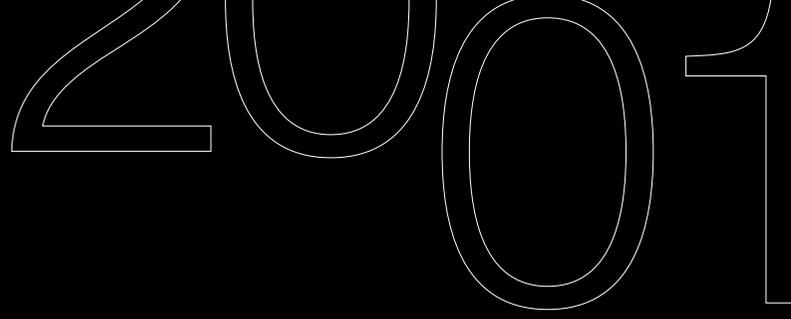


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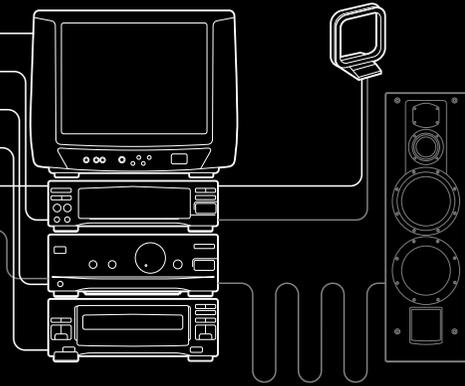
statement of intent



2001-02



- television programmes
- radio services
- maori broadcasting
- nz music
- transmission coverage
- archiving



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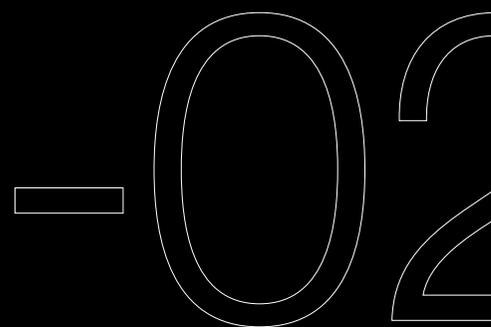
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nz on air_mission statement

NZ On Air's mission is to reflect and foster the development of New Zealand culture and identity through broadcasting.



chairman's introduction



David Beatson
Chairman, NZ On Air

Overview

In accordance with the Public Finance Act 1989 and the Broadcasting Act 1989, I am pleased to present the Statement of Intent of the Broadcasting Commission (NZ On Air) for the 3 years ending 30 June 2004. The Statement of Intent sets out the outputs that NZ On Air will secure for its customers – the Government and the New Zealand public – as agreed between the Minister of Broadcasting and the Board of NZ On Air. This statement also advises NZ On Air's service providers – the broadcasters, programme producers, transmission suppliers, archivists and suppliers of operational goods and services – of the services NZ On Air will endeavour to purchase during the year.

NZ On Air will continue to deliver the core services required by the Broadcasting Act –

- Programme funding – Funding broadcasting which reflects and develops New Zealand identity and culture by promoting programmes about New Zealand and New Zealand interests and promoting Maori language and culture; ensuring that a range of broadcasts is available to provide for special interest audiences such as women, youth, children, persons with disabilities and minorities in the community including ethnic minorities, and encouraging a range of broadcasts that reflects the diverse religious and ethical beliefs of New Zealanders.
- Transmission coverage – Providing funding to maintain and, where appropriate, extend the coverage of television and sound radio broadcasting to New Zealand communities that would otherwise not receive a commercially viable signal; and
- Archiving – Encouraging the establishment and operation of archives of programmes that are likely to be of historical interest in New Zealand.

As a result of implementing this Statement of Intent NZ On Air aims to ensure that –

- Local programmes that help reflect and develop expressions of New Zealand identity and culture will be broadcast.
- There will be a diversity of programming available to meet the needs of New Zealanders as citizens, not simply as consumers, which would not otherwise be provided in a commercial environment.
- Local programmes and other services supported by NZ On Air will be well received by their intended audience.
- The contribution of broadcasting to the development of a creative society will be realised through a combination of tradition and innovation in the projects supported by NZ On Air.
- NZ On Air will be regarded as an efficient, effective and responsive organisation by its stakeholders – the Government, audiences, broadcasters and programme producers.

Background

The last two years have created considerable uncertainty for NZ On Air.

First, in 1999/2000 the transition from the Public Broadcasting Fee (PBF) to Crown funding created some financial uncertainty, as it was difficult to predict how Fee-payers would react.

Second, the Government's announcement in late 1999 of a comprehensive review of broadcasting policy created a different form of uncertainty – although the broad direction of the review has been made clear.

In the event, the transition from the PBF to Crown funding went smoothly, with Fee collections during the phase-out year exceeding forecasts. Collections of residual Fees owing continued throughout 2000/2001, and this good performance overall contributed significantly to a one-off increase in NZ On Air's funding for television programmes during the year.

The broadcasting policy review is still in process. While the charter, structure and status of Television New Zealand has been determined, the important issues of local content quotas and long-term funding arrangements are still under consideration.

NZ On Air understands the complexity of the charter, quota and funding issues, and notes that the policy review inevitably raises questions – and tensions – in the broadcasting industry about the funding policies and priorities we are pursuing.

Pending final decisions, NZ On Air has continued to operate on a "business as usual" basis, and remains keen to contribute to the outcome by proposing options for dealing with the issues under consideration.

In conducting "business as usual", NZ On Air has observed the following principles in its decision-making –

- Consultation and research: NZ On Air consults widely with broadcasters, producers, and consumers, and conducts specific research projects so that its funding policies are informed by information on audience preferences, attitudes and behaviour. Such research drills deeper than quantitative measures such as ratings.
- Impartiality: Programme funding decisions are made without undue influence by either commercial or political considerations. The interests and needs of New Zealand audiences as citizens, not simply as consumers, is paramount.
- Quality: NZ On Air's funding policies are shaped by research and consultation to deliver desired audience outcomes. Funding is allocated by contestable funding processes, wherever possible, to encourage a high standard of project proposals from a wide range of potential producers, designed to ensure that the "best project" can win.
- Diversity: NZ On Air actively seeks diversity across genres, within genres, and across broadcasters. Broadcasters are also encouraged to commission programmes from independent contractors to achieve a cost-effective variety of perspectives and New Zealand "voices".
- Contestability: Wherever possible NZ On Air encourages competitive bidding for the production of public service outputs so that New Zealand audiences receive best possible value for their contribution to broadcasting, with local production costs that are amongst the most efficient in the world.
- Accessibility: NZ On Air's funding policies will promote the best possible access to supported broadcasts for the intended audiences in terms of the timing, quantity and quality of broadcasts. For example, NZ On Air uses contestable allocation as a lever to maximise the level of broadcaster contribution, diversity of programmes supported, and the timeslots proposed for special interest programmes.
- Transparency and accountability: NZ On Air's funding policies, priorities and processes are clearly stated, readily accessible, and, consequently, debatable, while the public broadcasting outcomes sought and delivered are comprehensively reported and reviewable.

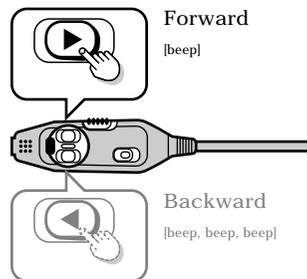
Acceptance of the Statement of Intent

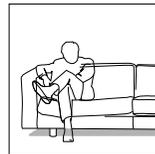
In accordance with Section 41F of the Public Finance Act 1989, I agree to lay this Statement of Intent of the Broadcasting Commission (NZ On Air) for the 3 years ending 30 June 2004 before the House of Representatives.

Marian L. Hobbs

Hon Marian L. Hobbs

Minister of Broadcasting





Progress in the 2000/2001 year

The last year has seen some significant achievements in the public broadcasting activities funded by NZ On Air.

NZ On Air's funding policy decisions continued to be based on a regular and wide-ranging programme of research and consultation.

During the year, NZ On Air commissioned an independent expert report and focus group research on the attitudes of children towards New Zealand television programmes, and a major report on the implications of new (digital) communications technologies for local content, written by Paul Norris and Brian Pauling. This latter report is particularly timely, as New Zealand is on the brink of the biggest shift in the delivery of audio-visual entertainment since the arrival of colour television. NZ On Air also commissioned a major focus group research project into special interest programmes, the results of which will inform our funding policy in this category in 2001/2002.

During the year to 30 June 2001, new strategic directions were set in several areas –

- A revised funding strategy for children's programming, informed by an independent expert's report, focus group research and consultation with stakeholders, was launched at a public forum last October.
- More targeted funding initiatives have set criteria and a process to achieve children's drama and research-driven documentaries, while the results of a gap analysis and research project have enabled us to encourage a balance of programmes in the interests of women.
- The Phase Four plan took NZ On Air's initiative to foster the making and marketing of New Zealand music to a new plane, with the development of a funding pyramid to encourage artists "from the bedroom to Billboard".
- NZ On Air's Te Rautaki Maori, after receiving endorsement from stakeholders, was set in train, with the objectives of maximising the on-screen outcomes of mainstream Maori programming for television and improving the broadcast experience for Maori practitioners.
- A new approach to drama funding aims to achieve a sustained, consistent presence of New Zealand drama programming on the three main free-to-air channels through a collaborative approach with broadcasters, producers, and other investors.

During the year, results of this new strategic direction started to flow through –

- The full effect of the Phase Four plan will only start to be evident in late 2001. However, the work of NZ On Air's dedicated music promotion team, ably headed by Nicky Jarvis, is already paying dividends, with New Zealand music remaining above the initial 10% target for five consecutive quarters now. The flood of applications for NZ On Air's new recording artist grants reveals the groundswell of nascent talent that will grow the library of music with the potential for airplay on commercial radio.
- Significant Maori programming successes during the year included funding for a series of seven half-hour documentaries, and joint funding of the drama project, Matakau, with Te Mangai Paho. Maori documentaries broadcast within the Documentary New Zealand and Inside New Zealand strands included Sir Howard Morrison's My Kainga, My Castle and The Truth About Maori. The appointment of Te Kai Urungi, Tainui Stephens, has strengthened the initiatives under NZ On Air's Maori strategy, especially with his provision of mentoring services to Maori creative teams.
- Drama highlights of the year included two series: Jackson's Wharf and Street Legal, telefeatures Lawless and Clare, the theatrical release of movies Scarfies and Stickmen, a series of one-hour dramas for TV3 including Staunch, A Fishskin Suit and The Possum Hunter, and a one-hour drama – Questions – focusing on youth suicide. In production were a 26-part comedy/drama series, Love Bites, children's drama series Being Eve, a second series of Street Legal, the half-hour dramas Matakau, and a feature film Crooked Earth. And, in the pipeline, are two new drama series, The Strip and Mercy Peak.
- In documentary, in addition to the two popular strands Inside New Zealand and Documentary New Zealand, several of a series of "authorial" projects went to air, including A Taste Of Place, The Feathers Of Peace, Virginitly, Numero Bruno and God, Sreenu & Me. A new way to approach history was explored with the ambitious series Pioneer House, which transported a New Zealand family back to 1900. In production were a historical project The Captain's Log, and a future-focused documentary series, 2050, What If...?, both of which were funded through an NZ On Air documentary initiative.

Across these initiatives and in other areas not singled out here for mention, NZ On Air has continued to foster a diverse range of local content in broadcast programmes, that provides a potent expression of who we are, how we look, what we think and how we sound, through television and radio – the most powerful and pervasive media of our time.

In May 2000, the Government announced an increase of \$7 million in NZ On Air's baseline funding. At the same time, a one-off capital contribution of \$23.6 million ensured that NZ On Air was able to meet all funding liabilities on hand at the time the PBF was abolished. These announcements provided NZ On Air with much-needed financial security during the transition from the PBF to Crown funding, and brought a welcome breathing space after a five-year period of a gradually eroding funding base.

Better than expected collections of PBF also allowed us to support a one-off increase in our funding for television in the 2000/2001 year.

In the May 2001 Budget, the Government announced a further, one-off, increase of \$2.2 million (excluding GST) in NZ On Air's funding base for the 2001/2002 year.

Planning for the year to 30 June 2002

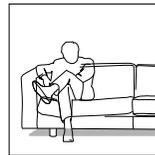
The increases in Crown funding in the 2000/2001 year and continued success with collections of residual PBF during the year mean that the total funds available for allocation will be maintained at the previous year's level in 2001/2002.

Total broadcasting funding expenditure for the 2001/2002 year is estimated to be \$89.0 million. This is an estimate based on expected revenue from the Crown of \$83.2 million (including one-off funding of \$2.2 million for this year only), plus other income, less administration and PBF costs, and including the use of public equity reserves of \$6.4 million.

The following chart compares the budget allocation of funding for the 2001/2002 year with the forecast outcome for the 2000/2001 year.

Application Of Broadcasting Funding		
	Forecast 2000/2001	Budget 2001/2002
Broadcasting funding	\$87.3 million	\$89.0 million
Allocation - PROGRAMMING		
• Television programmes	64%	64%
• Radio services	29%	29%
• New Zealand music	4%	4%
TRANSMISSION COVERAGE	2%	2%
ARCHIVES	1%	1%

Note: Full details of income and expenditure are provided on page [28]



For television, we will enter a period of consolidation. The new strategies developed and implemented last year will continue – in respect of drama, Maori and children’s programming. The initiatives introduced to fund children’s drama and in-depth documentary projects will also be repeated. NZ On Air will continue to seek opportunities to achieve diversity through a range of projects that respond to the interests of women. A review of our funding of special interest programming will be informed by a major focus group research project, due for completion by July this year.

In general terms, NZ On Air will be placing a clearer emphasis on achieving high-standard programming rather than setting funding targets that risk tipping the balance towards quantitative outcomes only. NZ On Air will also introduce new guidelines to secure consistency in project presentation that will enable independent assessments of the “deliverability” of high-risk projects to be made.

Last year, NZ On Air announced its intention to introduce a new form of “general intent” contracting with television networks, to be backed up by an Innovation Fund, encouraging broadcasters to “push the envelope” of local content production and programming. In the event, this new approach was postponed, pending developments in the review of broadcasting policy. We remain committed to introducing a benchmark system that will establish some basic expectations on the part of both NZ On Air and those broadcasters intending to commission programmes made with public funding.

NZ On Air will continue with the Phase Four music promotion strategy. In its second year of operation, the scheme should start to yield significant results. Funding will continue to be allocated across the same six core strategies, although our experience from last year will result in some small adjustments between budget lines to acknowledge pressure areas.

NZ On Air will enter a new three-year funding contract with Radio New Zealand, incorporating the increased funding of \$890,000 granted by the Government last year, and reflecting outcomes in a new set of Charter- and Broadcasting Act-related performance targets.

Funding for transmission coverage will be maintained at a reduced level, as broadcasters are encouraged to move to more cost-effective delivery. Plans to establish a Pacific Island community radio network will be implemented once confirmation of a frequency allocation is received. A fund set aside for conversion of access radio stations to FM band will also be triggered by Government decisions on the allocation of spectrum. And NZ On Air’s funding contracts with the Film Archive and the Sound Archives/Nga Taonga Korero will continue.

NZ On Air’s general objectives in the year 2001/2002 are to –

- Promote the value of local content and diversity – and, in particular, to develop new funding policies that recognise New Zealand’s identity as a Pacific nation and a major centre of Pacific Islands culture;
- Contribute constructively to the broadcasting policy debate;
- Maintain regular and constructive dialogue with industry stakeholders to encourage a partnership approach;
- Continue to explore the opportunities afforded by the developments in communications technologies; and
- Present an effective case for building and sustaining the funding base for investment in public service broadcasting over the long-term.



Longer-term outlook

NZ On Air is currently forecasting a significant reduction in the funds available for allocation to television production in the 2002/2003 and 2003/2004 years.

This reflects the fact that \$2.2 million is available in 2001/2002 only as a one-off provision in Vote: Culture & Heritage and our current expectation that the collection of residual PBF is unlikely to continue through the 2002/2003 year.

The next phase of the review of broadcasting policy will address the issues of local content quotas and funding.

The debate on funding has touched on the prospect of an expansion of direct, bulk-funding arrangements to television and the future of the contestable funding process currently operated by NZ On Air.

The manner in which this debate is resolved will have an impact on NZ On Air’s objectives and performance as they are expressed for the three year period covered by this Statement of Intent.

NZ On Air has monitored local content and diversity in New Zealand across thirteen years. The annual survey has confirmed that, although there has been a consistent commitment to investing in local programming, there is a clear limit to both the quantity and diversity of local content that can be achieved within the current environment.

New Zealand content in the schedules of our main television networks has remained static at a comparatively low level of about 23% of broadcast hours for some years. While broadcasters have increased their financial contributions, the proportion of locally-produced hours that NZ On Air is able to fund has fallen steadily, and is now only 20% of the total.

NZ On Air’s research has confirmed that most New Zealanders believe local content is vital as an expression of our culture and identity, in all its diversity. It is also clear that most New Zealanders want local content to increase.

We do not under-estimate the significance and size of the task that has been undertaken in the broadcasting policy review.

However, with the hard yards of research, consultation and identifying options now close to completion, NZ On Air hopes that decisions can be taken with urgency this year.

NZ On Air will continue to contribute to the review, in whatever way we can. We remain optimistic that a revised public broadcasting policy will maintain the advantages of the current system, supplement them with new mechanisms to improve outcomes, and provide adequate funding.

We do not believe the current system is perfect. We are hopeful that any new structure that emerges from the review will promote consultation, impartiality in programme funding decisions, quality as well as quantity in local content, diversity, accessibility, contestability, transparency and accountability in the funding, production and delivery of broadcast programmes that reflect and develop New Zealand’s culture and identity.

David Beatson
Chairman



statutory role of nz on air

The Broadcasting Commission (NZ On Air) was established by the Broadcasting Act 1989 and is defined as a Crown Entity by the Public Finance Act 1989.

The functions and procedures of NZ On Air are set out in the Broadcasting Act.

The functions of NZ On Air as described in Section 36 of the Broadcasting Act are –

- (a) To reflect and develop New Zealand identity and culture by –
 - (i) Promoting programmes about New Zealand and New Zealand interests; and
 - (ii) Promoting Maori language and Maori culture; and
- (b) To maintain and, where NZ On Air considers that it is appropriate, extend the coverage of television and sound radio broadcasting to New Zealand communities that would otherwise not receive a commercially viable signal; and
- (c) To ensure that a range of broadcasts is available to provide for the interests of –
 - (i) Women; and
 - (ii) Youth; and
 - (iii) Children; and
 - (iv) Persons with disabilities; and
 - (v) Minorities in the community including ethnic minorities; and
 to encourage a range of broadcasts that reflects the diverse religious and ethical beliefs of New Zealanders; and
- (d) To encourage the establishment and operation of archives of programmes that are likely to be of historical interest in New Zealand –

by making funds available, on such terms and conditions as the Commission thinks fit, for –

- (e) Broadcasting; and
- (f) The production of programmes to be broadcast; and
- (g) The archiving of programmes.

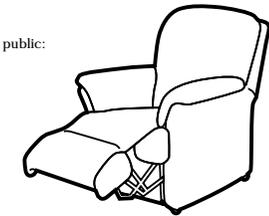
The activities of NZ On Air are –

- To allocate funding for –
 - television and radio broadcasting;
 - promotion of New Zealand music;
 - television and radio non-commercial transmission coverage;
 - television and radio archives; and
 - administration and consultation.
- To collect residual Public Broadcasting Fees while cost-effective in accordance with the Broadcasting Amendment Act (No 3) 1999.

mission statement, strategy & critical tasks

NZ On Air’s mission is to reflect and foster the development of New Zealand culture and identity through broadcasting.

_the viewing public:



To achieve this, NZ On Air has the following strategy –

- To fund television and radio programmes about New Zealand or with a New Zealand perspective that would not otherwise be provided on a commercial basis, which ensure that –
 - a diverse range of quality New Zealand programmes is accessible to all New Zealanders;
 - programmes reflecting Maori language and culture are incorporated;
 - programmes reflecting the interests of women are encouraged;
 - there is widespread support for the local content delivered by NZ On Air; and

by providing a range of broadcasts for special interest audiences including children, youth, persons with disabilities and minorities in the community including ethnic minorities, and encouraging a range of broadcasts that reflects the diverse religious and ethical beliefs of New Zealanders.

- To fund drama and documentary programmes, about New Zealand or with a New Zealand perspective, for a mainstream audience.
- To fund the making and promotion of New Zealand music for broadcast on commercial radio.
- To maintain and, where a cost/benefit analysis justifies this, extend the coverage of television and radio to New Zealand communities that would otherwise not receive a commercially viable signal.
- To encourage the maintenance of archives of programmes that are likely to be of historical interest in New Zealand.

- To consult and, where necessary, obtain qualitative and quantitative research to assess public needs for and satisfaction with various types of broadcasting services so that –
 - funding decisions are made with knowledge of audience preferences; and
 - NZ On Air can act as an informed audience advocate.

The critical tasks are –

- To serve the public interest by funding a diverse range of New Zealand broadcast programmes.
- To work with and encourage broadcasters to maintain a sustained commitment to programmes reflecting New Zealand identity, cultural diversity and regional mix.
- To consider the potential size of the intended audience likely to benefit from a funded project and to seek optimum scheduling for programmes wherever possible.
- To support innovation and experimentation in New Zealand broadcast production.
- To consult, determine expectations, set funding strategies and funding allocation targets.
- To explore options for securing long-term, stable funding for the achievement of NZ On Air’s core functions.
- To take into account other sources of funding or income available to broadcasters and producers in assessing the level of NZ On Air subsidy required for a particular proposal.



objectives for the next 3 years to 30 june 2004

It is NZ On Air's policy to set and review objectives and performance targets on an annual basis.

However, for each of the two subsequent financial years (until 30 June 2004), it is envisaged that the objectives and performance targets are likely to be similar to those for the year ending 30 June 2002 unless there is a change in Government broadcasting policy as a result of the current review.

TELEVISION PROGRAMMES

Objective

To promote a diverse range of innovative programmes that reflect and foster the different expressions of New Zealand's cultural identity and serve the needs of viewers as citizens, not simply as consumers.

Achieved by

- Funding a range of New Zealand drama and comedy for prime-time audiences.
- Funding quality New Zealand documentaries, which cover a diverse range of issues and approaches.
- Funding programmes for mainstream audiences including Maori, which reflect the unique dimension of Maori language and culture as a part of New Zealand's cultural identity.
- Funding programmes to reflect the interests of women, youth, children, people with disabilities and ethnic and minority audiences, and encouraging a range of broadcasts that reflects the diverse religious and ethical beliefs of New Zealanders.
- Evaluating which broadcasters can best serve particular target audiences, taking into account quality, cost, scheduling, transmission reach, target audience size, the required level of subsidy and other factors.

RADIO SERVICES

Objective

To continue to fund public radio services that promote New Zealand culture and identity - including the unique dimension of Maori language and culture - and provide for the needs of special interest audiences.

Achieved by

- Providing funding of no less than \$22.3 million a year to Radio New Zealand to maintain National Radio and Concert FM.
- Ensuring that access radio services are available in areas of significant population for a broad range of non-profit community groups, including ethnic and minority audiences.
- Contributing to the costs of maintaining and boosting Pacific Island community radio services in areas of greatest Pacific Island population.
- Providing a forum for dealing with youth issues and interests, drama and spiritual/values-based programming on commercial radio outlets.

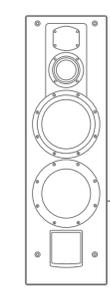
MAORI BROADCASTING

Objective

To provide funding to ensure that Maori language and culture forms an integral part of radio and television broadcasting in New Zealand, in programming intended for all New Zealanders.

Achieved by

- Promoting programming featuring Maori and Maori interests through the general funding of television and radio programming which is of interest to a mainstream audience including Maori.
- Implementing Te Rautaki Maori to enhance on-screen outcomes, improve the experience of Maori practitioners and improve communication.



NEW ZEALAND MUSIC

Objective

To increase New Zealand music content on radio with special emphasis on commercial radio.

Achieved by

- Contracting with National Radio and Concert FM to give a high priority to the programming of New Zealand music.
- Partnering with record companies to make and market New Zealand music that has demonstrable commercial radio airplay potential.
- Encouraging the development of new New Zealand music with commercial airplay potential.
- Supplying all radio stations in New Zealand with New Zealand music that is suitable for airplay.
- Promoting airplay of New Zealand music on commercial radio.
- Supporting the New Zealand music work of the b.net student radio network, as a way of catering for the interests of the youth audience and providing an outlet for a diverse and eclectic range of contemporary New Zealand music.

TRANSMISSION COVERAGE

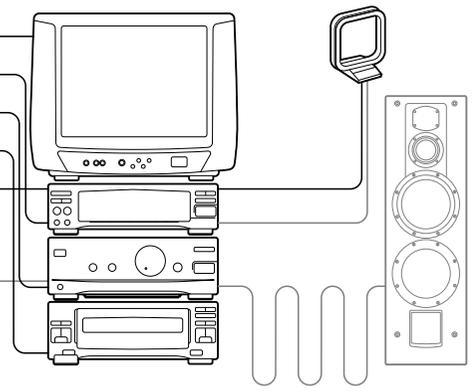
Objective

To maintain existing transmission coverage on a more cost-effective basis so that the need for a subsidy for non-commercial transmission coverage is reduced.

Achieved by

- Encouraging broadcasters to use more cost-effective technologies to maintain TV One and TV2 coverage at current levels.

- _television programmes
- _radio services
- _maori broadcasting
- _nz music
- _transmission coverage
- _archiving



ARCHIVING

Objective

To encourage the archiving of a wide range of New Zealand television and radio programmes which are likely to be of historical interest.

Achieved by

- Administering the contracts with the New Zealand Film Archive and the Sound Archives/Nga Taonga Korero to provide archiving services.

PUBLIC BROADCASTING FEE COLLECTION

Objective

To continue collection of residual PBF owing as at 1 July 2000, taking into account the costs of collection when measured against the level of realisable income.

Achieved by

- The application of fair and consistent debt recovery processes.
- Regularly reviewing the costs and benefits of collection, to ensure debt recovery is discontinued once it is no longer cost-effective.



statement of objectives & performance targets for 2001/2002

Unless otherwise stated, the time period for the following performance targets is for the year ending 30 June 2002.

1.0 Programme Funding

1.1 TELEVISION PROGRAMMES

Objective

To promote a diverse range of innovative programmes that reflect and foster the different expressions of New Zealand's cultural identity and serve the needs of viewers as citizens, not simply as consumers.

Outcomes

- The broadcast of local programmes that reflect New Zealand identity and culture.
- Local programmes and services supported by NZ On Air are well received by their audiences.
- A diversity of programming is available to New Zealanders that would not be available on a wholly commercial basis.

Description

Last year an additional \$6m was allocated to the television budget on a one-off basis, because of savings in other areas of the NZ On Air budget and the better than forecast collections of the Public Broadcasting Fee during the transitional year to its abolition. This year the television budget for 2001/2002 will be maintained at around the same level and will total \$57.3m. This is due to the Government's announcement in May of a one-off increase of \$2.2m to NZ On Air's budget, together with continued collection of residual PBF in the wake of their abolition. It should therefore be noted that up to \$8m of the total television budget is to be allocated on a one-off basis, however, and will not be sustained in 2002/2003.

NZ On Air applies public funding to those programmes which the market will not deliver unaided. Our research, analysis and experience confirm that audience support for and broadcaster commitment to local programming continue to grow. Therefore public funding is not necessary to support low-cost or highly commercial programmes such as infotainment and many reality shows. In popular, but more expensive genres such as drama, comedy or documentary, a case for funding subsidy may still exist. Less commercial genres, such as children's and special interest programming, would be unlikely to secure a broadcaster commitment in the absence of a significant level of public funding towards the cost of production.

In 2001/2002 NZ On Air television funding will be applied to four main genres. These are drama (including children's drama and comedy); documentary; children's and youth; and special interest programming. Of these, the first two programme categories screen mainly during prime-time and the remaining two are more likely to screen in offpeak hours. It should be noted that other headings listed below, such as mainstream Maori, comprise programmes that will be included within the four main genres.

- DRAMA (prime-time, s37(c)) is a statutory requirement for NZ On Air in need of nurturing because of the high costs and risks involved. NZ On Air has developed a drama strategy in an attempt to bring more long term planning into the development and production of drama. Locally made drama continues to be under-represented on New Zealand screens, although some improvements will begin to become evident this year as a result of the strategy. To sustain the momentum, drama continues to be a high priority for NZ On Air.

As part of the strategy NZ On Air will maintain its active project-by-project development slate. In addition, we will work with broadcasters and producers to implement a "tendered" development process. Under this scheme, production companies which meet certain criteria established by NZ On Air, will receive seed funding for preliminary development of projects, from which a shortlist could be further developed with a shared broadcaster contribution. NZ On Air will continue to fund projects that

will include a mix of new and return series across all three, free-to-air channels. These will be supplemented by shorter-form projects to ensure diversity. Drama projects will still need to attract investment from other sources in order to supplement NZ On Air's drama allocation. For its part NZ On Air will continue to examine equity arrangements that will facilitate the securing of overseas investment. An allowance for up to two Screenvisionz feature film projects will continue. NZ On Air will instigate a review process to achieve flexibility to contribute to one (or two) other feature film projects, if a call on the full Screenvisionz funding is unlikely in a given financial year, for projects that meet objectives of particular interest to NZ On Air.

- CHILDREN'S DRAMA will continue as a separate allocation as a result of the Government's 18 May 2000 funding announcement. This year NZ On Air will again be able to support up to two projects (to be decided on the basis of competitive bids), thanks to the one-off allocation of \$2.2m announced in the Government's 2001 Budget.

- COMEDY remains an area of particular interest for NZ On Air, and as such will continue to be allocated as a genre in its own right. However after a more than successful year in meeting comedy targets the allocation will be adjusted by \$1.1m to better fit with the 2000/2001 outcome. NZ On Air will continue its focus on the development of new, alternative comedy.

- DOCUMENTARIES (s37(c)) The documentary 'spend' will increase by \$0.6m from last year's original budget. NZ On Air will continue to fund two popular strands, such as Documentary New Zealand and Inside New Zealand. An allowance is also made for either one-offs or for one or two small, popular series, provided a clear case for a subsidy can be made. We will actively seek distinctly different projects, to enhance diversity within the genre. Allowance has therefore been made for a further in-depth initiative to provide one or two big series, and for another Maori documentary series. NZ On Air remains committed to the objective of encouraging broadcasters and producers to explore more in-depth documentary projects.

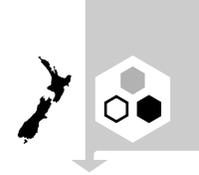
- CHILDREN'S AND YOUTH (s36(c)) This genre continues to be a high priority and as such will receive an increase of \$0.8m in 2001/2002. NZ On Air will foster an active, ongoing commitment to making culturally relevant and entertaining programmes for the children and youth of New Zealand, consistent with the priorities announced at last year's Children's Forum. Active broadcaster support and scheduling commitment is a vital ingredient. We traditionally seek programmes for three main audiences: preschool, primary and secondary school. We also intend to serve those audiences in prime-time, and in other off-peak slots, through projects funded within other genres and by encouraging 'family-friendly' series.

- MAINSTREAM MAORI (s36 (a) (ii)) Mainstream Maori programming will continue to receive special attention through the implementation of Te Rautaki Maori. As part of Te Rautaki, NZ On Air's Kai Urungi (or Maori consultant) will continue to work with producers and broadcasters to promote Maori programmes and support Maori producers. The strategy for promotion of this genre includes, for example, the continuation of a Maori quota within programming strands. However, provision will also be made for a separate, stand-alone half-hour documentary series.

- SPECIAL INTEREST (s36(c)) NZ On Air has commissioned research into the efficacy of our funding in this area. The results of that research and the policy implications of those results will be published and discussed in a forum in late June/early July 2001. The categories covered by this research are: Disability services, including teletext subtitling and an information series; Minorities, serving niche audiences in accordance with the Broadcasting Act (eg. rural, Christian, gay); and Ethnic Minorities, informing Pacific Island and Asian audiences. The research does not focus on arts and performance funding (which is also covered by the "special interest" heading) since there has been a diversity of programming in this category which is expected to continue.

- INNOVATION This year, provided our "general intent" contracting with networks can be secured, NZ On Air will set aside \$1 million for an innovation fund, to be awarded for the production of a cutting edge project (or projects) for broadcast by the free-to-air broadcaster that best achieves local content targets during the year.

The growth in audience share of free-to-air local and regional channels will be monitored regularly. TV One, TV2 and TV3 continue to secure the largest audience share and NZ On Air funding is therefore likely to remain focused on these broadcasters. Within the existing budget there is little opportunity for expansion by NZ On Air to fund programming on non-national channels, and our preference remains to concentrate NZ On Air funding in order that the effects of programme supply are not diluted. It is possible that exceptions may be made if a smaller channel demonstrates that it better services a particular audience, or if the main broadcasters reduce screening opportunities for special interest programming. NZ On Air will continue to require that fully funded programmes be made available to smaller channels as soon as possible after transmission by the networks, and will work with regional broadcasters to explore ways of facilitating their transmission of NZ On Air-funded local programming.



Performance Targets

Quantity and Cost

To allocate funding to specific genres as follows –

Television Programme Funding				
Programme Type	Estimated Outcome 2000/2001		Forecast 2001/2002	
	Estimated Hours	Estimated \$millions	Funded Hours	Funding \$millions
Drama	49	16.8	49	17.1
Comedy	49.5	3.2	56.5	3.9
Children's drama	13	4.2	13	4.5
Documentaries	103	8.7	90	8.7
Information	17.5	1.1	–	–
Special interest programming for:				
– Children/young people	325	10.0	350	11.0
– Arts, culture and performance	123	3.6	110	3.0
– People with disabilities including Teletext [Note 1]	20	2.4	20	2.5
– Ethnic minorities	51.5	2.4	55	2.6
– Other minorities	49	1.9	55	2.2
Innovation	18	0.8	10	1.0
Maori re-versioning	69	0.2	85	0.3
Development	–	0.4	–	0.5
TOTAL	887.5	55.7	893.5	57.3

Note 1 Teletext subtitling hours are not counted in the hours totals.

Quality

The quality of NZ On Air's funding decisions is measured by the following targets –

- To achieve diversity within the range of funded programmes (as outlined in the table on the previous page).
- To analyse levels of audience support for the programmes and services funded by NZ On Air. The results of this research will be measured against benchmarks established in 2000/2001.
- To analyse the levels of audience satisfaction for programmes that have been funded by NZ On Air. This will be achieved by –
 - Comparing expected viewing levels with AC Nielsen's daily surveys; seeking feedback on overall satisfaction with NZ On Air-funded programmes in the annual 'Public Awareness' survey; and
 - Within NZ On Air's budget constraints, performing qualitative research that considers the specific viewing preferences of audience groups.

Key benchmarks established in 2000/2001 were –

- Around 70% or more of respondents in a major survey said it is important for NZ On Air to fund children's programmes, in-depth documentary, programmes for people with disabilities, drama and children's drama.
- 75% of respondents in a major survey agreed that NZ On Air supports programmes and services that are important to New Zealanders.
- 62% of respondents in a major survey felt that the amount of New Zealand-made TV programmes should increase.

1.2 RADIO SERVICES

NATIONAL RADIO & CONCERT FM

Outcome

That New Zealanders have access to quality public radio services that provide a diversity of programming reflecting New Zealand identity and culture.

Objective

- To fund National Radio and Concert FM to provide the services required by the Charter described in the Radio New Zealand Act 1995 and to assist NZ On Air to meet its objectives under the Broadcasting Act 1989.
- To ensure that the contract with Radio New Zealand for the funding of National Radio and Concert FM includes conditions requiring the services to be maintained at such a level that their audiences consider that they are of high quality.

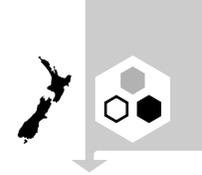
Description

The May 1998 directive from the Minister of Communications instructing NZ On Air to provide funding of no less than \$21.4 million a year to Radio New Zealand to run National Radio and Concert FM expired on 30 June 2001.

In June 2001, NZ On Air and Radio New Zealand were working on a new funding contract for the three years 1 July 2001 to 30 June 2004.

The contract will specify the services that Radio New Zealand will deliver via National Radio and Concert FM in return for which, NZ On Air will provide funding of not less than \$22.3 million per annum.

The level of funding for 2001/2002 and beyond incorporates the extra funding (totalling \$890,000) agreed by the Government for National Radio and Concert FM in May 2000.



Performance Targets

Quantity

The contract between Radio New Zealand and NZ On Air requires National Radio and Concert FM to deliver specific broadcasting services which meet the requirements of the Radio New Zealand Charter (which is set out in Section 7 of the Radio New Zealand Act 1995).

The Charter functions and programme hours devoted to the fulfilment of these functions are –

Charter Functions [Note 1]	National Radio [Note 2]		Concert FM [Note 2]	
	Annual Broadcast Hours	% Total Hours	Annual Broadcast Hours	% Total Hours
A. Intellectual, scientific and cultural development. Informed debate and critical thought.	7,266	83%	[Note 3]	
B. Information, special interest and entertainment. Reflect cultural diversity including Maori language and culture.	7,418	85%	[Note 3]	
C. Varied interests within the community. Information, educational, special interest and entertainment.	1,310	15%	8,760	100%
D. Musical, dramatic and performing arts. New Zealand and international composers, performers and artists.	1,655	19%	8,432	96%
E. Nationwide service, highest quality. Sense of citizenship and national identity.	8,760	100%	[Note 3]	
F. Comprehensive, independent, impartial, balanced news and current affairs. Regional perspective.	2,225	25%	260	3%
G. Comprehensive, independent, impartial, balanced international news and current affairs.	1,084	12%	88	1%

Note 1 Particular programmes produced and broadcast by either National Radio or Concert FM have been assessed in terms of the contribution that the programme makes to Radio New Zealand's statutory Charter functions. Most programmes contribute to more than one Charter function.

Note 3 While Concert FM's programmes may broadly meet the intentions of Charter functions A, B and E, its primary role is to provide services intended by function D.

Note 2 At the time that this Statement of Intent was prepared, target hours for 2001/2002 were being discussed with Radio New Zealand as part of the three-year funding contract negotiations. The target hours given here are those applying to the 2000/2001 year, adjusted to reflect programme enhancements made as a result of the increase in funding for Radio New Zealand in 2000/2001.

The contract also requires Radio New Zealand to deliver services to NZ On Air to meet its responsibilities under the Broadcasting Act 1989. They are –

Types of Programmes and Services	National Radio [Note 1]	Concert FM [Note 1]
Total broadcast hours including:	8,760 hours	8,760 hours
- NZ content programmes which includes:	7,416 hours	-
- Maori language and culture	260 hours	-
- Special interest	324 hours	-
- NZ drama	123 hours	-
% of New Zealand music on rotate [Note 2]	27%	-
% of New Zealand composition	-	3%
% of New Zealand music performance	-	12%
% of population able to receive transmission [Note 3]	97%	92%

Note 1 At the time that this Statement of Intent was prepared, target hours for 2001/2002 were being discussed with Radio New Zealand as part of the three-year funding contract negotiations. The target hours given here are those applying to the 2000/2001 year.

Note 3 This is the proportion of the population able to receive National Radio and Concert FM via terrestrial transmission. As a result of an arrangement with Sky Television, 100% of the country is able to access a National Radio or Concert FM signal via a Sky satellite dish and decoder.

Note 2 In addition to the New Zealand music content on rotate, National Radio produces and broadcasts feature programmes on New Zealand music.

Quality

Under the current contract, Radio New Zealand is required to provide audience research to establish National Radio and Concert FM listenership and to demonstrate that the National Radio and Concert FM services have been maintained at such a level that the audience continues to consider that they are of a high quality.

The AC Nielsen survey commissioned by Radio New Zealand in 1999 and repeated in 2000 provided quality benchmarks against which future performance will be measured.

Overall audience satisfaction levels should not fall below 80% in the case of National Radio and 75% in the case of Concert FM. Other qualitative benchmarks should not fall below the levels achieved in the last survey in 2000.

Cost	
National Radio	\$18,144,500
Concert FM	\$4,144,500
Total Cost of National Radio and Concert FM	\$22,289,000

ACCESS & PACIFIC ISLAND RADIO

Outcome

That –

- the interests of women, youth, children, persons with disabilities, minorities in the community (including ethnic minorities and those reflecting the diverse religious and ethical beliefs of New Zealanders) and non-profit community groups are adequately represented in radio; and
- special interest audiences – including Pacific Island audiences – are catered for in areas of significant population.

Objective

- To contribute to the costs of maintaining access radio services for a broad range of non-profit community groups including in particular those specified in Section 36(c) of the Broadcasting Act 1989.
- To contribute to the costs of maintaining and boosting Pacific Island community radio services in areas of greatest Pacific Island population and to fund the establishment of a Pacific Island radio network reaching areas of significant Pacific Island population.



Description

During 2001/2002, NZ On Air will provide operating funding to the 11 access radio stations that received funding last year provided that they continue to meet NZ On Air's existing funding criteria.

NZ On Air will also provide operating funding for the existing Pacific Island community radio services in Auckland (Radio 531pi) and Wellington (Samoa Capital Radio).

An amount of \$350,000 has been set aside from the additional funding for NZ On Air announced by the Government in May 2000 for community and access radio.

The bulk of this will be allocated to establish a Pacific Island radio network that will reach centres of significant Pacific Island population in New Zealand including Auckland, Hamilton, Tokoroa, Wellington and Christchurch.

A small allocation has also been made for the existing access radio stations to assist, where appropriate, with the transition to FM transmission and provision has been made to respond to any legitimate expression of interest in setting up a new access radio station that meets NZ On Air's funding criteria.

Performance Targets

Quantity

- To continue to fund the existing 11 access radio stations which serve communities of 50,000-plus population.
To continue to fund the Pacific Island community radio services provided by Radio 531pi in Auckland and Samoa Capital Radio in Wellington.
To establish a pan-Pacific Island community radio network to serve areas of significant Pacific Island population including Auckland, Hamilton, Tokoroa, Wellington and Christchurch.

Quality

- To ensure that at least 60% of the programmes broadcast by funded access radio stations meet the needs of the groups specified in Section 36(c) of the Broadcasting Act.
To ensure that Pacific Island radio services provide a range of programming suitable for Pacific Island audiences as determined through consultation.

Location

- NZ On Air's current access radio policy identifies areas of 50,000-plus population as a priority. Funded access radio services are located in Auckland, Hamilton, the Hawkes Bay, Manawatu, the Wairarapa, the Kapiti Coast/Horowhenua, Wellington, Tasman Bays, Christchurch, Dunedin and Invercargill.
To date, NZ On Air has responded to initiatives to establish Pacific Island radio services in areas of greatest Pacific Island population - Auckland and Wellington. Once spectrum allocation has been confirmed, NZ On Air will fund the establishment of a pan-Pacific Island radio network serving other centres of significant Pacific Island population, including Hamilton, Tokoroa and Christchurch as well as Auckland and Wellington.

Table with 2 columns: Item, Cost. Rows include Access Radio (\$1,860,400), Pacific Island Radio (\$525,000), and Total Cost of Access and Pacific Island Radio (\$2,385,400).

COMMERCIAL RADIO PROGRAMMES

Outcome

That the interests of youth who are commercial radio users are catered for through dedicated youth radio shows; and that radio drama and spiritual/values-based radio shows are available on commercial radio.

Objective

- To fund -
at least three nationally-syndicated youth radio shows which deal with youth issues and youth interests for broadcast on commercial radio stations that are popular with the youth audience; and
at least one radio drama series on commercial radio and at least one spiritual/values-based radio series on commercial radio.

Description

Since 1994, NZ On Air has been funding Rampage, an independently-produced weekly one-hour youth radio programme for commercial radio stations around the country

Two years ago the producers of Rampage developed a second show - called Te Puutake - to suit stations with an urban music format that are reaching predominantly a Maori and Pacific Island youth audience. And in 1999, a third show - called The Voice - crafted for The Edge network was added to the stable.

NZ On Air will continue to fund these shows this year to provide a forum for youth issues and interests and to provide an outlet for youth voices on commercial radio stations that are used by the youth audience.

A small allocation will be made for other programming for commercial radio - specifically, drama and values-based projects.

Performance Targets

Quantity

- To fund at least 50 weekly one-hour episodes of Rampage, Te Puutake and The Voice for broadcast on at least 20 radio stations each or on commercial radio networks with equivalent audience reach; and
To fund at least one radio drama series and at least one spiritual/values-based radio series that will play on at least 20 radio stations each or on commercial radio networks with equivalent audience reach.

Quality

Indicators of the success of the shows - such as target audience feedback, audience numbers, numbers of radio outlets and award nominations and commendations - will be monitored through the year.

Table with 2 columns: Item, Cost. Row includes Total Cost of Commercial Radio Programmes (\$586,040).

1.3 MAORI BROADCASTING

Outcome

That Maori language and culture is promoted by providing funding for television and radio broadcasting.

Objective

To fund and promote programming intended for a general audience including Maori which provides for adequate representation of Maori and Maori interests.

Description

The Maori broadcasting funding agency, Te Mangai Paho, operates separately from NZ On Air and, since 1 July 2000, has been funded directly by the Crown. Te Mangai Paho will therefore continue to have the primary role in promoting Maori language and culture in broadcasting. NZ On Air will liaise regularly with Te Mangai Paho to coordinate funding policies and to share information where possible. Since termination of the PBF has ended the financial linkage between NZ On Air and Te Mangai Paho, both agencies are committed to intensifying such discussions. Te Mangai Paho supports Maori radio and television, with a particular focus on programming in te reo.

TELEVISION

In its own television funding, NZ On Air encourages programme makers to include Maori language, culture and points of view wherever relevant in programmes of all genres. NZ On Air also funds programmes which feature Maori talents, stories, interests and perspectives intended for a mainstream audience, of which Maori are a part.

In the first half of 2000, NZ On Air developed a comprehensive Te Rautaki Maori, which was implemented in 2000/2001. The strategy aims to enhance the on-screen outcomes of mainstream Maori programming for television, and to improve the broadcast experience for Maori practitioners through better consultation and communication.

In the 2001/2002 year, NZ On Air will continue to set targets for a minimum number of projects with substantial Maori creative involvement, and featuring some aspect of Maori life and culture, to be included in each of the 'umbrella' strands it funds (e.g. TV One's Documentary New Zealand and TV3's Inside New Zealand). The minimum requirement will be reduced on the condition that the broadcaster commits to screening a separate strand of Maori documentaries in a prime-time slot. Other measures include the work of Te Kai Urungi to mentor and oversee Maori projects, maintenance of research into the preferences of Maori audiences, and the implementation of funding and operating guidelines with respect to Maori projects. A special allocation has once again been made to help fund re-versioning and subtitling of Maori projects.

RADIO

NZ On Air's contract with Radio New Zealand obliges National Radio to produce and broadcast a minimum amount of programming about Maori language and culture. NZ On Air will also encourage National Radio to continue to develop its plans to reflect and integrate Maori and Maori interests in regular programming.

NEW ZEALAND MUSIC

In its regular New Zealand music schemes – music videos, Kiwi Hit Disc, syndicated radio shows, the new recording artists scheme – NZ On Air will ensure that the work of Maori artists is represented. NZ On Air will also produce a series of music discs – the Iwi Hit Disc – featuring Maori music for distribution to every radio station in the country.

Performance Targets

Quantity

- As a condition of funding, to require that upwards of 15% of hours funded within a television ‘umbrella’ funding arrangement involve substantial Maori creative participation on a topic of relevance to Maori language and culture.
- To fund other television programmes featuring Maori and Maori interests intended for a general audience as funds permit.
- To require children’s programmes funded by NZ On Air to promote Maori language and culture as an essential aspect of the programme.
- To ensure that National Radio produces and broadcasts at least 260 hours a year of programmes reflecting Maori language and culture. As noted on page 17, a new funding contract with Radio New Zealand, including programme targets, is currently being negotiated. NZ On Air is seeking an increase in the hours devoted to Maori language and culture in the context of these negotiations.
- To ensure that upwards of 15% of the music videos funded by NZ On Air during the year, 15% of the tracks on Kiwi Hit Disc, 15% of the new recording artists grants and 15% of the tracks played on key syndicated radio shows are by Maori artists.
- To produce up to four volumes of Iwi Hit Disc for distribution to every radio station in the country.

Quality

Performance measures to be applied are -

- A Maori broadcasting hui will be held during the year in order to survey progress made by NZ On Air in meeting the Maori broadcasting performance targets outlined above.
- Six monthly reviews of the implementation of NZ On Air’s Te Rautaki Maori will be conducted.
- NZ On Air consults regularly with Radio New Zealand management to ensure that progress is being made to (a) reflect Maori language and culture; and (b) extend the audience for National Radio’s Maori programmes via Maori radio.

Cost	
Estimated funding for general mainstream programmes featuring Maori	\$3,700,000

1.4 NEW ZEALAND MUSIC

Outcome

That there is more New Zealand music played on the radio.

Objective

- To increase the amount of New Zealand music played on radio – particularly, commercial radio.
- To encourage and help all radio stations to play more New Zealand music.

Description

In 2001/2002, NZ On Air will continue with strategies to increase exposure for New Zealand music on radio and will again focus on making a difference on commercial radio.

This work will be boosted by the implementation of NZ On Air’s Phase Four New Zealand music plan, launched in July 2000. The Phase Four plan will increase investment in the making and marketing of New Zealand music that has commercial radio airplay potential and will increase NZ On Air’s promotional capability.

Schemes like the Radio Hits scheme, funding for music videos, radio shows on commercial networks and support for the New Zealand music work of the b.net student radio stations (which provide an outlet for a diverse and eclectic range of contemporary New Zealand music) will be maintained.

The production of hit discs – Kiwi Hit Disc, Indie Hit Disc, Iwi Hit Disc, A/C Hit Disc – will continue. We will also release a third set of classic hits discs – Kiwi Gold Disc III – and will re-issue the two original classic hits sets.

The hit disc strategy will be backed up by promotional support including the use of three “pluggers” (or promotion people) to work the hit disc catalogue at commercial radio. Other promotional strategies will include publishing New Zealand music supplements in the radio industry trade journal, Median Strip and awarding “Double Digits” plaques to radio stations that play more than 10% New Zealand music.

NZ On Air also contributes to the promotion of New Zealand music in radio and television through its funding of National Radio and Concert FM, through the funding of television music shows like Squeeze and Space and through television magazine shows like Mai Time. This work is acknowledged elsewhere in the Statement of Intent.



The package of initiatives developed by NZ On Air is paying off, with more New Zealand music being played on commercial radio than at any time in the last three years.

Performance Targets

Quantity

- To progressively increase New Zealand music content on commercial radio to 15% - 20% or more as measured by the quarterly surveys of radio station airplay logs collected by APRA (the Australasian Performing Right Association) and published in the radio industry trade journal, Median Strip.
- To assist with the international release and marketing of at least four albums by New Zealand artists that have first proved successful on the domestic market (matching funding of up to \$50,000 from the record company involved with the project).
- To fund at least 14 new albums by New Zealand artists with a proven commercial radio track record in order to get at least four songs off each album that meet NZ On Air’s established “significant airplay” benchmark (matching funding of up to \$50,000 from the record company involved with the project).
- To fund at least 60 single recording projects by new New Zealand artists who have commercial radio airplay potential and to achieve “significant airplay” on commercial radio from at least 75% of the funded projects.
- To establish a partnership with a music television provider that will increase the opportunities for music videos to play on free-to-air television from 7 hours a week to at least 25 hours a week.
- To fund at least 100 music videos by New Zealand artists for broadcast on every music video outlet currently on air.
- To fund at least one regular daily or weekly New Zealand music show on all major commercial radio networks and to fund dedicated New Zealand music shows on all seven b.net student radio stations.
- To produce at least five volumes of Kiwi Hit Disc; at least four volumes each of Indie Hit Disc and Iwi Hit Disc; and at least two volumes of the A/C Hit Disc for distribution to every radio station in the country.
- To assist record companies with the costs of radio remixes of at least 25 songs that have the potential to get more commercial radio airplay in a remixed form.

- To provide Radio Hits funding for at least 40 records that have picked up “significant airplay” on commercial radio (provided those records have not already been funded through the Phase Four Albums or New Recordings tiers).
- To contract three pluggers (New Zealand music promotion people) to promote the use of NZ On Air’s hit disc catalogue at commercial radio.
- To run a New Zealand music promotions campaign including publishing at least 6 issues of the Fresh Air magazine for distribution to every radio station in the country; partnering with the Kiwi Music Action Group in promoting NZ Music Month and the NZ Music Showcase; presenting at least 10 Double Digits plaques; partnering with key commercial radio networks in promotions that increase the presence of New Zealand music on air; and mounting at least four Kiwi Hit Disc showcases for key commercial radio programmers.
- To partner with the NZ Music Industry Commission in mounting at least one major seminar or workshop on the writing and production techniques that improve the chances of a record achieving “significant airplay” on commercial radio.

Quality

- In order to make sure that all funded records, music videos and tracks on the hit discs will receive significant television and radio airplay, NZ On Air will consult television and radio programme directors before selecting projects that will get support and will obtain from them an assessment of the airplay potential of the songs.
- In order to guarantee exposure for New Zealand music via networked and syndicated radio shows, NZ On Air will require the producers of such shows to produce written commitments to broadcast the shows from at least 20 radio stations each or from a commercial radio network with equivalent audience reach.

Cost	
New Zealand Music	\$3,900,000

2.0_Transmission Coverage

2.1 TELEVISION TRANSMISSION COVERAGE

Outcome

To provide cost-effective transmission coverage of TV One and TV2 to communities that are unable to receive a commercially viable signal.

Objective

- To work with TVNZ to implement more cost-effective provision of TV One and TV2 to communities that are unable to receive a commercially viable signal.
- To subsidise TV One and TV2, where necessary, to maintain transmission coverage to certain communities mainly in remote areas (approximately 14,000 households) which NZ On Air considers to be non-commercial and are currently unable to be delivered by more cost-effective means.

Description

In June 1989, the then Minister of Communications gave a directive to NZ On Air pursuant to Section 44 of the Broadcasting Act 1989 to maintain transmission coverage of TV One and TV2 to certain communities that cannot be provided with a commercially viable signal. This directive remains in force.

NZ On Air also has a statutory obligation in accordance with Section 39(c) of the Broadcasting Act 1989 to take into account, in relation to funding for the maintenance or extension of coverage, the extent of the likely benefit to the household of the coverage service in relation to its cost. Therefore, in order to satisfy the requirements above, NZ On Air will continue to vigorously explore the most cost-effective way of providing transmission coverage services into non-commercial areas.

NZ On Air's aim is to reduce the level of funding needed for the transmission coverage of television services in order to free-up more funding for television programmes. To achieve this, NZ On Air will continue to work with TVNZ to explore alternatives for maintaining existing coverage at a reduced cost.

With the assistance of past funding from NZ On Air the following transmission coverage, as a percentage of population, has been achieved –

TV One	-	99.7%
TV2	-	99.5%
TV3	-	96% [Note 1]

Note 1 TV3 has now achieved 100% transmission coverage as a result of its simultaneous broadcast from Sky Television's digital platform.

Performance Targets

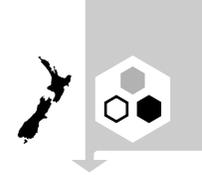
Quantity and Location

- NZ On Air will continue its negotiations with TVNZ, and where necessary perform cost-benefit analyses, in order to implement more cost-effective delivery of TV One and TV2 to communities in remote non-commercial areas.
- If necessary, to subsidise the cost of transmission to those areas which are non-commercial in order to maintain TV One's coverage at 99.7% of the population.
- If necessary, to subsidise the cost of transmission to those areas which are non-commercial in order to maintain TV2's coverage at 99.5% of the population.
- To reassess, if necessary, the cost-benefits of providing TV One and TV2 to households in remote non-commercial areas using TVNZ's existing terrestrial transmission system.

Quality

- Where NZ On Air subsidises transmission coverage, the broadcaster will make available to the agreed number of potential viewers in the coverage area a signal suitable to provide a received picture quality that conforms to the International Radio Consultative Committee recommended standard R500-4 of PQ3 or better.
- NZ On Air will obtain technical advice where necessary to validate any technical issues that relate to transmission coverage.

Cost	
Television Transmission Coverage	\$ 1,325,000



2.2 RADIO TRANSMISSION COVERAGE

Outcome

That as many New Zealanders as possible are able to receive a community radio service.

Objective

- To encourage the use of NZ On Air's scheme to make a primary-strength community radio service available to every community of 500+ people.

Description

In June 1989, the Minister of Communications gave a direction to NZ On Air pursuant to Section 44 of the Broadcasting Act 1989 to ensure that every community with a population of 1,000+ is served by a primary-strength community radio signal.

In the first half of 2001, NZ On Air commissioned an independent report on the current status of (a) communities of 1,000+ and (b) communities with a population of between 500 and 1,000 currently not served by a primary-strength community radio signal. In light of this review, NZ On Air has made a policy amendment beyond the existing Ministerial directive, to include a one-off subsidy for capital equipment to communities of 500+ population who are not served by a primary-strength community radio service. In order to manage expenditure on this activity, allocations to support a maximum of three new community radio services per year will be made.

With the assistance of past funding from NZ On Air, transmission coverage for community radio has achieved 99.6% as a percentage of the population.

Performance Targets

Quantity and Location

- To consider applications for funding of capital equipment to establish up to three new community radio facilities in areas of 500+ people that are not served by a primary-strength community radio signal. In assessing applications for funding, NZ On Air will give priority to areas where there has never been a primary-strength community radio service established on a commercial basis.

Quality

- Where NZ On Air subsidises a community radio service, the broadcaster will make available to the agreed number of potential listeners in the coverage area a signal suitable to provide a field strength of at least 54dBu per metre for FM or 60dBu per metre for MF(AM).
- NZ On Air will contract with the broadcasters to ensure that the community radio service broadcasts for 24 hours per day and that the programming includes local news, weather and community information and is capable of carrying local civil defence information in an emergency.

Cost	
Radio Transmission Coverage	\$139,500

3.0_Archiving

Outcome

That a representative range of New Zealand television and radio programmes with the potential to be of historical interest are archived.

Objective

To provide funding to The New Zealand Film Archive and Sound Archives Nga Taonga Korero to archive a wide range of New Zealand television and radio broadcasts and to maintain the collections in line with accepted archiving procedures, including public access to the collections.

Description

NZ On Air has a three-year contract (which commenced 1 July 2000) with both The New Zealand Film Archive and Sound Archives Nga Taonga Korero to provide core archiving services for television and radio, respectively. The core archiving services are defined as selection and acquisition, preservation and public accessibility services and are consistent with NZ On Air's archive funding policy.



Performance Targets

Quantity

To provide funding for core archiving services for a wide range of television and radio programmes which are likely to be of historical interest in New Zealand -

Service	Television	Radio
Selection and acquisition of programmes to be archived	654 hours	1,300 hours
Preservation of programmes	170 hours	1,700 hours
Public access to the archived broadcast programmes	[Note 1]	[Note 1]

Note 1 Public access to archive material held by either The New Zealand Film Archive or Sound Archives Nga Taonga Korero is available during these archives' working hours in line with generally accepted archiving procedures.

Quality

NZ On Air will engage an independent archiving consultant to review the archiving services six-monthly (in particular, the diversity of programmes archived) that have been provided by The New Zealand Film Archive and Sound Archives Nga Taonga Korero.

Cost	
Archiving	\$995,000

4.0_Public Broadcasting Fee collection

The Public Broadcasting Fee (PBF) was the main source of NZ On Air's funding for ten years. In May 1999 the National Government announced its decision to abolish the PBF, with effect from 1 July 2000. The Broadcasting Amendment Act 1999 granted authority to the Broadcasting Commission to continue collecting outstanding Public Broadcasting Fees beyond that date.

NZ On Air continued collecting residual PBF throughout 2000/2001 and will maintain this activity while it remains cost-effective to do so. The net cost of collection as a proportion of revenue secured will be reviewed regularly.

NZ On Air has either written off or collected all but approximately \$2.5 million of PBF debt. Given the uncertainty of the timetable for residual collection activity in 2001/2002, it has been decided to retain a provision for doubtful debts equivalent to the full amount of debt remaining on our books. Successful collection of residual PBF during 2001/2002 will therefore be reflected in an adjustment to the provision at year end.

statement of management procedures for 2001/2002

Funding Allocation Process

Outcome

That NZ On Air operations are effective and efficient.

Objective

To allocate income derived from the Crown for the purpose of providing broadcasting services to Government and the New Zealand public as required by the Broadcasting Act 1989 (the Act) and directions issued by the Minister of Broadcasting pursuant to Section 44 of the Act.

Description

In its planning and operations for the year, NZ On Air will be guided, both in its internal management processes, and its funding allocation policies, by the following key principles -

- New Zealand audiences (both television and radio) will be considered as citizens, not simply as consumers.
- NZ On Air will encourage innovation in broadcasting (which may include new initiatives within long-standing programmes).
- The risks and opportunities for public broadcasting afforded by new technologies will be analysed and planned for.
- NZ On Air will ensure New Zealand's platform of biculturalism is widely reflected, wherever possible and appropriate.
- NZ On Air will ensure there are significant expressions of New Zealand's culture and identity, in all its diversity, across a range of broadcast media.
- Broadcasting's role in providing access to information for all New Zealanders through different expressions of arts, education, science etc will be recognised.

NZ On Air's administration budget for the 2001/2002 year is maintained at the previous year's level. The transfer of a share of administrative and overhead costs which were previously allocated to the collection of Public Broadcasting Fee has been absorbed within the total budget.

During the year, NZ On Air will continue to allocate funds for the production of radio and television broadcasts and programmes which reflect New Zealand identity and culture, Maori broadcasting, for special interest audiences (Section 36(c) of the Act), New Zealand music, archiving broadcasts of historical interest, teletext subtitles, and where necessary, ensure the availability of transmission to areas which would not otherwise receive a commercially viable signal.

The funding allocation process involves -

- determining priorities for allocating funds to meet audience needs in relation to NZ On Air's statutory responsibilities;
- making funding allocation decisions;
- contracting with broadcasting service providers; and
- monitoring contract compliance.



MANAGEMENT PROCEDURES

1 To consult regularly with broadcasters, producers, Maori, special interest groups and other relevant parties as outlined in Section 37(a) of the Act and, where necessary, modify policies in relation to changes in the broadcasting environment.

2 To commission specific research, where necessary, to –

- inform NZ On Air decision makers;
• understand particular audience needs; and
• obtain information about public preferences for NZ On Air services.

Research priorities for the year will include focus group research into NZ On Air's funding for special interest programming (underway), ratings and further quantitative research into Maori viewing behaviour, and a follow-up study to the 2000 report, Attitudes To NZ On Air-Funded TV Programming & Local Content.

3 All complete funding applications received by NZ On Air by its published deadlines, will be considered by the Board within one month following the deadline.

4 All funding decisions will be made by NZ On Air's Board in accordance with the provisions of the Broadcasting Act, any directions issued by the Minister of Broadcasting and NZ On Air's current policies (as outlined in the funding guidelines available to the public).

5 To communicate NZ On Air funding decisions by letter to applicants as soon as practicable and by press releases where appropriate to the general public.

6 To enter into funding contracts with service providers to obtain a range of broadcasting services.

7 All funding contract requirements will be monitored and reviewed by NZ On Air on a regular basis from the time of signing the contracts to service delivery.

8 NZ On Air will audit a random selection of funding recipients throughout 2001/2002 to ensure that these service providers attain specified standards of performance and account for the use of the funds.

9 NZ On Air regularly reviews and where necessary updates its various risk management (eg Treasury policy, disaster recovery, and conflict of interest) and human resource (eg health and safety, and code of conduct/conditions of employment) policies and strategies. NZ On Air's Te Rautaki Maori will include regular analysis and review of Treaty of Waitangi issues relevant to the Commission. NZ On Air's audit committee has developed a work plan for 2001-2003, which addresses the majority of the risks facing NZ On Air. This plan will commence during 2001 and will be regularly monitored and, if necessary, revised by NZ On Air annually. A review of NZ On Air's IT capabilities, conducted in 1999/2000 has been followed up by a work programme that has ensured network stability and is relevant to NZ On Air's needs.

10 NZ On Air's baseline staff will not be increased this year. The position of General Manager, Revenue & Marketing will be dis-established, however, and a re-configuration of staff responsibilities will result in the creation of a new position. While residual PBF collection continues, a contract position to manage the activity will be maintained. A contract position to provide mentoring and executive producer services to Maori practitioners will also be continued. NZ On Air will continue a staff training programme, to focus on time management, negotiation and presentation skills, and knowledge of Maori language and culture.

The table at left indicates the volume of work that is undertaken by NZ On Air in preparing funding contracts. The complexity of the funding contracts will vary across the range of broadcasting services.

Table with 2 columns: Broadcasting Services, Expected Number of Funding Contracts for 2001/2002. Rows include Television (150), National Radio and Concert FM (1), Access/Pacific Island radio (14), Commercial radio programmes (3), Transmission coverage (3), New Zealand music (239), Archiving (2), and TOTAL (412).

Consultation & Accountability

Objective

- To operate an effective two-way communication process (including consultation, research and publications) with Government and the users of NZ On Air-funded services (NZ On Air's customers) and broadcasters, programme producers, Maori, transmission suppliers, archivists and other suppliers (NZ On Air's service providers); and
• To assess the needs of customers by research and consultation; and
• To be accountable by informing customers and service providers of NZ On Air policies, requirements, decisions, and results.

Description

To carry out its functions under the Broadcasting Act successfully, NZ On Air conducts regular consultation and research to ensure the programmes and services that it funds meet audience needs. NZ On Air also has reporting systems to provide full accountability to Government for the services it provides.

Management Procedures

Provide external information by –

- Publishing NZ On Air's Statement of Intent for tabling in Parliament and for issue to the public at the beginning of the financial year.
• Publishing any new NZ On Air funding policies and guidelines within one month of adoption and circulating them to all interested groups.
• Communicating NZ On Air funding decisions by letter to applicants and by press releases to the general public.
• Publishing NZ On Air's annual report within three-months of the end of the financial year.
• Providing quarterly reports to the Minister of Broadcasting.

Consult by –

- Securing regular audience survey information for television and radio in order to measure audience response to NZ On Air-funded programmes. Survey information to include –
- Daily TV programme ratings; and
- Topline metropolitan and provincial radio audience surveys data.
• Where necessary, commissioning specific research to –
- Assess audience needs and preferences; and
- Obtain information that will enhance NZ On Air's outcomes; and
- Inform NZ On Air decision makers and NZ On Air's stakeholders.
• Monitoring the development of the broadcasting environment, and where necessary, modify policies to provide for any changes in the environment.

Table with 2 columns: Cost, Administration (including funding allocation process, accountability and consultation), (GST Exclusive), \$2,100,000

statement of financial performance

Forecast for 2000/2001 and budgets for the next three financial years until 30 June 2004

	2000/2001	2001/2002	2002/2003	2003/2004
	\$ millions	\$ millions	\$ millions	\$ millions
Income				
Crown Revenue [Note 1]	80.9	83.1	80.9	80.9
Other Income [Note 2]	2.7	1.0	1.0	1.0
Total Income	83.6	84.1	81.9	81.9
Operating Expenditure				
Public Broadcasting Fee collection costs [Note 3]	1.8	0.5	-	-
Administration and consultation	2.1	2.1	2.1	2.1
(Decrease)/Increase in Provision for doubtful debts	(0.9)	(1.0)	-	-
Available for Broadcast Funding	80.6	82.5	79.8	79.8
Funding Expenditure				
Television	55.7	57.3	49.1	48.6
Radio	25.1	25.3	25.3	25.3
Transmission coverage	1.7	1.5	1.0	1.0
New Zealand music	3.8	3.9	3.9	3.9
Archiving	1.0	1.0	1.0	1.0
Total Broadcast Funding Expenditure	87.3	89.0	80.3	79.8
Surplus/(Deficit) for the Year	(6.7)	(6.5)	(0.5)	-
Public equity 1 July	14.7	8.0	1.5	1.0
Public Equity 30 June	8.0	1.5	1.0	1.0

The statement of accounting policies on pages 30 and 31 should be read in conjunction with the above statement.



- Note 1 On 24 May 2001, the Prime Minister and Minister for Arts, Culture & Heritage (Rt Hon Helen Clark) announced that NZ On Air would receive a one-off funding increase of \$2.2 million (GST excl) for 2001/2002.
- Note 2 The 2000/2001 forecast for Other Income includes possible writebacks of previous years' funding commitments which have since been withdrawn or reduced.
- Note 3 The cost of collection should be seen against cash receipts of PBF in 2000/2001 totalling \$4.4 million, which are not directly reflected in this table. In the absence of either cash receipts, or collection costs, NZ On Air would have needed to write off \$6.7 million in PBF debt.
- Note 4 NZ On Air's PBF collection process will continue in 2001/2002 while it is cost-effective to do so. However, there is significant uncertainty as to how much money will be collected. Therefore NZ On Air has taken a conservative approach and maintained a provision for doubtful debts of approximately \$2.5 million that represents all of the outstanding PBF debtors as at 30 June 2001.

statement of financial position

Forecasts as at the years ending 30 June 2001 & 2002

	2001 \$ millions	2002 \$ millions
Current Assets		
Cash, bank and short term deposits	47.0	39.1
Accounts receivable		
Public Broadcasting Fee [Note 4] (net of provision for doubtful debts)	-	-
General	0.5	0.1
Fixed Assets	0.1	0.1
Total Assets	47.6	39.3
Current liabilities		
Accounts payable	1.0	1.0
Funding liabilities	38.6	36.8
Public Equity	8.0	1.5
Total Liabilities and Public Equity	47.6	397.3

The statement of accounting policies on pages 30 and 31 should be read in conjunction with the above statement.

statement of cash flows

Forecasts for the years ending 30 June 2001 & 2002

	2001 \$ millions	2002 \$ millions
Cash flows from operating activities		
Cash provided from:		
Public Broadcasting Fee	4.4	1.0
Crown Revenue	80.9	83.1
Other cash received	2.7	1.0
Cash applied to:		
Payments to broadcasters and programme producers	(80.8)	(90.8)
Payment to operational suppliers and employees (incl. PBF collection costs)	(4.0)	(2.2)
Net cash inflows from operating activities	3.2	(7.9)
Net increase/decrease in cash held	3.2	(7.9)
Opening cash as at 1 July	43.8	47.0
Closing cash as at 30 June	47.0	39.1

The statement of accounting policies on pages 30 and 31 should be read in conjunction with the above statement.

statement of accounting policies

The following accounting policies will be applied in the preparation of financial statements for the year ending 30 June 2002, and are applied to the financial statements on pages 28 – 30.

Reporting entity

The Broadcasting Commission (NZ On Air) was established by the Broadcasting Act 1989. The functions and procedures of NZ On Air are set out in the Broadcasting Act. The financial statements are prepared in accordance with the First Schedule of the Broadcasting Act and the Public Finance Act 1989.

Measurement base

The measurement base adopted is that of historical cost.

Accounting policies

The following accounting policies which materially affect the measurement of the financial performance, financial position, cashflows, commitments and contingencies have been applied –

- Accounts receivable

Accounts receivable are shown at their estimated net realisable value after allowing for doubtful debts.

- Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation. The provision for depreciation is calculated on a straight line basis to write down the cost of the assets by equal instalments to an estimated residual value at the end of the economic life of the asset.

Computer equipment	3 years to a nil residual value
Office equipment	5 years to a nil residual value
Furniture and fittings	6 years to a nil residual value
Leasehold alterations	6 years to a nil residual value



- Budget figures

The budget figures are those approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by NZ On Air for the preparation of the financial statements.

- Goods and service tax (GST)

The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated with GST included.

- Taxation

NZ On Air is exempt from the payment of income tax in accordance with Section 51 of the Broadcasting Act 1989.

- Broadcasting services

The allocation of funds to broadcasting services is treated as expenditure when the allocation is approved and committed against the current year's income and includes funds approved but not paid out at the year end.

- Cost allocation policy

All expenditure not related to the collection of the Public Broadcasting Fee or used to fund broadcasting services has been allocated to administration expenditure. The Government approves the level of administration expenditure in accordance with Section 49 of the Broadcasting Act 1989.

- Cash and bank, and short term deposits

These investments are recorded at cost.

- Revenue

Crown revenue is recognised as revenue when earned. Other revenue is recognised on an accruals basis in the Statement of Financial Performance.

- Income from broadcast production funding

Income from broadcast production funding is treated as income as and when received.

- Financial instruments

NZ On Air is party to financial instrument arrangements including cash and bank, short term deposits and accounts receivable as part of its everyday operations, which are recognised in the Statement of Financial Position. Revenue and expenditure in relation to all financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by separate accounting policy all financial instruments are shown by estimated fair value.

- Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and on-demand deposits.

Operating activities include cash received from all income sources of NZ On Air and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of fixed assets.

- Commitments

The allocation of funds against future years' income is recorded in the Statement of Commitments. Other future payments are also disclosed as commitments at the point a contractual obligation arises, to the extent they are equally unperformed obligations.

- Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Changes in accounting policies

There have been no changes in accounting policies. All policies are applied on a basis consistent with previous years.



directory

MEMBERS

David Beatson	of Auckland	Chairman
Albert Wendt	of Auckland	Deputy Chairman
James Coleman	of Auckland	
Hekia Parata	of Wellington	
Gaylene Preston	of Wellington	
Louise Rosson	of Dunedin	

STAFF

Jo Tyndall	Chief Executive
Neil Cairns	Television Manager
Selwyn Crane	General Manager, Revenue & Marketing
Brendan Smyth	Radio & NZ Music Manager
Elizabeth Morrison	Finance & Administration Manager
Brent Healy	Manager, Project & Financial Analysis
Sally Courché	Manager, Television Contracts
Robyn Andrews	Personal Assistant
Anita Roberts	Personal Assistant
Teresa Tito	Personal Assistant
Trish Cross	Receptionist (Shared with Broadcasting Standards Authority)
Christine Westwood	Administration Assistant (Part-time)

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