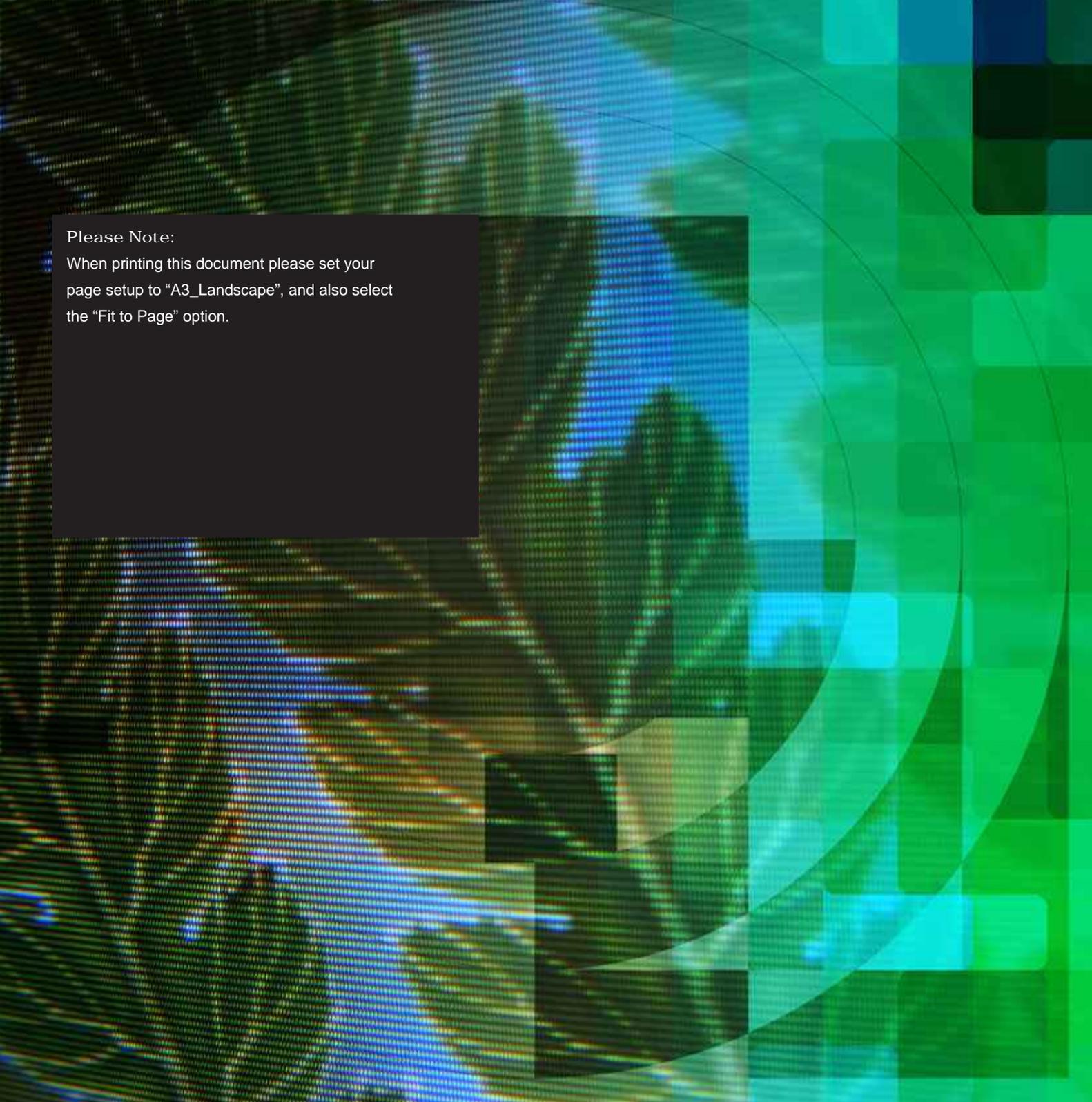


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chairman's introduction

Don Hunn
NZ On Air _Chairman



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 2005. 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 to 30 June 2003.

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 2005 before the House of Representatives.

Marian L. Hobbs

Hon Marian L. Hobbs
Minister of Broadcasting

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 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 continued 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.

Environment

At the time of writing this Statement of Intent, a number of key decisions have been made, and others are pending. Of particular importance is the Television New Zealand Act, changing the state broadcaster into a Crown-Owned Company and embedding the agreed Charter into legislation. In addition, the decision to establish a new Maori Television Service is being reflected in its legislation. A group of regional television broadcasters has been formed, and a closer relationship between the group and NZ On Air has been established. Furthermore, a new industry code of practice has been developed to implement a quota system for New Zealand music on radio. In all these areas NZ On Air's funding policies and procedures are, or are about to be, affected.

It now seems clear, however, that during the period covered by this Statement of Intent, broadcasting policy will be underpinned by an independent, arms-length agency that will allocate funding on a contestable basis, wherever possible. NZ On Air will, therefore, continue to adhere to its stated decision-making principles.

Operating Principles

- **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, are paramount.
- **Quality** – Funding is allocated by contestable processes, wherever possible, which encourage a high standard of project proposals from a wide range of potential producers, and are 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 the best possible value for their contribution to broadcasting, ensuring local production costs 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, to encourage diversity of programmes supported, and to seek the most appropriate timeslots 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.
- **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 analysis of audience preferences, attitudes and behaviour. Such research is complementary to quantitative measures such as TV ratings and radio audience surveys.

Funding for the year to 30 June 2003

Application Of Broadcasting Funding	Forecast 2001/2002	Budget 2002/2003
Broadcasting funding	\$89.8 million	\$90 million
Allocation – PROGRAMMING		
• Television programmes	65%	65%
• Radio services	28%	28%
• New Zealand music	4%	4%
TRANSMISSION COVERAGE	2%	2%
ARCHIVES	1%	1%

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

The total funds available for allocation in 2002/2003 will be unchanged in comparison with the previous year. This reflects the Government’s decision, announced in May, to allocate an additional \$5.33 million to NZ On Air for 2002/2003 and out-years. NZ On Air welcomes the provision of additional funding, as it will fully off-set the effects of the termination of collections of residual Public Broadcasting Fees and the absence of a one-off allocation of an additional \$2.2 million (excluding GST) provided last year by the Government.

Total broadcasting funding expenditure for the 2002/2003 year is estimated to be \$90.0 million. This is an estimate based on expected revenue from the Crown of \$86.2 million, plus other income, less administration and remaining Public Broadcasting Fee costs, and including the use of public equity reserves of \$4.4 million.

The chart above compares the budget allocation of funding for the 2002/2003 year with the forecast outcome for the 2001/2002 year.

The increase in NZ On Air’s baseline funding brings welcome relief to the agency. It means that the television budget will be held at its current level, so that the strategies developed and introduced over the last two years can be sustained. In particular, NZ On Air’s initiatives for drama – including children’s drama – had been under threat, but will now not face cuts.

NZ On Air will maintain and refine the strategies developed over the last two years for both adult and children’s drama. Even at the current funding level, however, a concerted effort will be required to ensure diversity within these genres. NZ On Air will be following through our established strategies for Maori, special interest and

children’s programming – and will be setting a process in train for better dialogue and forward planning in the latter category. Our initiative to seek diversity in documentary will continue, with support for at least one major in-depth project.

As a result of recent developments in broadcasting policy, NZ On Air will be setting in place relationship agreements with TVNZ and the Maori Television Service to guide our future funding objectives with both organisations. A series of initiatives to facilitate the transmission of locally-made programmes on non-national channels will be fully implemented, and NZ On Air will maintain a regular dialogue with the Regional Television Broadcasters’ group. We will also conduct a special research project into audience levels, behaviour and preferences with respect to regional stations.

In general terms, NZ On Air will be seeking a good balance between quantitative outcomes and high standard, higher-cost programming. A new approach to our equity position in projects was introduced in January 2002, together with revised guidelines to ensure consistency of project presentation. These changes have enabled an independent financial assessment of high-risk projects, and have provided producers with more flexible financing and marketing options for projects with international sales potential. New guidelines for the development and marketing of projects have been drawn up in the first half of 2002,

and will be ready for implementation in the 2002/2003 year. During 2001, NZ On Air finalised a set of protocols to guide our relationship with TVNZ. A similar set of protocols was negotiated with TV3 in the first half of 2002. While NZ On Air has not yet been able to further its proposed “general intent” contracting with television networks, pending developments in the Government’s review of broadcasting policy, these protocols represent an important development in achieving a partnership approach. As the policy review is further progressed, we remain hopeful that a benchmark system may be agreed to establish some basic expectations on the part of both NZ On Air and those broadcasters seeking to commission programmes made with public funding.

NZ On Air’s Phase Four strategy for the promotion of New Zealand music on radio will continue into its third year. In its second year, the scheme was already starting to yield spectacular results. In the first part of 2002 an independent review of the implementation of Phase Four validated the broad direction of the scheme. It also identified several areas in which minor adjustments could be made. These are reflected in some changes in emphasis in this Statement of Intent.

NZ On Air’s current three year contract with Radio New Zealand will enter its second year. A key issue in the funding relationship will be the development of plans for National Radio and Concert FM to migrate to newly-allocated frequencies in the 100-108 FM band. NZ On Air will also analyse the outcome of the Government’s first five-yearly review of Radio New Zealand’s Charter, to assess whether there are any implications for our funding contract.

Funding for transmission coverage will be maintained at a slightly reduced level, but a major analysis and review of the future of NZ On Air’s subsidy for transmission to remote areas will be conducted during 2002. This is particularly timely given the arrangements for both TVNZ and TV3 now to be carried on Sky’s digital satellite platform. Similarly, an analysis of the various archiving arrangements for broadcast material in New Zealand will be carried out during 2002. The objective of this exercise will be to ensure that archiving of television programmes and radio broadcasts is being achieved by the most cost-effective and efficient means, especially as the archives holding television programmes or radio broadcasts expand in number or change in structure.

Finally, we will be working hard to ensure the new pilot Pacific Island radio network meshes well with the existing services already funded through NZ On Air.

NZ On Air’s general objectives in the year 2002/2003 are to –

- promote the value of local content and diversity in broadcasting, by ensuring strong New Zealand stories are told;
- continue the development of funding policies that recognise New Zealand’s identity as a Pacific nation and a major centre of Pacific Islands culture;
- maintain regular dialogue with industry stakeholders to encourage a collaborative approach;
- contribute constructively to the broadcasting policy debate;
- continue to explore the opportunities for new initiatives in response to developments in communications technologies and emerging broadcasters; 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 forecasting that funding available for allocation to broadcasting in 2002/2003 will remain stable. A decrease is forecast in 2003/2004, however, as the level of public equity will have been drawn down to its lowest sustainable level during this financial year. We will explore options to minimise the decrease in funding from the 2002/2003 year, in order to mitigate the negative impact as far as possible, and to reduce the strain on television producers whose forward planning will be affected.

Our research over several years has confirmed that levels of local content in New Zealand lag behind those countries with which we tend to compare ourselves internationally, and can be increased only very slowly over time. On television, local programmes consistently account for around 22-23% of the schedule, while the proportion able to be funded by NZ On Air – which brings much needed diversity – has fallen in recent years, and is now below 20% of all local programming. At the same time, NZ On Air’s research has consistently shown strong (and growing) public support for increased levels of local content.

New Zealand television programmes and New Zealand music are also now building a solid reputation internationally, as well as rating highly with domestic audiences.

NZ On Air has endeavoured to support a balanced mix of programmes, some of which (such as documentary strands, drama series or magazine programmes) encourage all-important “appointment” viewing, and others of which provide a one-off, author-driven experience. Across this range of programmes, the interests of the widest New Zealand audience, in more than a million homes, are catered to.

The broadcasting environment continues to go through a period of significant change. Within New Zealand, TVNZ is being re-structured as a Crown-Owned Company, and its Charter is about to be embedded in legislation. The Maori Television Service is poised to begin broadcasting, while Prime has announced growth plans as a result of its partnership with Australia’s Channel 9, and the group of regional broadcasters is developing a collaborative strategy. Digital transmission is already here, with all the main free-to-air channels now simultaneously carried on Sky’s satellite platform. The Government is considering the longer-term digital future in New Zealand, including the eventual termination of analogue transmission.

Globally, the market continues to be characterised by a small number of dominant players and the formation of strategic alliances – usually aiming to achieve vertical integration. In this context, New Zealand is a small player, in need of internal and external partnerships in order to broaden the options for deficit financing higher-cost productions and for international sales.

These developments, at home and abroad, underscore the need for a high degree of collaboration and dialogue amongst representatives of the key elements of broadcasting, production and funding in New Zealand. In this, NZ On Air is both ready and willing to play its part.

While some of these developments inevitably contain threats to local programming and diversity, they also present opportunities that will challenge and energise the industry. They allow NZ On Air to explore the potential for new funding policies – whether in anticipation of digital technologies, in fulfilment of television charter objectives, in meeting growing demand for New Zealand music on radio, or in encouraging the reflection of New Zealand’s unique cultural dimension as a Pacific nation.

Over the last year, producers have proven they are able to deliver innovative, world-class programming of a consistently high standard. New Zealand radio and television audiences have responded enthusiastically. Broadcasters, too, have demonstrated their firm commitment to local content, taking a responsible approach to scheduling and promoting programmes to maximise their impact.

This environment can and should be fostered and carried forward. Television and radio remain the most pervasive and influential communication tools, reaching the widest audience – both in New Zealand and globally. They are a forum for New Zealand creativity, New Zealand innovation and New Zealand stories, images or songs.

Over the years ahead, NZ On Air hopes to be in a position to ensure expressions of New Zealand identity and talent can be fostered through all forms of broadcasting,

so they can be enjoyed by the widest New Zealand audience. We hope to be able to support programming for existing and new service providers – including the charter-driven, restructured TVNZ, the Maori Television Service, the group of regional broadcasters, other free-to-air broadcasters, and interactive enhancements – at a level and in a way that is responsive to the range of audience preferences.

We have been proud of our ability in 2001/2002 to support close to 900 hours of great New Zealand television taking the number of funded hours in NZ On Air’s 12 years of existence past the 10,000 mark. In the 2001/2002 year we also funded 17,520 hours of world-class public radio through National Radio and Concert FM; 14 albums by some of the best bands in the land plus 50 songs by new recording artists to feed a growing appetite for New Zealand music at commercial radio; as well as contributing to more than 60,000 hours of community access broadcasting as defined in Section 36(c) of the Broadcasting Act 1989,

through eleven access and two Pacific Island radio stations.

We have also been approached by producers with tantalising proposals for new broadcasting initiatives that NZ On Air has only been able to develop, part-fund to a pilot stage, or defer. Music television, Pacific Island drama projects, the Knowledge Breakfast, a youth current affairs project and regional news/current affairs are just some examples.

For the future, therefore, NZ On Air will be looking for ways to work constructively with the Government to build and secure a stable, sustainable funding base for investment in public service broadcasting so that broadcasters, producers, performers and funding agency can work together and plan ahead with certainty.



Don Hunn
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 NZ On Air 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.

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.

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.
- To fund drama and documentary programmes, about New Zealand or with a New Zealand perspective, for a mainstream audience.
- To provide a range of broadcasts for special interest audiences including children, youth, persons with disabilities and 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.
- 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, including programmes reflecting New Zealand's identity as a Pacific nation.
- 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 risk-taking 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 three years

to 30 June 2005

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 2005), it is envisaged that the objectives and performance targets are likely to be similar to those for the year ending 30 June 2003 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 locally made 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.
- Encouraging the production of programmes that reflect New Zealand's identity as a Pacific nation.
- 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 no less than \$22.29 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 or eliminated over time.

Achieved by

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

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.

statement of objectives & performance targets for 2002/2003

Unless otherwise stated, the time period for the following performance targets is for the year ending 30 June 2003.

1.0 Programme Funding

1.1 TELEVISION PROGRAMMES

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 commercial basis.

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.

Description

This year the television budget will be maintained at \$58.5million. This is thanks to the Government's decision to increase NZ On Air's annual baseline funding by \$5.3 million. In particular, this means we are able to maintain the drama and children's drama budgets at the previous year's level, when we were otherwise forecasting a decrease in both categories. However, the innovation category, introduced two years ago to back up NZ On Air's proposal for a "general intent" purchasing arrangement with broadcasters, will not be continued.

NZ On Air applies public funding to those programmes the market will not deliver. 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 more expensive genres such as drama, comedy or documentary, a case for funding subsidy will often exist. Less commercial genres, such as children's and special interest programming, rely heavily on public funding to be made.

In 2002/2003 NZ On Air television funding will be applied to six main genres, two of which screen mainly during prime-time and the rest of which are more likely to screen in off-peak hours.

- **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's drama strategy seeks 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 significant progress became evident in the second half of 2001, with locally produced drama series screening on two of the main free-to-air channels and a children's drama screening on the other. 2002 promises to deliver a sustained presence of drama on all three national, free-to-air channels thanks to NZ On Air's commitment to this genre last year. NZ On Air will be working to sustain this momentum in 2002/2003, as drama is a potent means of telling New Zealand stories.

The foundation of NZ On Air's drama strategy will continue to be the facilitation of a sustained, consistent presence of series drama on the three main free-to-air networks through a collaborative approach with broadcasters, producers and other investors. These projects will feature a mix of new and returning series. To add diversity to its drama slate NZ On Air will also support up to three "author-driven" projects, such as miniseries or telefeatures, where funding allows. An allowance for up to two **ScreenVisionNZ** feature films will continue subject to a review process introduced in 2001/2002. This review ensures NZ On Air has the flexibility to contribute to other feature film projects that meet the particular objectives of interest to NZ On Air, if a call on the full **ScreenVisionNZ** funding is unlikely in a given financial year. Drama projects will still need to attract investment from other sources in order to supplement NZ On Air's drama allocation.

- **CHILDREN'S DRAMA** will continue as a separate allocation in 2002/2003. Thanks to the increased Government funding, NZ On Air will continue to be able to support up to two series this year. At least one of these series will be decided on the basis of competitive bids, at both the development and production funding stages.
- **COMEDY** remains an area of particular interest for NZ On Air, and as such will continue to be identified as a separate genre. The allocation will be increased slightly in the 2002/2003 funding year, to \$4.7million. NZ On Air will continue its support of shows already demonstrating success, as well as focusing on the development of new, alternative comedy.

- **DOCUMENTARIES (s37(c))** The documentary allocation will increase slightly to \$8.8 million. NZ On Air will continue to fund two popular strands, such as **Documentary New Zealand** and **Inside New Zealand**, although the latter franchise underwent significant change in the 2001/2002 financial year, reducing from 25 to 11 the number of one-hour documentaries, and in addition, supporting three, multi-part half-hour series. A smaller, seven-part strand was also supported last year for TV2. Variety will be encouraged through an allowance 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. An allowance has been made for a second Maori documentary series, and a second tranche of funding will be committed to the 13-part New Zealand history series for TV One, **Frontier Of Dreams**. NZ On Air remains committed to the objectives 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 funding at the same level as last year. NZ On Air will continue to foster an active, ongoing commitment to making culturally relevant and entertaining programmes for the children and youth of New Zealand, consistent with the priorities in the NZ On Air children's strategy. Active broadcaster support and scheduling commitment is a vital ingredient. NZ On Air traditionally seeks programmes for three main audiences: preschool, primary and secondary school. Those audiences will also be served in prime-time, and in other off-peak slots, through projects funded within other genres and by the encouragement of 'family-friendly' series. In the last financial year NZ On Air funded another variety show for children, **Sticky TV**, which will play on TV3 throughout the afternoon schedule. For TV2's **WNTV**, a collection of interstitials was supported, and similar interstitial components were supported for **Sticky TV**. NZ On Air hopes that some of these programmes develop, funding permitting, into stand-alone, longer duration programmes in their own right. Well in advance of the October children's round NZ On Air will also initiate dialogue with TV2 and TV3 to allow for better planning by NZ On Air, broadcasters and producers in the children's programming area.

- **MAINSTREAM MAORI (s36 (a) (ii))** Mainstream Maori programming will continue to receive special attention through the ongoing implementation of **Te Rautaki Maori**. NZ On Air's **Te Kai Urungi** (or Maori consultant) will continue to work with producers and broadcasters to facilitate Maori programmes and support Maori producers. The strategy for promotion of this genre includes, for example, the continuation of a requirement for upwards of 15 per cent of projects to qualify as Maori programmes within programming strands. However, separate, stand-alone projects and series will also be encouraged. \$300,000 will again be made available to reversion programmes in **Te Reo** into English. The series of craft-based industry hui will also continue. NZ On Air will also set in place a relationship agreement with the **Maori Television Service**, to guide future funding objectives.

- **SPECIAL INTEREST (s36(c))** Funding under this category ensures that a range of broadcasts is available to provide particularly for special interest audiences, such as persons with disabilities and minorities in the community including ethnic minorities, and to encourage a range of broadcasts that reflect the diverse religious and ethical beliefs of New Zealanders. Last year a major research project reviewed NZ On Air support for minority programmes, resulting in the introduction of a new look to several special interest magazine shows, including **QN, Asia Down Under** and **Tagata Pasifika**. In addition, TVNZ reassessed timeslots for special interest programmes and has made changes that should improve their accessibility to their intended audiences. As a follow up to this review, there will be a further, small study to assess what changes have occurred and how the audience has received them. Funding in these areas remains unchanged.

Within the existing budget there is little opportunity for expansion by NZ On Air to fund programming on free-to-air local and regional channels (unless the main broadcasters reduce screening opportunities for special interest programming). However, NZ On Air is working with regional broadcasters to facilitate their access to NZ On Air funded programmes and discussing options for cost-effective, distinctly different projects, jointly commissioned by the regional television broadcasters group. NZ On Air will continue to require fully funded programmes to be made available to smaller channels as soon as possible after transmission by the networks.

In January 2002 NZ On Air introduced a new policy whereby NZ On Air's equity return and recoupment position in projects in which it has invested became negotiable, on a case-by-case basis. This policy aims to encourage different financing options for projects (especially drama projects) and to provide the potential for improved returns on sales to New Zealand rights holders. At the time of writing work has also begun on guidelines, to be implemented in July 2002, to allow for modest amounts of funding to be made available to producers to assist in covering certain costs associated with marketing projects,

which might otherwise be a disincentive to pursuing a sale.

As part of its ongoing drama strategy NZ On Air will continue its active development slate, as well as working with broadcasters and producers to implement a "tendered" development process whereby production companies which meet certain criteria, established by NZ On Air, will receive seed funding to develop projects to a level where they might better secure broadcaster support. This alternative development strategy is not intended to replace the existing case-by-case development process. It is intended to complement this approach, and provide seed funding that is

otherwise unavailable in this market.

In general terms, NZ On Air will continue to encourage programmes of particular interest to women, in accordance with s36(c)(i) of the

Performance Targets

Quantity and Cost

To allocate funding to specific genres as follows

Television Programme Funding	SOI Targets 2001/2002		SOI Targets 2002/2003	
	Target Hours	Funding \$millions	Target Hours	Funding \$millions
Drama	49	17.1	53	18.1
Comedy	56.5	3.9	45	4.7
Children's drama	13	4.5	13	4.8
Documentaries	90	8.7	95	8.8
Special interest programming for:				
- Children/young people	350	11.0	375	11.0
- Arts, culture and performance	110	3.0	105	3.0
- People with disabilities including Teletext [Note 1]	20	2.5	20	2.5
- Ethnic minorities	55	2.6	55	2.6
- Other minorities	55	2.2	60	2.2
Reversioning	85	0.3	85	0.3
Innovation	10	1.0	-	-
Development	-	0.5	-	0.5
TOTAL	893.5	[Note 2] 57.3	906	58.5

Note 1 Hours for Teletext programme captioning are not included.

Note 2 As a result of programme writebacks and savings in other areas the final outcome for the television allocation in 2001/2002 is forecast to total \$58.6 million.

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 the levels of audience support for the way NZ On Air funding is apportioned for 2002/2003. The results of this research will be measured against benchmarks established last year.
- To analyse the levels of audience satisfaction for prime-time series that have been funded by NZ On Air. This will be achieved by:
 1. Comparing expected viewing levels with AC Nielsen's daily surveys; and
 2. Within NZ On Air's budget constraints, performing qualitative research that considers the specific viewing preferences of audience focus groups.

Again, these results will be compared against already established benchmarks.

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.

Objectives

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 the audiences consider they are of high quality.

Description

In 2001 a three-year funding contract was agreed between NZ On Air and Radio New Zealand.

The contract expires on 30 June 2004, and specifies 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 \$22.29 million per annum.

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, and which has been undergoing its five-yearly review in 2001/2002. As a result of the review, performance targets may be amended.

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

Charter Functions <small>[Note 1]</small>	National Radio <small>[Note 2]</small>		Concert FM <small>[Note 2]</small>	
	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%	8,420	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.	2,014	25%	260	3%
G. Comprehensive, independent, impartial, balanced international news and current affairs.	963	12%	85	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 2 NZ On Air negotiates output targets annually with Radio New Zealand. This table contains the targets agreed for 2002/2003. There is little significant change from last year.

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.

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:	8,760 hours	8,760 hours
NZ content programmes which includes:	7,479 hours	–
- Maori language and culture	338 hours	–
- Special interest	336 hours	–
- NZ drama	166 hours	–
% of New Zealand music on rotate ^[Note 2]	33%	–
% of New Zealand composition	–	3%
% of New Zealand music performance	–	12%
% of population able to receive transmission ^[Note 3]	97%	92%

Note 1 NZ On Air negotiates output targets annually with Radio New Zealand. This table contains the targets agreed for 2002/2003. There is no significant change from last year.

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

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.

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 a level that the audience continues to consider is of a high quality.

The AC Neilsen survey commissioned by Radio New Zealand in 1999 and repeated in both 2000 and 2001 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 based on a realistic assessment of levels achieved in the 2000/2001 year. Other qualitative benchmarks should not fall below the levels achieved in the last survey in 2001.

Cost	
National Radio	\$18,145,000
Concert FM	\$4,145,000
Total Cost of National Radio and Concert FM	\$22,290,000

ACCESS & PACIFIC ISLAND RADIO

Outcomes

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.

Objectives

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 Pacific Island community radio services in areas of greatest Pacific Island population.

Description

During 2002/2003 NZ On Air will provide operating funding to the 11 access radio stations and Print Disabled Radio that received funding last year, provided that they continue to meet NZ On Air’s existing funding criteria.

A small allocation from the additional funding for NZ On Air announced by the Government in May 2000 has been set aside to either assist the existing access radio stations, where appropriate, with a transition to FM transmission or to respond to any legitimate expression of interest in setting up a new access station that meets NZ On Air’s funding criteria.

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

In December 2001 the Ministers of Pacific Island Affairs and Broadcasting announced funding to set up a Pacific Island radio network on a nation-wide basis, with studios in Auckland, Wellington and Christchurch. NZ On Air will work to ensure that the Pacific Island radio services it funds mesh effectively with the new pilot network.

Funding and evaluation responsibility for the pilot network rests with the Ministry for Culture and Heritage, but NZ On Air has been working closely with that Ministry and the Ministry of Pacific Island Affairs to offer advice on the project.

Performance Targets

Quantity

- To continue to fund the existing 11 access radio stations which serve communities of 50,000-plus population, and Print Disabled Radio based in Levin.
- To continue to fund the Pacific Island community radio services provided by Radio 531pi in Auckland and Samoan Capital Radio in Wellington.
- In addition to its funding of Pacific Island radio services NZ On Air recognises the value of Pacific Island community programming on the access radio stations it funds, and because the impact of the new Pacific Island radio network is yet to be quantified, a small amount of funding has been set aside for further Pacific Island radio initiatives. Such initiatives may include funding of independently produced Pacific Island radio programming for broadcast on the pilot network or existing Pacific Island stations or Access stations. Funding may also be directed towards encouraging more diversity in Pacific Island programming to include drama, music, comedy and education, and to support youth focused production, which may find an outlet on mainstream stations with a strong Pacific Island following.

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 complete and distribute “Radio Diversity”, the handbook for New Zealand community access radio prepared by consultants Brian Pauling and Sarah Ayton, and ensure it is followed by station management, staff and programme makers.
- To ensure that Pacific Island radio services provide a range of pro-gramming 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, Hawkes Bay, Manawatu, Wairarapa, Kapiti Coast/Horowhenua, Wellington, Tasman Bays, Christchurch, Dunedin and Invercargill.
- To date, NZ On Air has responded to initiatives to establish Pacific

Cost	
Access Radio	\$1,841,900
Pacific Island Radio	\$525,000
Total Cost of Access and Pacific Island Radio	\$2,366,900

COMMERCIAL RADIO PROGRAMMES

Outcome

That the interests of youth who are commercial radio users are catered for through dedicated youth radio shows; and that spiritual/values-based programmes are available on commercial radio; and that project development funding to encourage the production of drama and comedy for radio is established.

Objectives

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 spiritual/values-based radio series and special Christmas and Easter programmes for play on commercial radio stations; and
- the production of radio drama and comedy through a fund established to develop scripts and to produce projects in these genres.

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.

Four years ago the producers of **Rampage** developed a second show – called **Te Puutake** – to suit stations with an urban music format that are reaching a predominantly 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 such programmes 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 has been made for other programming for commercial radio – including values-based and Maori projects – and for the development of drama and comedy initiatives.

Performance Targets

Quantity

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

Quality

Indicators of the success of the programmes – such as target audience feedback, audience numbers, numbers of radio outlets and award nominations and commendations – will be monitored throughout the year.

The quality of new work in the area of drama and comedy will be monitored through the commitment of radio providers to broadcast the material produced and an assessment of audience feedback.

Cost	
Total Cost of Commercial Radio Programmes	\$690,240

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 Public Broadcasting Fee 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 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 2002/2003 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.

During 2002, the new Maori Television Service is expected to begin broadcasting. In anticipation of this, NZ On Air has been discussing the basis for a relationship agreement with the Maori Television Service and Te Mangai Paho. As a result, we will be seeking to ensure Maori projects made with funding from NZ On Air are able to be re-transmitted at an early date on the Maori Television Service. Where NZ On Air provides funding for projects with a first transmission on the Maori Television Service, a commitment to re-screen the programme on a national free-to-air network will be a requirement. NZ On Air will also be working closely with Te Mangai Paho to identify projects which may be suitable for joint funding, again with the objective of ensuring transmission on a national free-to-air channel, as well as the Maori Television Service.

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 338 hours a year of programmes reflecting Maori language and culture. This represents a significant increase over the 2000/2001 year target of 260 hours. As noted on page 16, new programming targets are negotiated with Radio New Zealand each year in accordance with the funding contract. The hours devoted to Maori language and culture will be at least maintained as a result 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 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

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, especially on commercial radio.

Objective

To increase the amount of New Zealand music played on radio – especially on commercial radio.

To encourage and help all radio stations to play more New Zealand music.

Description

In 2002/2003, 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.

The campaign to get more New Zealand music played on commercial radio has been boosted by the new “Phase Four” New Zealand music plan, launched by the Prime Minister in July 2000.

The Phase Four plan aims to increase New Zealand music content on commercial radio by investing in three main strategies –

- More plugger power;
- More music television; and
- More money for making and marketing music.

It has taken NZ On Air’s New Zealand music work to a new plane. The results have been impressive and very encouraging, with record levels of New Zealand music in all the major commercial radio formats. The Phase Four gamble has paid off.

In the first half of 2002, we reviewed progress with implementing the Phase Four plan. The review confirmed the overall direction and recommended a number of fine-tuning improvements that are reflected in this Statement of Intent.

Meanwhile, schemes developed in earlier phases of NZ On Air’s New Zealand music work – 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 – will be maintained in the year ahead.

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

The hit disc strategy will be backed up by promotional support including the use of three “pluggers” (or promotions people) to work the hit disc catalogue at commercial radio. Other promotional strategies 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 five 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 produced by RadioScope for the NZ Music Code Committee.
- 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 (contributing funding of up to \$50,000, to be at least matched by 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 Radio Hits (“significant airplay”) benchmark (contributing funding of up to \$50,000, to be at least matched by the record company involved with the project).
- To fund up to 60 radio singles 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 maintain the improved opportunities for music videos to play on free-to-air television, achieving a minimum of 25 hours a week.
- To fund at least 110 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 six volumes of **Kiwi Hit Disc**; at least four volumes each of **Indie Hit Disc** and **Iwi Hit Disc**; and occasional 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 up to 20 songs that have the potential to get more commercial radio airplay in a remixed form.
- To provide Radio Hits funding for up to 30 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 up to 12 issues of the **Fresh Air** magazine for distribution to every radio station in the country; partnering with the NZ Music Industry Commission to promote NZ Music Month and the NZ Music Showcase at the annual Radio Broadcasters Association conference; presenting Double Digits plaques where merited; 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, production and promotional 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 an acceptable number of radio stations throughout the country (usually not less than 20 individual stations or a national network with comparable or better audience reach).

Cost	
New Zealand Music	\$3,876,300

2.0_ Transmission Coverage

2.1 TELEVISION TRANSMISSION COVERAGE

Outcome

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

Objective

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.

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.

However, now that TV One and TV2 are available through Sky's digital satellite platform, there is 100% coverage of both channels and the signal is accessible by all New Zealand residents. This situation has implications for NZ On Air's obligation under the Broadcasting Act to continue funding previously identified non-commercial areas.

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

TV One	99.7%
TV2	99.5%
TV3	96%

At the time of writing, NZ On Air is conducting a major analysis of the television transmission situation and the future options for NZ On Air. A report, setting out the results of this research, will be forwarded to the Minister of Broadcasting for consideration in the second half of 2002.

Performance Targets

Quantity and Location

- 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 determine, through research and consultation with TVNZ, a revised policy on NZ On Air's funding and transmission coverage responsibilities, given TV One and TV2 now achieve 100% transmission coverage as a result of their simultaneous broadcast from Sky's digital satellite platform.

Quality

- Where NZ On Air will continue to subsidise 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	\$1,180,000

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.

COMMUNITY RADIO

In June 1989, the Minister of Communications gave a directive 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]	[Note]

Note 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 conduct a six-monthly review of the archiving services (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	\$1,004,000

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 Broad-casting 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 2001/2002 but has decided to cease this activity from July 2002. The decision was made on the basis that collection activity was no longer cost-effective.

statement of management procedures for 2002/2003

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 to different expressions of arts, education, science, etc will be recognised.

NZ On Air's administration budget for the 2002/2003 year is maintained at the previous year's level.

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 audience attitudes to NZ On Air-funded programming (underway), ratings and further quantitative research into Maori and Pacific Island viewing behaviour, and a special research project into viewing patterns and preferences with respect to local and regional television services.

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.

Broadcasting Services	Expected Number of new Funding Contracts for 2002/2003
Television	150
Access/Pacific Island radio	14
Commercial radio programmes	3
Transmission coverage	3
New Zealand music	239
Archiving	2
TOTAL	411

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 2002/2003 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/investment, 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 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 2002-2004, which addresses the majority of the risks facing NZ On Air. This plan will commence during 2002 and will be regularly monitored and, if nec-essary, revised by NZ On Air annually. During the year, NZ On Air will be updating its sexual harassment policy and developing a stress management policy for staff.

10_ NZ On Air's baseline staff will be increased this year. An additional person to help with television funding contracts will be employed. A contract position to provide mentoring and executive producer services to Maori practitioners will be continued, as will contracts for three music promotions people under the Phase Four plan. 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.

Consultation & Accountability

Objectives

To operate an effective two-way communication process (including consultation, re-search 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.

Cost	
Administration (including funding allocation process, accountability and consultation)	
(GST exclusive)	\$2,100,000

statement of financial performance

Forecast for 2001/2002 and budgets for the next three financial years until 30 June

	Forecast Actual 2001/2002	Budget 2002/2003	Budget 2003/2004	Budget 2004/2005
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Income				
Crown Revenue	83,215	86,235	86,235	86,235
Other Income <small>[Note 1]</small>	5,330	1,500	1,500	1,500
Total Income	88,545	87,735	87,735	87,735
Operating Expenditure				
Public Broadcasting Fee collection costs	500	–	–	–
Administration and consultation	2,135	2,100	2,100	2,100
(Recovery) in provision for doubtful debts <small>[Note 2]</small>	(1,000)	–	–	–
Total Operating Expenditure	1,635	2,100	2,100	2,100
Funding Expenditure				
Television	58,705	58,500	54,435	54,435
Radio	24,993	25,300	25,300	25,300
Transmission coverage	1,275	1,300	1,000	1,000
New Zealand music	3,895	3,900	3,900	3,900
Archiving	995	1,000	1,000	1,000
Total Funding Expenditure	89,863	90,000	85,635	85,635
Total Expenditure	91,498	92,100	87,735	87,735
Net (deficit)/surplus for the year	(2,953)	(4,365)	0	0
Public equity 1 July	8,318	5,365	1,000	1,000
Public Equity 30 June	5,365	1,000	1,000	1,000

Note 1 The forecast for Other Income includes writebacks for previous years' funding commitments, which have since been withdrawn or reduced.

Note 2 As at 30 June 2002, the collection of outstanding Public Broadcasting Fees will cease.

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

statement of financial position

Forecasts as at the years ending 30 June 2002 & 2003

	Forecast Actual 2001/2002	Budget 2002/2003
	(\$ 000)	(\$ 000)
Current Assets		
Cash and bank	44,000	43,000
Accounts receivable		
- General	100	100
Total Current Assets	44,100	43,100
Non-Current Assets		
Fixed assets	103	100
Total Non-Current Assets	103	100
Total Assets	44,203	43,200
Current liabilities		
Accounts payable	500	1,000
Funding liabilities	38,338	41,200
Total Current Liabilities	38,838	42,200
Public Equity	5,365	1,000
Total Liabilities and Public Equity	44,203	43,200

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

statement of cash flows

Forecasts for the years ending 30 June 2002 & 2003

	Forecast Actual 2001/2002	Budget 2002/2003
	(\$ 000)	(\$ 000)
Cash from operating activities		
Cash provided from:		
Public Broadcasting Fee	1,000	–
Crown Revenue	83,215	86,235
Other Income Received	5,330	1,500
Total income	89,545	87,735
Cash applied to:		
Funding advances to broadcasters and programme producers	(90,618)	(86,635)
Payment to suppliers and employees (including PBF collection costs)	(2,635)	(2,100)
Net cash inflows/(outflows) from operating activities	(3,708)	(1,000)
Opening cash	47,708	44,000
Closing cash	44,000	43,000

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

statement of accounting policies

The following accounting policies will be applied in the preparation of financial statements for the year ending 30 June 2003, and are applied to the financial statements on pages 28 and 29.

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 received. 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

Don Hunn	of Otaki	Chairman
Albert Wendt	of Auckland	Deputy Chairman
James Coleman	of Auckland	
Gaylene Preston	of Wellington	
Judy Callingham	of Auckland	
Edie Moke-Reid	of Rangiora	

STAFF

Jo Tyndall	Chief Executive
Neil Cairns	Television Manager
Brendan Smyth	NZ Music Manager
Bernard Duncan	Radio & Communications Manager
Elizabeth Morrison	Finance & Administration Manager
Sally Courché	Deputy Television Manager
Donnamaree Ryder	Manager, Project & Financial Analysis
Annie Murray	Television Contracts Coordinator (Part-time)
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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