
BRIEFING NOTES FOR HON CRAIG FOSS

MINISTER OF BROADCASTING

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A. Introduction

NZ On Air is an arms-length statutory agency created by the Broadcasting Act 1989 to *reflect and develop New Zealand identity and culture* through broadcasting. The impact we seek, which feeds into the cultural sector outcomes promoted by the Ministry for Culture and Heritage (MCH), is:

**Local content is innovative, visible and valued by
diverse New Zealand audiences**

When we refer to 'broadcast' we mean television, radio and online audio-visual media. The content and entities we fund touch every New Zealander - no other Government funding in our sector reaches so many people, so often.

The content and services we fund help New Zealanders think and analyse, laugh and cry and be exposed to new ideas. Creative output contributes to pride in ourselves and our country as well as to a better informed public.

While we are not an industry support mechanism, a valuable secondary benefit from our funding is the creation of over two thousand skilled jobs in a complex technical and creative business. Our investments are also used to leverage third party and foreign investment.

Our activities (current year's budget in bold) include:

- funding quality New Zealand television programmes in a variety of genres (including the Platinum Fund) **\$81.61m**
- funding RNZ National and RNZ Concert to maintain an appropriate insulation between Government and New Zealand's pre-eminent public radio broadcaster **\$32.82m**
- funding radio services for Pacific audiences **\$3.78m**
- funding programmes on commercial radio to extend local content **\$0.77m**
- funding and promoting New Zealand music for broadcast audiences **\$5.60m**
- funding online audiovisual local content including NZ On Screen **\$1.80m**
- commissioning research to inform our decisions and provide information to analysts and the public **\$0.15m**

NZ On Air is funded directly by the Crown. This year \$130.77 million (excluding GST) was voted to NZ On Air. We supplement this with revenue from programme sales.

We understand the current constrained financial environment. This requires us to keep a strong focus on quality and to remain vigilant in seeking the best available ideas through our contestable funding mechanisms.

Current funding

Total broadcasting funding expenditure planned this year is (excluding GST):

Television and digital media		\$85.8m
National television	\$81.61m	
Regional television (+DSO)	\$2.35m	
Digital media	\$1.80m	
Radio and digital media		\$45.50m
Radio New Zealand	\$32.8m	
Community radio	\$6.30m	
Commercial/other radio	\$0.78m	
NZ music	\$5.60m	
Archives/other	\$0.73m	
Total		\$134.5m

Rapidly changing environment

Worldwide, the broadcast and music sectors continue to face continual change: ongoing economic challenges, a sharp decline in advertising revenue, fast-breaking technological change, fragmenting audiences, the globalisation of content, demographic change and the impact of convergence.

But falling revenue does not mean smaller audiences. For example, more people than ever are currently watching television: an average of 2.976 million every day in New Zealand in 2010, compared to 2.945 million in 2009 and 2.882 million in 2008.

And people are watching for longer: on average 202 minutes per day in 2010, with all key age groups showing growth. One recent global media prediction is that "*television will solidify its status as the current super media, defying some commentators' prophecies of imminent obsolescence*". (Deloitte Global Services, 2011)

Technology – and people's use of it – is changing much more quickly than the language we use to describe it. So in this document, for simplicity's sake, we use the words 'television', 'radio' and 'broadcasting' throughout to include audiovisual and sound content across both broadcast and digital platforms.

Ongoing performance improvement

Since 2007 NZ On Air has been conducting a series of value for money reviews, both of our agency and of our funded activities. As an agency we are constantly seeking ongoing performance improvement.

Each review has resulted in improvements to policies or outcomes. Completed reviews include:

Year	Performance improvement review	Outcome
2007	NZ On Air's organisational capability Television production terms of trade	Restructuring, cost savings Long-running industrial dispute resolved
2008	Community/access radio and regional television Digital futures research	Reprioritisation, increased funding Development of inaugural digital strategy Creation of NZ On Screen
2009	Screen archiving arrangements International music promotion Commercial radio programme funding	Sector funding reorganisation Reprioritisation: focus on Australia Rationalisation
2010	Domestic music funding and promotion Sound archives funding Mainstream Maori television programming	New policy and funding scheme Review complete. Awaiting external decisions Maori Innovation Fund renewed
2011	Digital strategy Maori strategy (television funding) Platinum Fund (television) Broadcast services for New Zealand-based Pacific audiences.	Completing in 2012 Completing in 2012 Completing in 2012 Completing in 2012

B. NZ On Air's strategies

A: Funding objectives

Three objectives have underpinned our work across the years, based on Broadcasting Act criteria.

1. Local content is innovative, visible and valued by diverse New Zealand audiences

This focuses on the importance of local content to the cultural and social fabric of New Zealand. It guides us to invest in content that is

- creatively or technologically *innovative*
- available where and when New Zealanders want it (*visible*)
- cost-effective and enjoyed by its audience (*valued*)

To achieve this we focus on

- *Projects*: investments are balanced between mainstream and special interest audiences. Quality production ('good of its type') and new ideas are encouraged
- *People*: a target audience of reasonable size is served
- *Popularity*: funded content is appreciated by the target audience

2. Value for money is secured for taxpayers

- Most funding is an investment, not a grant. We help create content that the market alone will not support and also require a stake in any future income
- Concurrent market investment is important, where appropriate, both as an indicator of potential success and to ensure efficient use of public funds
- Contestable programme and music funding is determined considering potential appeal to broadcasters, the cost of production, and the likely size of the target audience. Duplicate programme ideas are unlikely to receive funding
- Bulk funding is determined considering audience size and appreciation
- We are platform neutral, but have a bias towards delivery of an audience of reasonable size
- Cost-effective solutions are a priority

3. Fair, transparent and simple procedures serve funding applicants

- We are flexible in approach (because good ideas, our core business, are not conceived in a tidy manner)
- But we aim to be fair, transparent and predictable in our processes and decisions (because good ideas are best nurtured in a stable environment)

- We support a range of businesses and entities to ensure a multiplicity of views and voices, and to encourage competition
- And we monitor carefully, balancing accountability for public funds and risk management with a minimum of red tape

B: Funding activities

Where the funding goes

Expenditure proportions have been relatively constant over time.

	2012 (projected)		2011		2010		2009		2008		2007		2006	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Television	83,111	62.2	83,944	64.3	87,431	64.7	75,831	54.6	74,300	62.7	69,794	63.2	70,078	64.1
TVNZ Charter							15,111	10.9	-	-	-	-	-	-
Radio	38,892	29.1	36,216	27.7	35,688	26.4	35,332	25.4	32,272	27.3	30,990	28	30,437	27.9
NZ Music	5,625	4.2	5,157	4.0	5,510	4.1	5,987	4.3	5,495	4.6	5,174	4.7	4,832	4.4
Archiving	980	0.7	618	0.5	1,485	1.1	1,340	0.9	1,339	1.1	1,622	1.5	1,164	1.1
Digital	1,800	1.3	1,791	1.4	2,134	1.6	2,200	1.6	2,200	1.9	-	-	-	-
Admin	3,285	2.5	2,819	2.2	2,865	2.1	3,112	2.2	2,853	2.4	2,856	2.6	2,686	2.5
Total	133,693	100	130,545	100	135,113	100	138,913	100	118,459	100	110,436	100	109,197	100

Television content for multiple audiences

Using **contestable processes** we invest in the best available ideas from a variety of programme makers.

The main genres we support are drama, documentary, children's programmes, Maori programming (in English), and special interest programmes (eg. ethnic, rural, spiritual, arts). The advent of the Platinum Fund has enabled us to invest in specialist programme types such as long-form drama, historical documentary and political current affairs.

We do not support genres that do not need a subsidy or which are well-provided for (eg. news, sport, mainstream current affairs and most popular factual/reality series).

Currently we confine our television funding to free-to-air channel content. We encourage multiple plays of funded programmes across any platform, including pay television.

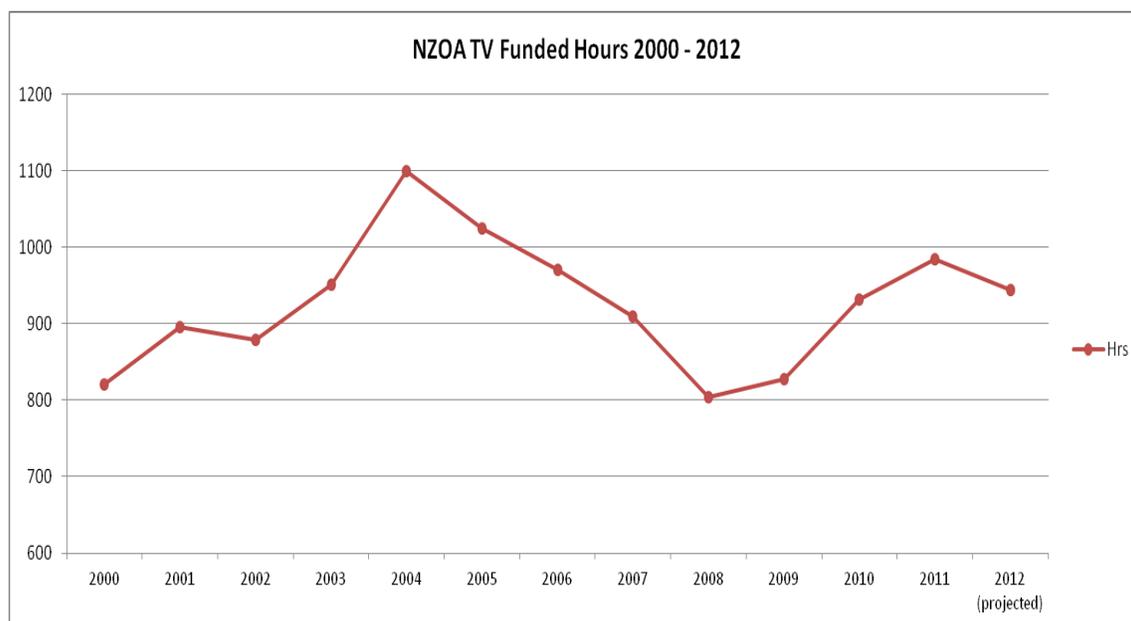
A small sample of recent funded successes includes

- *Nothing Trivial, Global Radar, NZ Sunday Theatre (Billy, Bliss, Tangiwai, Rage), Country Calendar, Food Truck, Attitude, Tagata Pasifika* **TV One**
- *Go Girls, What Now? Tiki Tour, Operation Hero, Just the Job* **TV2**
- *7 Days, The Almighty Johnsons, Underbelly NZ, What's Really In Our Food? Missing Pieces, Inside New Zealand* **TV3**
- *Sticky TV, The Vodafone NZ Music Awards* **FOUR**
- *Wild Coasts, 50 Years Of Television* **Prime**
- *Pakipumeka Aotearoa, some ANZAC day programming, Whare Maori* **Maori**

We also support 11 regional television stations from Northland to Invercargill to provide **regional news** programmes

And we fully fund **captioning services** for TV One and TV3 hearing-impaired audiences. This is a vital service for people with a hearing disability, joined recently by a pilot service providing an audio-description service to vision-impaired TVNZ audiences.

While television investments tend to have the highest profile, in reality the television funding budget tends to be the 'balancing figure' once we have provided for various other responsibilities. As the graph below shows the number of television hours we are able to fund has been volatile. The 2004 spike derived from a significant Budget increase; the 2010 rise was the full impact of the Platinum Fund (formerly funding for the TVNZ Charter, which was received directly by TVNZ until 2009).



Radio content for multiple audiences

We are **Radio New Zealand's** funder for RNZ National and RNZ Concert, and hold it accountable by qualitative and quantitative measures.

We provide critical insulation between New Zealand's major non-commercial public broadcaster and the Government. RNZ's news operation in particular is required to investigate and challenge Government actions. It is important for both the Government and RNZ that RNZ does this without credible accusation of political interference.

This year we have assumed funding for **Pacific radio** station Niu FM. We have funded its stable mate 531PI for many years, and also support Samoa Capital Radio. With the new consolidation of funding we have recently commissioned an assessment of funded broadcast services for Pacific audiences. We will brief you once we have the findings.

We also support 12 **community access radio** stations around the country with their important task of reaching out to special interest audiences. There are others that may seek funding (for example North Canterbury, Hutt Valley) but we do not anticipate being able to extend support to new services at this stage.

We fund a small selection of spoken local content on **commercial radio** to extend listeners' choices, focusing on programming for children and young people, spiritual programming, programmes about Maori issues and programmes featuring new NZ music. These programmes add depth, variety and a clear New Zealand voice to commercial radio schedules.

NZ Music for different audiences

In 2008 an amendment to the Broadcasting Act enabled us to consider digital platforms. Given the flux in the music sector worldwide, our first step was to plan a comprehensive sector consultation and analysis. In 2010 we published a substantial independent review of our domestic New Zealand music funding and promotion programme (the 'Caddick Report').

In response to that report we developed a completely new **contemporary music** funding scheme called **MakingTracks**. The scheme, launched in July 2011, reinforces our core philosophy of connecting songs with audiences. Its principles include

- Alongside commercial radio activities, making greater use of alternative platforms such as student radio, online and digital platforms, to broaden funding opportunities for new New Zealand music
- Weighting funding support more towards emerging artists (rather than established artists)
- Using a wider range of music experts to help select projects for funding
- Placing support for music from more established artists on a more business-like footing: for example, cost-sharing and income participation

- Providing a maximum of three grants per artist per year, all on a fully contestable basis
- Focusing available funding on tracks (including music videos)
- Tightening eligibility criteria for funding (last year, demand for funding outstripped supply by up to 100:1)

Funding decisions are made monthly, except December and January, by a panel of broadcast and music experts. In particular, while resource-intensive, the involvement of a wide range of people in project selection has been crucial to the success and credibility of the new scheme in a fiercely-contested environment. One music industry panelist commented in October:

Again, many thanks for having me as part of the panel. It's definitely reinforced my belief that MakingTracks is one of the most positive initiatives that I've seen in arts/music funding for a hell of a long time.

In a separate initiative we are also working with Sounz, the Centre for NZ Music, to increase the amount of New Zealand-composed **fine music** on RNZ Concert. Through funding a relicensing scheme we are providing RNZ Concert with fresh music options which are also able to be streamed on the Sounz website.

Digital

In response to the Broadcasting Act amendment mentioned above we introduced two further initiatives.

NZ On Screen www.nzonscreen.com is an integral part of our digital strategy. Currently fully funded by NZ On Air, it is a public good space with no commercial aspect. The site launched in late 2008 to widespread acclaim. It has become the authoritative reference point for media, historians, researchers and the interested public. In an environment that can be fractious, NZ On Screen has successfully forged partnerships with broadcasters, programme makers, public and private archives, the National Library, rights bodies and industry organisations.

Well over 1,000 titles are now on the site and content is added weekly. The project is governed by an independent charitable trust, the NZ On Screen Trust. Up to three of the seven trustees are appointed by NZ On Air.

Our second initiative was to create the **Digital Content Partnership Fund** thanks to a special 2007 Budget allocation. Once of the first funded projects, *Reservoir Hill*, won New Zealand's first International Digital Emmy Award in 2010. We are now reviewing the outcomes for projects supported by this fund and will assess options in 2012.

As a separate matter we are also administering **Regional Television Digital Switchover Assistance**, providing a one-off grant of up to \$70,000 as determined by Cabinet, to assist each eligible regional television channel to convert to a digital signal prior to DSO. Two such grants have been awarded to date (Northland and Nelson).

Archives

There are complex audiovisual archiving issues that need to be addressed – the ‘Horrocks review’ commissioned by us in 2009 and available on our website discusses many of these.

We are currently the major funder of the Sound Archive/Nga Taonga Korero. Funding for the NZ Film Archives was centralised into the Ministry for Culture and Heritage in 2010, and we hope that a similar consolidation of funding will soon be achieved for the Sound Archives. We are working on a joint approach with RNZ and MCH and hope to have a paper to you in the new year.

C: Policy and research

We have commissioned and produced wide-ranging research papers over the years, from analyses of audience behaviour, to the annual *Local Content Report*, the only such quantitative measure of domestic television in the world, to in-depth work such as 2008’s *The Digital Future and Public Broadcasting* and 2011’s *NZ On Air: An Evaluative Study*.

Such research helps us to develop informed policy and also provides information to wider audiences interested in the drivers of the broadcasting environment.

All our research is made available on our website. A review of Pacific broadcasting in New Zealand is currently underway and will be completed in February 2012.

C. Key Issues

This section provides a brief summary of the key issues for NZ On Air at present. We would be pleased to discuss them with you at your convenience.

Industry collaboration

The voluntary New Zealand Music Code expires shortly. This Code plays an important role in maintain the interest of **commercial radio** in playing an adequate amount of New Zealand music. MCH has invited the Radio Broadcasters Association to redraft the Code and we hope you will be able to reach agreement on this as soon as possible.

A solution to **audiovisual archiving** arrangements is becoming pressing, given the fragmented funding and institutional arrangements. We would like an opportunity to discuss the issue of sound archiving with you at an early point. We are working on a paper with MCH and Radio New Zealand and will forward this to you early in the New Year.

We partner with other agencies as opportunities arise. An example is the recent agreement between NZ On Air, the Music Commission and Creative New Zealand to work together to ensure **music funding is allocated strategically**

The funding for the **National Pacific Radio Trust**, which operates radio stations Niu FM and 531pi is now administered and monitored by NZ On Air. It would be very helpful for that entity to be removed from Schedule 4 of the Public Finance Act in order to reduce red tape. Your support for this would be useful.

Board membership

A list of Board members is attached. Our newest member, Ross McRobie, was appointed in August 2011.

Neil Walter has just completed five years as Chair and will be stepping down at the end of February. The Ministry for Culture and Heritage will be in touch with you shortly to discuss the search for a replacement.

Finances

We were given responsibility for the former TVNZ Charter funding of \$15.11 million in 2010 and created a separate funding stream known as the Platinum Fund. This Fund has been used to fund high quality, peak time programmes. It has been very successful.

We have been advised that NZ On Air funding may need to be diverted to supplement the funding allocated to the DSO Targeted Assistance Programme. This question is currently being discussed between MCH and the Ministry of Social Development. Needless to say, NZ On Air would prefer to avoid having its appropriation cut for this purpose.

Our general appropriation has not been increased for the past four years. This will mean a gradual decline in the number of funded television hours and continued tight constraints being placed on funded entities.

In the future, and when the government's fiscal position permits, we see the most pressing needs for additional funding as:

- Radio New Zealand
- The Platinum Fund
- Additional audio description services for vision-impaired audiences
- Additional captioning for Deaf and hearing impaired audiences
- Additional broadcast services for Pacific audiences
- Television children's drama

NZ On Air
December 2011



APPENDIX: NZ ON AIR BOARD MEMBERS

Neil Walter CNZM Wellington	Chair	Term expires 2012
Nicole Hoey Auckland	Chair, Special Interest Committee Member, Audit & Risk Committee	Term expires 2012
Stephen McElrea Auckland	Chair, Audit & Risk Committee	Term expires 2012
Michael Glading Auckland	Oversight of music portfolio	Reappointed 2010
Caren Rangī Napier	Chair, Maori Strategy Committee Member, Special Interest Committee	Appointed 2010
Ross McRobie Wanaka	Oversight of radio portfolio	Appointed 2011