

Office of the Minister of Broadcasting, Communications and Digital Media

The Chair  
Cabinet Economic Development Committee

**ALLOCATION OF CONTINGENCY FUNDING FOR PUBLIC MEDIA SET ASIDE IN BUDGET 2018**

**Proposal**

- 1 This paper seeks approval to draw down the \$15 million Cabinet set aside as a contingency item in Budget 2018 for public media purposes (CAB – 18-MIN-0158.01). The proposed allocation of this funding is based on the recommendations of the Ministerial Advisory Group on Public Media.

**Executive summary**

- 2 In February 2018, a Ministerial Advisory Group was convened to provide advice to the Minister of Broadcasting, Communications and Digital Media on the allocation of funding for public media being sought through Budget 2018, and on the functions, role and scope of a potential Public Media Funding Commission (DEV-18-MIN-002).
- 3 On 9 April 2018, as part of decisions on the 2018 Budget package for Vote Arts, Culture and Heritage, Cabinet agreed to set aside \$15 million in 2018/19 only for implementing any immediate recommendations of the Ministerial Advisory Group. I was invited to report back to Cabinet on the Advisory Group's recommendations, and seeking drawdown of the contingency (CAB-18-MIN-0158.01).
- 4 The Advisory Group has now reported to me on both matters in its terms of reference. This paper deals with the first part of the Advisory Group's remit: the allocation of the \$15 million set aside for public media between the two Crown agencies NZ On Air and RNZ. I will report back to the Committee separately on the Public Media Funding Commission concept once I have fully considered the Group's recommendations on this matter.
- 5 The Advisory Group has found that sections of the New Zealand audience are under-served and that New Zealand's public media organisations are funded at a low level compared with developed countries of our size. Commercial media are facing a loss of advertising revenue to international sites such as Google and Facebook, and New Zealand audiences are exposed to high amounts of overseas-sourced English-language content through on-demand platforms such as Netflix. Without significant input from the Government, the ability of the media to play its part in sustaining national identity and an informed democracy will be further eroded.
- 6 I support the Advisory Group's recommendations that the priorities for the contingency should be to:
  - a. Increase funding for RNZ so that it can extend its multi-media services to reach more people in different ways – "RNZ+ Stage 1";
  - b. Increase funding for NZ On Air, to enable it to boost its reach to under-served audiences such as children;

- c. Establish a new RNZ / NZ On Air joint innovation fund to pilot a new type of sector-wide collaboration that would see RNZ commission content for its platforms from the commercial production sector in a joint venture with NZ On Air; and
- d. Undertake research on capacity for media collaboration, and the levels of funding needed for an effective public media.

- 7 The \$6.000 million RNZ / NZ On Air joint innovation fund is a feature of the Advisory Group's proposal. It would be a new type of collaboration between the two agencies and the wider production sector. The multi-media content developed with this funding would play on RNZ platforms, but would be commissioned from the independent production sector by NZ On Air using its existing contracting processes. The innovation fund will boost resources available to the wider production sector, and get RNZ some new content from fresh providers with different skills from RNZ staff. RNZ and NZ On Air will report to me quarterly on their progress. If the fund is a success, it could be built upon in future years as resources allow.
- 8 I consider that the allocation of funding in the way proposed by the Advisory Group would address some under-served sections of the New Zealand audience; enable RNZ to take initial steps towards the fully multi-platform service known as "RNZ+"; and demonstrate the potential of a collaboration between RNZ and NZ On Air that will allow a greater range of New Zealand content to be made available on RNZ platforms.

- 9 This paper therefore recommends that the contingency set aside by Cabinet be allocated as follows in 2018/19:

• "RNZ+ stage 1"	\$4.500 million
• NZ On Air new contestable content funding	\$4.000 million
• RNZ-NZOA joint innovation fund	\$6.000 million
• Research on capacity for media collaboration and the levels of funding needed for an effective public media	\$0.500 million
<b>TOTAL:</b>	<b>\$15.000 million</b>

- 10 In addition, I have started work on an initiative for Budget 2019 that addresses the long-term sustainability of the public media system. This initiative will build on the projects being funded through Budget 2018. I expect it will include:
- addressing the needs of Māori and Pacific audiences
  - addressing the needs of other under-served audiences
  - recommendations for greater collaboration between, and efficiencies from, publicly funded media organisations, including the future direction of TVNZ
  - detailed business cases for increased and long-term investment in publicly-funded media organisations.

## Background

- 11 On 14 February 2018, the Economic Development Committee agreed that a Ministerial Advisory Group be convened to provide advice to the Minister of Broadcasting, Communications and Digital Media on the allocation of funding for public media being sought through Budget 2018. The funding was being sought to strengthen public media, including expanding RNZ into "RNZ+", a full multi-platform digital media organisation, and better supporting NZ On Air's role as a funder of quality and diverse New Zealand public media content.

- 12 The Ministerial Advisory Group was also asked to provide the Minister with advice on the functions, role and scope of a potential Public Media Funding Commission, and on alternatives to it (DEV-18-MIN-002).
- 13 On 9 April 2018, as part of its decisions on the 2018 Budget package for Vote Arts, Culture and Heritage, Cabinet agreed to set aside \$15 million in 2018/19 only for implementing any immediate recommendations of the Ministerial Advisory Group. The Minister of Broadcasting, Communications and Digital Media was invited to report back to Cabinet with a robust case for investment prior to drawing down the contingency. Cabinet also invited the Minister to develop an initiative for Budget 2019 that addresses the long-term needs of the public media system (CAB-18-MIN-0158.01).

### **The Advisory Group's process**

- 14 The Advisory Group has provided me with two reports. The first sets out its analysis and recommendations on the allocation of new funding for public broadcasting from Budget 2018. The second report focuses on the concept of a Public Media Funding Commission. This paper deals with the first part of the Advisory Group's remit: the allocation of the \$15 million set aside for public media between the two Crown agencies NZ On Air and RNZ. I will report back to the Committee separately on the Public Media Funding Commission concept once I have fully considered the Group's recommendations on this matter
- 15 In preparing its advice, the Advisory Group reviewed the media environment internationally. It commissioned information from PricewaterhouseCoopers on media arrangements and government policies in a selection of countries comparable to New Zealand in size or cultural traditions. The PricewaterhouseCoopers' report is attached at Appendix 1. The countries selected were Norway, Finland, Denmark, Ireland, Canada and Australia. All the comparator countries, including those with similar populations to New Zealand, have significantly stronger public broadcasting provisions. Excluding Australia and Canada, given population variant, the investment in public broadcasters in the other four countries is:
  - Norway                    NZD\$882m
  - Finland                    NZD\$800m
  - Denmark                    NZD\$935m
  - Ireland                    NZD\$631m (including \$268m commercial revenue in 2016)
- 16 In comparison, the New Zealand non-departmental appropriation for all broadcasting purposes in 2017/18 was \$216m.<sup>1</sup> Given this is the primary mechanism for supporting public media in New Zealand, it is clearly inadequate.
- 17 The Group also studied the New Zealand media. It met with executives from RNZ and NZ On Air to discuss their funding proposals. It also met with and considered submissions from representatives of key media organisations and other interested parties, to gauge perspectives across the wider sector. The Group invited stakeholders meeting with it, or submitting to it, to consider four topics:
  - the role of public media in national identity and an informed democracy
  - arrangements to ensure sustainable, long-term funding for public media

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<sup>1</sup> Government invests \$216 million annually in public broadcasting, mainly for RNZ, NZ On Air, Māori Television, Te Māngai Pāho and Parliamentary Broadcasting. Current responsibilities for broadcasting sit across a range of portfolios, for example Māori Television and Te Māngai Pāho sit within Vote Māori Development.

- how the government of the day could get independent analysis of the public media sector's health and needs
- the role of government in supporting quality and independent investigative journalism.

### **Public Media – the Desired State**

- 18 A fully comprehensive public media service represents the nation to itself, in depth and breadth, as well as providing a window on the world. Its programming serves the whole national audience in some way at some time, by exploring issues of common interest and serving specialised interests and informational needs within the whole audience.
- 19 The Advisory Group's vision is of a public media system that supports innovation, exploits new technology in the interests of the audience and uses public resources to maximum effect. The Group suggests that we will know that we have got it right when public media is:
- fully contributing to the National Identity;
  - reflecting a strong Māori and Pacifica perspective;
  - serving all subsets of the total audience;
  - promoting national debate;
  - collaborating with each other while maintaining their own identity;
  - platform-agnostic, with content readily re-versioned and archived to be accessed in various ways;
  - providing independent, non-partisan and comprehensive news and current affairs;
  - placing content in a range of genres on commercial services;
  - contributing to a skilled production industry;
  - continuing to perform a lifeline role in emergencies.

### **Media in New Zealand - the problems we face**

- 20 Based on its research and discussions, the Advisory Group has found that a range of problems and challenges are preventing our media delivering the innovative and effective system of its vision. Key amongst these, in the Group's words, are:
- *Our media struggles to support our national identity.* New Zealand's relatively small population is ethnically diverse with a range of interests and informational needs. Cultures unique to New Zealand are not always well-represented across our media. Māori Television and Te Māngai Pāho provide content to strategically support Te Reo Māori and the preservation of Māori culture associated with that. However, it is vital to New Zealand national identity that historical tikanga and traditions, as well as Māori cultural perspectives of today, are also well represented through everyday media. Our unique position in the Pacific needs to be better reflected across our media. New Zealand, as home to such a broad range of Pacifica people, has an opportunity and an obligation to be the future keepers of Pacific culture, perspectives, history and traditions.
  - *Our media cannot serve our diverse communities of interest.* Children, young people and minority audiences are under-served in the New Zealand system.

There are also limitations to the services provided for specialised audiences, such as sight or hearing impaired.

- *Our media fails to sufficiently support our democratic process.* Well-informed participation in our democratic system relies on having a credible, well-supported public media. The Advisory Group notes there has been considerable comment in recent times about a decline in the overall quality of information available.
- *Global trends show traditional media models are disrupted.* Media organisations globally are facing unprecedented challenges as international technology giants such as Google, Facebook, Netflix and Amazon dominate audiences and advertising revenue. This pushes entities into highly commercial "clickbait" and "lowest common denominator" behaviour to keep eyes on screens.
- *Public media funding has not kept pace.* A fully-funded public media service such as RNZ is insulated from the key problem confronting commercial media: maintaining advertising revenue. However, public media, like its commercial counterparts, has to cope with the fast pace of technological change and changing audience expectations. Funding for public media has remained static for extended periods, which limits its ability to grow content and audience.
- *Our media organisations could collaborate better.* In the face of disrupted business models, there are big opportunities for greater collaboration between media organisations. However, concerns about brand identity and the relative power or incompatible mandates of potential partners are preventing this taking place on any scale. Publicly funded media organisations in particular need to consider joining forces to more efficiently use their collective resources, for example by sharing infrastructure.
- *It is cheaper for media to purchase English language content produced internationally, than to make it locally.* Without public support there would be little reflection of our people and culture in the media. A New Zealand without RNZ and NZ On Air would have a drastic impact on our national identity and the health of our democracy. It is essential that these two public media entities are funded to a degree that keeps them functioning healthily in the current media environment and into the future.

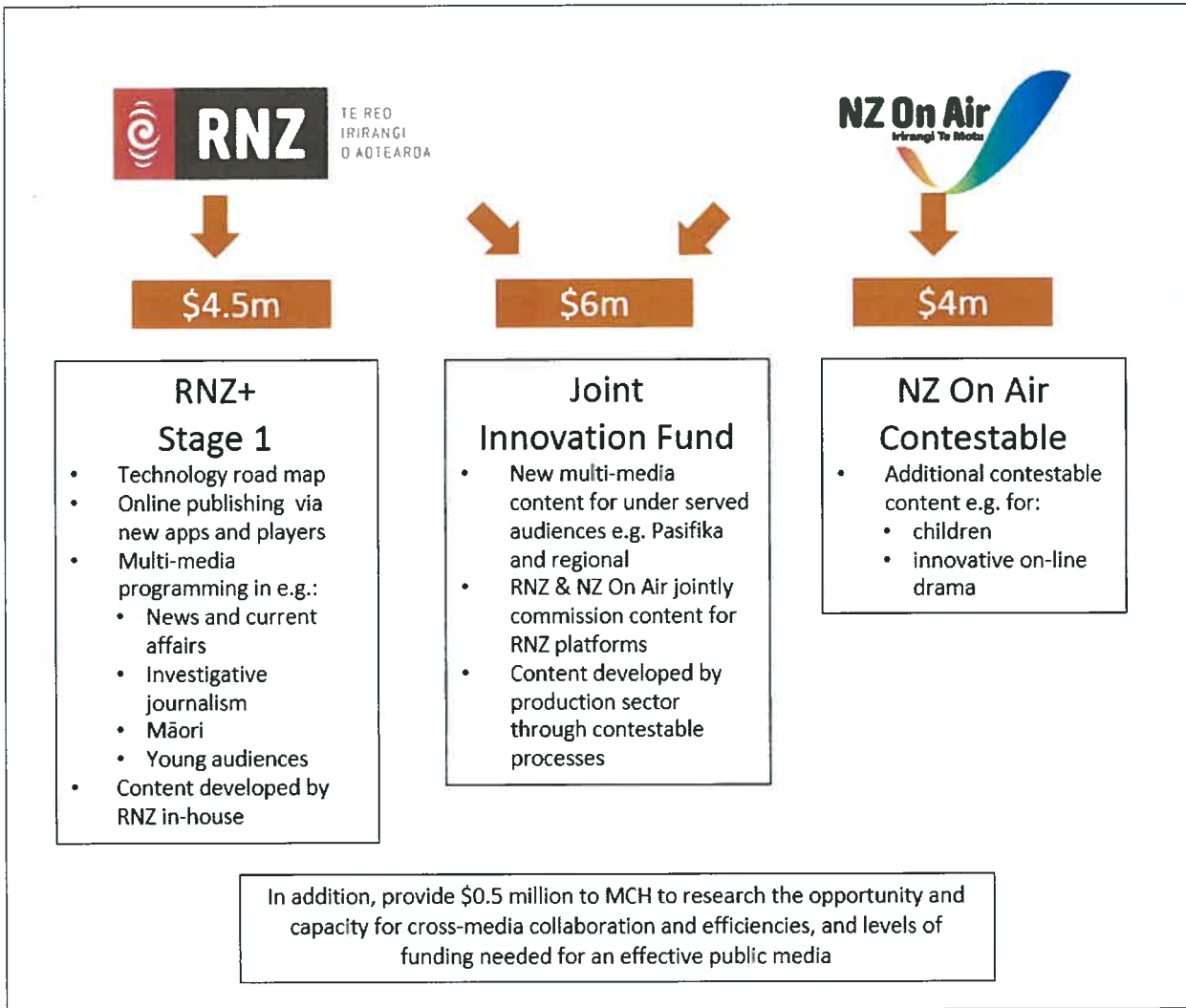
### **Addressing the problems**

21 The Advisory Group has concluded that, to address the issues outlined above, the priorities for funding available in Budget 2018 should be to:

- Increase funding for RNZ so that it can extend its multi-media services to reach more people in different ways. This would include investing in RNZ's ability to present more high-quality audio-visual content, either online or on its existing Freeview television channel, according to audience needs.
- Increase funding for NZ On Air, to enable it to boost its reach to under-served audiences.
- Provide funding for the pilot of a new type of sector-wide collaboration, that would see RNZ commission content from the commercial production sector in a joint venture with NZ On Air. While the content would initially play on RNZ platforms, it could also be made available to other media organisations under RNZ's partnership agreements.

Following Cabinet’s Budget decisions on 9 April 2018, I authorised the Chief Executive of the Ministry for Culture and Heritage to tell the Advisory Group, RNZ and NZ On Air that Cabinet had set aside \$15 million contingency for public media in 2018/19 only. NZ On Air and RNZ, which until that point had been working on separate business cases for long-term investment, then opted to produce a revised, joint proposal.

22 The joint proposal, as amended by the Advisory Group, has the following elements:



23 The Advisory Group considered the agencies’ joint proposal to be a well-conceived response to the Cabinet decision to make funding available for one year only at this stage. It will develop RNZ’s capacity and reputation for delivering audio-visual and multi-platform content. It will serve some neglected segments of the total audience. And it will serve as a trial for a new kind of relationship between RNZ, NZ On Air and the production sector, in which RNZ is the willing platform for contestably funded content.

24 In addition, the Advisory Group recommends that:

- RNZ should use a proportion of its additional funding to develop a fit-for-future technology roadmap that outlines in detail the technology and infrastructure required to fully realise its strategic goals; and

- in-depth research be carried out on the opportunity and capacity for collaboration across the media sector, with a particular focus on how the Crown-funded media agencies could use their assets more efficiently.

25 In summary, the Advisory Group recommends that the \$15 million contingency be allocated as follows:

• “RNZ+ stage 1”	\$4.500 million
• NZ On Air new contestable content funding	\$4.000 million
• RNZ-NZOA joint innovation fund	\$6.000 million
• Research on capacity for media collaboration and the levels of funding needed for an effective public media	\$0.500 million
	<b>TOTAL: \$15.000 million</b>

### **My response to the Advisory Group’s recommendations**

- 26 I endorse the recommendations of the Advisory Group, and propose that they be given effect by allocating the \$15 million contingency set aside for public media in Budget 2018 as outlined in paragraph 25.
- 27 NZ On Air and RNZ are the Government’s most significant levers for mitigating the market failures and other challenges the Advisory Group has identified. NZ On Air invests in authentic New Zealand stories and songs that reflect our cultural identity and help build social cohesion, inclusion and connection. RNZ is New Zealand’s only non-commercial, independent, publicly-owned media organisation, with proven broadcasting and journalistic experience and expertise.
- 28 Funding for both of these agencies has been largely static for a decade (other than a small increase in RNZ’s funding in Budget 2017), and as noted earlier in the paper is low per capita by international standards.
- 29 RNZ and NZ On Air are both attempting to evolve their operations to serve a wider and more diverse audience through a full range of digital platforms. The additional funding recommended by the Advisory Group would allow the two agencies to accelerate this evolution. In RNZ’s case, the additional funding would enable it to take the first steps toward “RNZ+” – the expansion of RNZ into a fully multi-media audio-visual service, closer to the integrated public media services available in comparable countries. For NZ On Air, the additional funding would enable it to better service audiences such as children. As arm’s length agencies, RNZ and NZ On Air will make their own final decisions on how the additional funding will be applied.
- 30 A feature of the Advisory Group’s proposal is the \$6.000 million RNZ / NZ On Air joint innovation fund, which would be a new type of collaboration between the two agencies and the wider production sector. The multi-media content developed with this funding would be aimed at under-served audiences, for example Pasifika and/or regional audiences. It would play on RNZ platforms, but would be commissioned from the independent production sector by NZ On Air using its existing contracting processes. The innovation fund would boost resources available to the wider production sector, and get RNZ some new content from fresh providers with different skills from RNZ staff. RNZ and NZ On Air will report to me quarterly on their progress. If the fund is a success, it could be built upon in future years as resources allow.

- 31 The Advisory Group has also suggested that \$0.500 million be set aside for in depth research on opportunities for greater collaboration in the media sector. I agree with this suggestion, and will be particularly interested in exploring how Crown-funded media organisations could improve collaboration and use resources more efficiently.

### **Delivering long-term sustainability for our public media system**

- 32 As noted earlier, Cabinet has invited me to develop an initiative for Budget 2019 that addresses the long-term needs of the public media system. The research on opportunities for greater collaboration in the media sector will be a major contributor to this, and the Ministerial Advisory Group will support the process. I expect that the initiative will include:
- addressing the needs of Māori and Pacific audiences
  - addressing the needs of other under-served audiences
  - recommendations for greater collaboration between, and efficiencies from, publicly funded media organisations, including the future direction of TVNZ
  - detailed business cases for increased and long-term investment in publicly-funded media organisations.

### **Publicity**

- 33 If DEV supports the recommendations in this paper, I will let the Chairs of RNZ and NZ On Air know on a confidential basis so they can begin planning to use their additional funds. The Ministry for Culture and Heritage will formally advise the two agencies of their funding for the 2018/19 year after the paper has been agreed by Cabinet.
- 34 I will make a public announcement, emphasising that NZ On Air and RNZ are being supported through Budget 2018 to begin building capacity and trial new approaches, leading to further consideration of their baseline funding in Budget 2019.
- 35 I will also release this Cabinet paper in full, once confirmed by Cabinet. The paper will be made available on the website of the Ministry for Culture and Heritage.

### **Consultation**

- 36 The Ministry for Culture and Heritage has consulted the following agencies on this Cabinet Paper: the Treasury, Te Puni Kōkiri, the State Services Commission, the Ministry of Business, Innovation and Employment, Ministry for Pacific Peoples, and the Department of the Prime Minister and Cabinet.

### **Financial Implications**

- 37 Subject to Cabinet agreeing the recommendations in this paper, a \$15.000 million contingency established in Budget 2018 will be drawn down as one off funding in the 2018/19 financial year.
- 38 The Ministry for Culture and Heritage will provide \$14.500 million of this funding to New Zealand on Air in quarterly instalments to be agreed with the appropriation Minister. Of this, NZ On Air will retain \$4.000 million to fund new contestable content, allocate \$6.000 million to a new RNZ / NZ On Air joint innovation fund, and forward \$4.500 million to Radio New Zealand for RNZ+ Stage 1.



- 39 The Ministry will retain \$0.500 million to fund research into the capacity for collaboration across the sector, including the Crown-funded media agencies. This research will be a critical input to an initiative for Budget 2019 that will seek funding for a long-term sustainable public media system.

### Human Rights

- 40 This paper does not raise any negative human rights implications. The additions to the programmes of NZ On Air and RNZ will enhance New Zealanders' access to information and opportunities for self-expression.

### Legislative Implications

- 41 This paper does not have any legislative implications. My next paper on public media reforms will address the Advisory Group's recommendations on the proposed Public Media Funding Commission. If Cabinet decides to proceed with establishing a Commission, primary legislation may be necessary. There is a place on the Government's legislative programme for a Bill if necessary.

### Regulatory Impact Analysis

- 42 A Regulatory Impact Statement is not required for this paper as it does not introduce or modify regulations.

### Recommendations

- 43 The Minister of Broadcasting, Communications and Digital Media recommends that the Committee:
1. **note** that on 9 April Cabinet
    - 1.1. **noted** that a Ministerial Advisory Group on public media had been recently established to provide advice on the contribution of public and private media to an informed democracy;
    - 1.2. **agreed** to set aside \$15 million as a contingency item in Budget 2018 for implementing the recommendations of the Ministerial Advisory Group;
    - 1.3. **invited** the Minister of Broadcasting, Communications and Digital Media to report back to Cabinet with a business case supporting any immediate recommendations of the Ministerial Advisory Group, and seeking drawdown of the contingency (CAB-18-MIN-0158.01);
  2. **note** that the Advisory Group has reported to the Minister, recommending that the priorities for the contingency should be to:
    - 2.1. Increase funding for RNZ by \$4.500 million so that it can extend its multi-media services to reach more people in different ways;
    - 2.2. Increase funding for NZ On Air by \$4.000 million, to enable it to boost its reach to under-served audiences;
    - 2.3. Provide funding of \$6.000 million for the pilot of a new type of sector-wide collaboration, that would see RNZ commission content for its platforms from the commercial production sector in a joint venture with NZ On Air;

2.4. Research the capacity for cross-media collaboration and the levels of funding needed for an effective public media (\$0.500 million);

3. **note** that the Minister of Broadcasting, Communications and Digital Media advises that the allocation of funding in this way would address some under-served needs of the New Zealand audience, enable RNZ to take initial steps towards the fully multi-platform service known as “RNZ+”, and demonstrate the potential of a collaborative fund between NZ On Air and RNZ that will allow a greater range of New Zealand content to be made available to the public;
4. **agree** to the drawdown of funds for 2018/19, to be allocated by the Ministry for Culture and Heritage in accordance with recommendation 2;
5. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 4, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
<b>Vote Arts, Culture and Heritage</b>					
<b>Minister for Arts, Culture and Heritage</b>					
Multi-Category Expenses and Capital Expenditure: Policy Advice, Monitoring of Funded Agencies and Ministerial Services MCA	-		-	-	-
Departmental Output Expense: Policy Advice (funded by revenue Crown)		0.500			
<b>Minister of Broadcasting, Communications and Digital Media</b>					
<b>Non-Departmental Output Expenses:</b>					
Public Broadcasting Services (M4)	-	14.500	-	-	-
<b>Total Operating</b>	-	<b>15.000</b>	-	-	-
<b>Total Capital</b>	-	-	-	-	-

6. **agree** that the proposed changes to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
7. **agree** that that the expenses incurred under recommendation 5 above be a charge against the Implementing Recommendations of the Ministerial Advisory Group on Public Media contingency, established as part of Budget 2018;
8. **note** that NZ On Air and RNZ will be advised of the Cabinet’s decisions in relation to this paper as part of the normal post-Budget communications to Crown-funded organisations;
9. **note** that the Minister of Broadcasting, Communications and Digital Media intends to provide further advice for Cabinet soon on the functions, role and scope of a potential Public Media Funding Commission;

10. **note** that the Minister of Broadcasting, Communications and Digital Media will also be preparing an initiative for Budget 2019 that addresses the need for long-term sustainability of our public media system.

Authorised for lodgement

Hon Clare Curran

**Minister of Broadcasting, Communications and Digital Media**