Statement of Intent 2017 – 2021** is here: https://www.nzonair.govt.nz/documents/55/SOI_2017_FINAL_webready.pdf
- and our **2018/2019 Statement of Performance Expectations (SPE)** is here: https://www.nzonair.govt.nz/documents/6/Statement_of_Performance_Expectations_2018-2019.pdf

We will be submitting the draft annual report for 2018 to you shortly.

Our last Audit Report gave us three “Very Good” rankings, the highest audit rankings awarded.

Opportunities

There is a key opportunity to revitalise our slate, enable further innovation, and ensure that our transparent, contestable, professional, and fair funding model can continue to lead public media thinking and improve diversity of choice for audiences.

After a 10-year freeze, your support for a significant funding injection is crucial. We were fortunate to receive a one-off 'down payment' of new funding in the last Budget (a single-year \$4m addition to our contestable funds and a single-year shared \$6m 'innovation fund' with RNZ). We need to cement this funding and restore our purchasing power.

We have been working hard to innovate alongside maintaining support for high quality content. As well as the significant new platform [HEIHEI](#) we have been actively seeking new online media partners to extend the range of public media content. In particular this has led to innovative multimedia journalism.

Our Budget bid for 2019 will also address the increasing financial difficulties of some of our funded platforms and the rising risk if we cannot meet their needs.

There are significant opportunities to better reflect our changing demography by expanding content for ethnic New Zealanders; to increase captioning and audio description for hearing and vision-impaired New Zealanders; to provide a wider range of drama; and more strategically-focused specialist journalism, whether national or regional. All these are core public media activities.

We are currently receiving over 100 screen applications and 150 music singles applications of extraordinary diversity for each funding round. We are now able to support less than half of the projects on the table, the large majority of which are production-ready and of good quality.

Without your help in achieving a funding increase, NZ On Air will have to continue making difficult and likely unpopular choices in the face of increasing demand. Already, to make way for the new, we have been ceasing funding a range of well-made long-running series. Last year we had to withdraw from *Back Benches*, *Sticky TV*, *Neighbourhood* and *Media Take*. This year there will be more.

We had to do this because we need to keep refreshing our slate to meet the needs of a changing New Zealand population with different media needs. In their place we are encouraging new options to serve audiences as diverse as primary-aged children, New Zealand's Indian community, more specialist journalism, and a wider range of digital media including highly creative drama.

Drama is comparatively expensive (yet production is inexpensive compared to equivalent foreign drama). It is always risky, and takes time to build its audience, yet has the highest potential for audience cut through. We are struggling to support a range of drama for diverse audiences, including children and different ethnic groups; to support emerging talent; and to maintain production scale. Providing consistent support is crucial for multi-year mainstream series; and there is also an untapped opportunity for NZ cultural storytellers to make stories of scale for an international audience.

We look forward to discussing options with you at your convenience.

APPENDIX: NZ ON AIR BOARD MEMBERS

Dr Ruth Harley CNZM Wellington	Chair One term	Term expires April 2021
Kim Wicksteed Havelock North	Chair, Remuneration & HR Committee Two terms	Term expires November 2018
Ian Taylor CNZM Dunedin	One term	Term expired July 2018
John McCay Wellington	One term	Term expires September 2018
Helen Grattan Napier	One term Member, Audit & Risk Committee	Term expires December 2018
Stuart McLauchlan Dunedin	Part- term Chair, Audit & Risk Committee	Term expired July 2018

Chief Executive
Jane Wrightson