MEDIAWORKS

06 April 2018

Michael Stiassny
Chair, Public Media Ministerial Advisory Group

Via email: s 9(2)(a) [redacted]

Dear Michael

Thank you for the opportunity to meet with you and the Public Media Ministerial Advisory Group on Wednesday. We regard our meeting with you and the Advisory Group as the first step towards achieving a model that will ensure the New Zealand media industry can flourish and high quality local content can be preserved on New Zealand's television screens.

We believe there has never been a more important time for the New Zealand media industry across all platforms. Decisions being made today will have a huge impact across the entire industry - and not just for free-to-air (FTA) television (TV).

New Zealand has more television channels per capita than most other western democracies - yet it is unusual in that it does not have a genuine FTA Public Service Broadcaster (PSB) such as the BBC (UK), PBS (US) and the SBS/ABC (Australia). We believe that the New Zealand media industry needs a strong PSB across both radio and TV platforms in order to achieve a healthy media industry with plurality of opinion. There are a number of issues that need to be addressed in order to achieve this - some of which are global and others that are unique to New Zealand.

Globally, the FTA TV audience is fragmenting, audiences eroding and revenues declining. Issues that are driven by changing consumer behaviour enabled by new technology. Whilst increasing content viewing options for consumers is positive, FTA channels, including both government owned and independent, now account for less than 50% of all television viewing (5+, all day) in New Zealand.

Unique to New Zealand, we are operating in a market where the Government already owns three commercial television networks, TVNZ 1, TVNZ 2 and Duke, which currently have no public service obligations to New Zealanders. Government funded Maori Television is also competing for viewership and screening commercial content.

These Government owned and funded networks are directly competing with the only significant independent FTA commercial TV channel, Three, which further distorts the New Zealand market where scale and the potential risk this has on media diversity is already the single biggest issue.

More than 2.7 million Kiwis tune in to broadcast TV each day to watch news, current affairs and entertainment content; overall TV viewership however, is declining each year. The on-going changes in the media environment make it increasingly difficult to monetize the investment to produce and purchase content. This, combined with the impact of falling viewership, puts the future of all FTA television at risk.

It is important to reiterate that MediaWorks, like any other television broadcaster, cannot avoid the impact of structural decline in the FTA TV market. We are operating in a highly competitive environment where the impact of digital disruption plus an accelerated rate of TV audience fragmentation has increased consumer content viewing options more than ever before.

MediaWorks prides itself on bringing quality, locally produced content to New Zealanders. In 2016 we committed more local hours in first run content than any other broadcaster in the country, producing over 2,100 hours of local content *(Source: NZOA Report, 21 Apr 2017)*. In 2017, whilst the overall viewership declined, MediaWorks was the only major FTA television channel to have shown growth, increasing its share of the viewing audience from 19.3% - 20.0% and is now the number two channel in 5+ viewing.

As recently as March of this year, Three was the most-watched channel amongst the commercially important 25-54 demographic with a monthly average audience share of 22.1%. Of course, as evidenced by other media platforms, the fragmented advertising market does not mean that increased viewership automatically results in increased revenues.

Newshub is also performing well with an average rating of 4.4 and 19.8% audience share in the 25-54 demographic year-to-date. In online news, it is the clear number three, more than double the size of its number four competitor. What we are seeing with Newshub, is all of the different elements - TV, digital and radio - coming together to create a multi-platform experience for its audience.

If the structural anomalies unique to the New Zealand market are not addressed, there is a genuine risk that the Government, through its owned media channels may become the only broadcaster in New Zealand. It is crucial that the FTA TV market as well as radio, remains competitive to allow independent operators such as MediaWorks, to be sustainable and continue to provide diverse, free and independent information for viewers - a necessity for a well-functioning democracy.

Given the global and local context of the FTA television market, we firmly believe there is a need for a strong, ring-fenced PSB in New Zealand. This could be achieved by introducing a hybrid television model similar to SBS in Australia, where PSB content is screened on TVNZ 1, while reducing commercial content around prime time viewing on the same channel. TVNZ 2 and Duke could remain as they are, fully commercial and able to offset costs resulting from these changes.

This would ensure the sustainability of a competitive television market in New Zealand, at least for the short to medium term. A FTA platform of this structure would further support the media industry in its efforts to combat the global issues it is facing while also maintaining plurality of news, views and local content. It also provides the critical runway to allow media organisations to transform their business models over the longer term.

In radio we have RNZ which appears to be filling its charter and within the context of New Zealand, sits within a healthy, commercial radio environment. MediaWorks supports further investment in RNZ to enhance its radio and digital offering. However, we strongly suggest that if RNZ was to consider launching a full service television channel as per Labour Party policy, then prior to that decision, like any organisation, it completes a comprehensive research programme before any new product or service is launched. The potential consequences of such a decision should be understood and carefully considered.

As a final point, New Zealand on Air (NZOA) is also delivering on its mandate and has set a global standard in contestable funding with its model that supports local content production. We are fully supportive of NZOA remaining a significant part of PSB content in New Zealand.

We appreciate that the Public Media Ministerial Advisory Group is consulting with key stakeholders and urge you to give due consideration to the points that we raised.

If you have any questions or require any additional information, please do not hesitate to contact us at any stage.

Yours sincerely

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