



# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### COVID-19 Response: Building a Sustainable and Viable Media Sector

Portfolio                      Broadcasting, Communications and Digital Media

On 5 August 2020, the Cabinet Economic Development Committee:

- 1        **noted** that New Zealand media organisations face fundamental challenges to the viability of their commercial models that have been exacerbated by the impact of COVID-19;
- 2        **noted** that enduring, long-term solutions for the sector are required to ensure that there is not an irreversible loss of capability and infrastructure in the media sector as a result of the ongoing economic impact of COVID-19;

3        s9(2)(f)(iv)



- 4        **agreed** to a partial draw-down of \$2.0 million in 2020/21 s9(2)(f)(iv) s9(2)(f)(iv) to enable the development of a strategic framework and subsequent policy work to support longer-term sector sustainability and viability;

- 5        **noted** that on 8 April 2020, the Cabinet Business Committee noted that the detailed business case on the viability of establishing a new public media entity that was expected to be provided to Cabinet in July 2020 would be paused on the completion of the strategic and economic cases [CBC-20-MIN-0030];

- 6        **agreed** that the Minister of Broadcasting, Communications and Digital Media will resume work on the establishment of a new public media entity within the context of the strategic framework referred to in paragraph 4 above;

## Financial implications

- 7 **approved** the following change to appropriations to provide for the decision in paragraph 4 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Arts, Culture and Heritage Minister of Broadcasting, Communications and Digital Media	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Policy Advice, Monitoring of Funded Agencies and Ministerial Services (MCA MYA)					
Departmental Output Expense: Policy Advice (funded by revenue Crown)	-	2,000	-	-	-
<b>Total Operating</b>	-	<b>2,000</b>	-	-	-

- 8 **agreed** that the changes to appropriations for 2020/21 in paragraph 7 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

9 s9(2)(f)(iv)

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Janine Harvey  
Committee Secretary

**Present:**

Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon David Parker  
Hon Stuart Nash  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Shane Jones  
Hon James Shaw  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

[In Confidence]

Office of the Minister of Broadcasting, Communications and Digital Media  
Cabinet Economic Development Committee

## **COVID-19 Response: Building a sustainable and viable media sector**

### **Proposal**

- 1 This paper requests approval for the release of funding to commence a strategic workplan to enable the longer-term recovery and viability of the media sector, both public and private.
- 2 I seek agreement to a partial draw-down of \$2.0 million s9(2)(f)(iv) from the COVID-19 Response and Recovery Fund (CRRF) Round 2 Package to progress this work.

### **Relation to government priorities**

- 3 This proposal is consistent with the Government's objective of limiting the negative economic and social impacts of COVID-19.

### **Executive Summary**

- 4 The Coalition Government supports a viable fourth estate as a feature of an open, first world democracy. The financial impact of COVID-19 has exacerbated the fragile state of traditional commercial media models. Sharp declines in revenue during the lockdown period have resulted in significant media redundancies, pay cuts and reduction or closure of services that may have a long-term impact on sector capability.
- 5 The impact of COVID-19 has accelerated the need to confront the pre-existing and fundamental challenges facing the media sector. It has severely compressed the time available for media companies to adapt and transition to more sustainable business models.
- 6 In April the Cabinet Business Committee (CBC) agreed to implement a \$50.0 million media sector support package to address immediate cashflow issues caused by the abrupt reduction in revenue over the initial response period [CBC-20-MIN-0051 refers]. CBC noted that this package would not provide sufficient support if there was a prolonged impact on revenue, and that officials would work with the sector to develop bold options to build the critical foundation required for future sector sustainability.
- 7 In order to guide media transition and ensure Crown revenue is well directed, new policy, regulatory and legislative levers to support the sector will need to be developed over time. I propose to commence work to develop a strategic

framework to support the longer-term recovery and viability for the wider sector, including public and private, and a subsequent policy work programme.

- 8 The strategic framework will provide a way to assess the impact and relevance of various policy, regulatory and funding initiatives to inform decisions by Ministers on future policy work programmes. This work will enable consideration of policy initiatives including:
  - 8.1 the Strong Public Media programme
  - 8.2 the wider review of New Zealand's content regulation system
  - 8.3 mitigating the impact of digital intermediaries, e.g. Google and Facebook, on local media
  - 8.4 supporting new ownership arrangements for private media, in particular competition rules for cooperation or merger activity while protecting plurality and the national interest
  - 8.5 incentives to support journalism
  - 8.6 shared infrastructure projects to reduce overheads of media entities.
- 9 I seek agreement to a partial draw-down of \$2.0 million in 2020/21 from the  
s9(2)(f)(iv)  
s9(2)(f) CRRF to progress this work. s9(2)(f)(iv)  
s9(2)(f)(iv)

### Impact of COVID-19 on the media sector

- 10 A healthy media sector is a central component of an open, participative democracy and has a vital role in supporting wider economic activity. The media sector makes a strong contribution to wellbeing outcomes, particularly cultural identity and civics and governance, and provides jobs and platforms for advertising and business that support economic activity at a local, regional and national level.
- 11 New Zealand media organisations faced fundamental challenges to their viability prior to the outbreak of COVID-19. Increased competition from international content providers, declining revenue shares, and a transformation in audience behaviour are driving changes in the media's operating environment. These factors are resulting in a fragile media system with a reduced ability to meet the needs and interests of New Zealanders.
- 12 These challenges have been exacerbated by COVID-19 as media companies have experienced a drastic decline in advertising revenue (estimated to be in the range of 40-70% during the lockdown phase) even as audience reach soared. The economic situation through the recovery period will have a significant ongoing impact on media companies, with concerns that advertising revenue may not fully recover to pre-COVID levels. The financial

impact of COVID-19 has already resulted in hundreds of proposed redundancies across major media companies<sup>1</sup>, and further job losses are likely.

- 13 Media companies are attempting to mitigate the impact of COVID-19 on their businesses by managing costs and accessing the wage subsidy. Even so, the ongoing viability of the sector and the critical services it provides to New Zealanders remain at risk, and enduring policy solutions are required.

### **Initial government media support package**

- 14 In April CBC agreed to implement a \$50.0 million initial media sector support package to address immediate cashflow issues caused by the dramatic and abrupt reduction in revenue over the initial response period [CBC-20-MIN-0051 refers]. The delivery of this package is well underway: by mid-July, \$46.1 million had been committed across four initiatives, and \$25.6 million had been paid to 110 media organisations.
- 15 CBC noted that while the first package would provide immediate relief to the sector, it would not provide sufficient support if there was a prolonged impact on revenue. The intent of the first package was to preserve the critical components of the sector long enough to develop a more substantial and targeted support package and a more enduring strategy for the future sustainability of the sector.

### **Building a sustainable and viable media sector**

- 16 The impact of COVID-19 has severely compressed the time available for media companies to adapt and transition to more sustainable business models. Government action is needed to ensure that, regardless of the changing dynamics and structure of the media sector, there is not an irreversible loss of capability and infrastructure as a result of COVID-19.
- 17 The requested funding will be used to develop a strategic framework to enable the longer-term recovery and viability of the wider media sector, both public and private, and a subsequent work programme. It will ensure that any further government interventions for the media sector support critical capabilities and long-term outcomes.
- 18 This initiative acknowledges that changes to structural, funding and policy settings will be required to address the underlying issues that were threatening the survival of media companies prior to COVID-19 and to create a viable path to recovery and sustainability. Short-term relief measures alone cannot achieve this outcome.

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<sup>1</sup> For example, proposed redundancies due to the impact of COVID-19 have been announced affecting up to 230 jobs at Bauer Media, 200 jobs at NZME, 130 jobs at MediaWorks, and 70-90 jobs at TVNZ.

### *Strategic framework*

- 19 The Ministry for Culture and Heritage (the Ministry) will lead the development of a strategic framework for a sustainable media sector in close collaboration with the sector. At a high level the strategic framework would set out:
  - 19.1 *Context*: the key issues, trends and opportunities within the wider sector, the unique features of the relationship between media and government, and the current legislative and regulatory settings that affect the decisions available to the sector.
  - 19.2 *Outcomes*: the benefits media create for New Zealand, the outcomes that the sector should deliver, and what a sustainable media sector would look like in future compared to where we are now.
  - 19.3 *Delivery*: the critical functions, capabilities and infrastructure required to achieve that future state, and the optimal roles of government, public media and private media in delivering sector outcomes.
- 20 The strategic framework will provide a way to assess the impact and relevance of various policy, regulatory and funding initiatives, as discussed below, to inform decisions by Ministers on future policy work programmes.

### *Strong Public Media and Content Regulation Review*

- 21 I propose to progress the Strong Public Media programme as part of this work. In April 2020, CBC noted that the detailed business case on the viability of establishing a new public media entity that was expected to be provided to Cabinet in July 2020 would be paused on completion of the strategic and economic cases, and that this work would be revisited at a later date [CBC-20-MIN-0030 refers].
- 22 While Crown-funded public media have not been as severely affected by the impact of COVID-19, enduring solutions for public media are still required. I propose to resume work on the establishment of a new public media entity within the context of the strategic framework. It will be critical that interventions to support public and private media align and are founded on a clear understanding of the relative roles and contributions of each.
- 23 I also propose that the wider review of New Zealand's content regulation system, which will be led jointly by the Ministry and the Department of Internal Affairs, be progressed within the context of this initiative.

### *Subsequent policy work programme*

- 24 This initiative will also consider the merits of the following new policy initiatives:
  - 24.1 mitigating the impact of digital intermediaries, e.g. Google and Facebook, on local media

- 24.2 supporting new ownership arrangements for private media, in particular competition rules for cooperation or merger activity while protecting plurality and the national interest
  - 24.3 incentives to support journalism
  - 24.4 shared infrastructure projects to reduce overheads of media entities.
- 25 These policy initiatives were identified by stakeholders as priority areas for change to support sector sustainability as part of the workshops held by the Ministry to inform the initial media support package.
- 26 Officials will undertake initial scoping work on these initiatives in parallel with the development of the strategic framework, and other relevant policy options may be identified in the course of this work. This approach will enable more detailed policy work to be progressed quickly once the framework is finalised.

*Expected benefits*

- 27 The strategic framework will create a common understanding across government, public media and private media of the characteristics of a future sustainable media sector and the change required to achieve that future state. It will set out the respective roles and contributions of the government, public media and private media to agreed sector outcomes.
- 28 The strategic framework will provide a means to evaluate, prioritise and sequence potential policy interventions in order to identify initiatives that are likely to have the greatest beneficial impact on sector sustainability. It will help to avoid interventions that prop up unsustainable business models.
- 29 The subsequent work programme, which will be informed by and developed alongside the strategic framework, provides an opportunity to design the changes required to current policy and legal settings in order to respond to the challenges of the changing media operating environment. It will provide a managed plan to support media to transition to more sustainable long-term arrangements, including recovering from the impact of COVID-19, in order to secure the cultural and economic benefits that media create for New Zealand.

**Financial Implications**

- 30 The cost of this initiative is \$2.0 million in 2020/21. s9(2)(f)(iv)  
s9(2)(f)(iv)
- 31 s9(2)(f)(iv)

**Legislative Implications**

- 32 There are no legislative implications arising from this paper.

## Impact Analysis

33 A regulatory impact statement is not required for this paper.

## Climate Implications of Policy Assessment

34 The Climate Implications of Policy Assessment requirement does not apply to this proposal.

## Human Rights

35 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Consultation

36 The Treasury, Te Puni Kōkiri, and the Ministry of Business, Innovation and Employment were consulted during the development of the initiative proposed in this paper.

## Communications

37 I intend to announce this initiative as soon as practicable following Cabinet decisions, in consultation with the offices of the Minister of Finance and the Prime Minister.

## Proactive Release

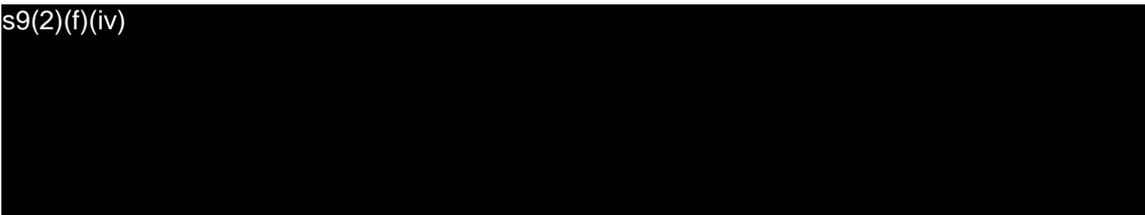
38 I intend to release this paper proactively. Proactive release is subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Broadcasting, Communications, and Digital Media recommends that Cabinet:

- 1 **Note** that New Zealand media organisations face fundamental challenges to the viability of their commercial models that have been exacerbated by the impact of COVID-19;
- 2 **Note** that enduring, long-term solutions for the sector are required to ensure that there is not an irreversible loss of capability and infrastructure in the media sector as a result of the ongoing economic impact of COVID-19;

3 s9(2)(f)(iv)



- 4 **Agree** to a partial draw-down of \$2.0 million in 2020/21 s9(2)(f)(iv) s9(2)(f)(iv) to enable the development of a strategic framework and subsequent policy work to support longer-term sector sustainability and viability;
- 5 **Note** that the detailed business case on the viability of establishing a new public media entity that was expected to be provided to Cabinet in July 2020 was paused on completion of the strategic and economic cases [CBC-20-MIN-0030 refers];
- 6 **Agree** that the Minister of Broadcasting, Communications and Digital Media will resume work on the establishment of a new public media entity within the context of the strategic framework referred to in recommendation 4;

*Financial recommendations*

- 7 **Approve** the following change to appropriations to provide for the decision in recommendation 4 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
<b>Vote Arts, Culture and Heritage</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24 &amp; Outyears</b>
<b>Minister of Broadcasting, Communications and Digital Media</b>					
Policy Advice, Monitoring of Funded Agencies and Ministerial Services (MCA MYA)					
<i>Departmental Output Expense:</i>					
Policy Advice (funded by revenue Crown)	-	2.000	-	-	-
<b>Total Operating</b>	-	<b>2.000</b>	-	-	-

- 8 **Agree** that the proposed changes to appropriations for 2020/21 in recommendation 7 be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

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s9(2)(f)(iv)

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Authorised for lodgement

Hon Kris Faafoi

Minister of Broadcasting, Communications and Digital Media

Proactively Released