

Hon Kris Faafoi

Minister of Broadcasting, Communications and Digital Media

Strengthening Public Media

7 February 2020

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Title: Strengthening Public Media (August 2019)

Title: CAB-19-MIN-0398.02 Minute of Decision (August 2019)

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Office of the Minister of Broadcasting, Communications and Digital Media

Chair, Cabinet Economic Development Committee

Strengthening Public Media

Proposal

1. This paper seeks agreement to:
 - 1.1. a set of Government goals to guide policy work on public media and the wider New Zealand media system, and to support decisions on the allocation of funding
 - 1.2. direct officials to investigate three options for strengthening public media and report back to Cabinet by November 2019 with a preferred option.

Executive Summary

2. The financial viability of media in New Zealand and overseas is being challenged by new platforms and technologies. This is having an adverse impact on both Government-owned and private media organisations and their ability to contribute effectively to our national identity and ensure New Zealanders have access to high quality information enabling democratic debate. The declining state of both public and private media indicates that our current media structure is not sustainable.
3. I have been working to a set of goals for strengthening public media (set out in full in paragraph 25), recommended by the Ministerial Advisory Group on Public Media (Ministerial Advisory Group). The goals place emphasis on supporting quality content for all audiences, enhancing national identity, promoting an informed democracy and safeguarding the media's independence.
4. I am seeking Cabinet support to adopt these as Government goals. The goals will ensure we look ahead to the future of public media ensuring that the policy decisions made today will build a strong foundation for our next generation of audiences.
5. The Ministerial Advisory Group advised that now is the time to make decisions on the future of public media. The Advisory Group presented a range of options, with its preferred option being for Ministers to consider combining TVNZ and RNZ as a way of improving the long-term health of public media and its contribution to our culture and democracy. This advice was informed by research commissioned by the Advisory Group on options for improving public media collaboration and the long-term relationship between publicly owned broadcasters.
6. The research found that the current structure of public media does not align to public media goals. It suggested that *“imposing collaboration on fragmented and misaligned organisations was a poor alternative to addressing the fundamental issue of inappropriate structures and mandates”*.

7. After considering this advice, I have selected three options, in consultation with the Minister of Finance, for strengthening public media. The three options are:
 - 7.1. establishing a new public media organisation, combining TVNZ and RNZ
 - 7.2. consolidating the news services of TVNZ and RNZ
 - 7.3. substantially increasing funding for NZ On Air.
8. I propose that officials investigate these options and provide advice on which option would most effectively strengthen public media.
9. These options were selected from a range of options identified by the Ministry for Culture and Heritage and the Treasury and assessed against the public media goals. The options not chosen for investigation are summarised in Annex A.
10. Māori public media entities such as Te Māngai Paho, the Māori Television Service and 21 Crown-funded Iwi radio stations are out of scope for this work. A review of the Māori media sector is currently underway and this project will be aligned with the Māori media sector work. Also out of scope are private media entities, such as newspapers, commercial radio and television. However, in assessing options for strengthening public media, consideration will be given to impacts on the commercial media environment.
11. I intend to establish a Chief Executive's Advisory Group to assist the Chief Executive of the Ministry for Culture and Heritage with the development of advice. The Chief Executive's Advisory Group will be chaired by the Chief Executive of the Ministry for Culture and Heritage and comprise representatives from the Treasury, the State Services Commission, Te Puni Kōkiri, the Ministry for Pacific Peoples, TVNZ, RNZ and NZ On Air, as well as an independent industry representative. The Chief Executive of the Ministry for Culture and Heritage will be accountable for providing the advice.
12. I intend to return to Cabinet in November 2019 with a preferred option and to seek approval for this option to be advanced through an implementation plan and legislation (if necessary).

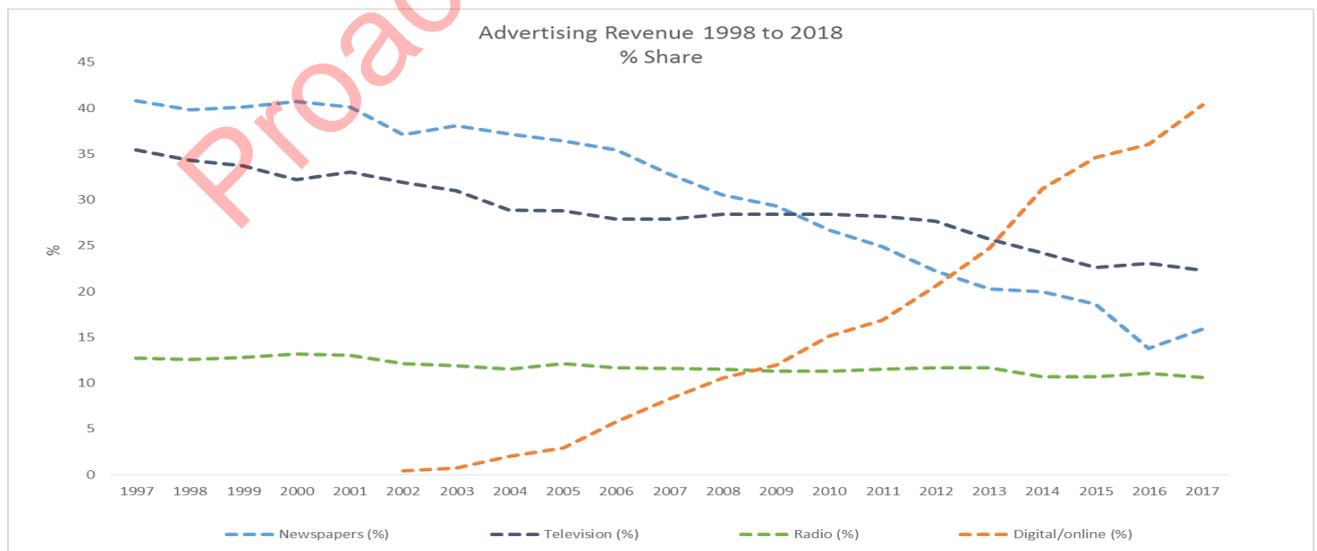
The media environment and the case for change

13. Media entities are experiencing an increasingly constrained financial environment, rapid technology change and consumers with evolving expectations. Governments around the world are responding to these issues in a variety of ways. Annex B sets out what is happening in the New Zealand landscape and examples of the issues being grappled with overseas.
14. The declining state of both public and private media indicates that our current media structure is not sustainable. It is struggling to provide the variety and strength of media required to support a fair and balanced democratic system of government, an

informed and educated population and a diverse range of entertainment content that serves all New Zealand audiences.

15. TVNZ’s declining commercial broadcast television revenues, and the limited reach of RNZ due to its predominance of audio content, prevent either organisation from providing a complete public multimedia service that would meet public media goals. These factors also restrict their ability to navigate the challenges of the rapidly changing global media environment.
16. Linear television and radio broadcasting remain popular means of accessing content for New Zealanders. NZ On Air’s 2018 research *Where are the Audiences?* states that linear TV reaches 82 per cent of New Zealanders in an average week and live radio reaches 78 per cent. However, there has been a rapid growth in New Zealand audiences viewing content on subscription video on demand sites such as Netflix and aggregation sites such as YouTube and Facebook. NZ On Air’s 2018 research states that these sites now reach 62 per cent of New Zealanders in an average week.
17. Traditional platforms such as linear television are becoming less important to audiences than having easy access to engaging content. Younger viewers in particular want to access content on non-linear (internet-based) platforms, at times and places of their choosing.
18. While New Zealanders still want to access content on linear television and radio, the competition for advertising revenue by content aggregators like Facebook and Google means there is considerably less revenue available to support the creation of that content. The following graphs show the change in distribution of advertising revenue from traditional media to digital services including content aggregators over the last 20 years by market share.

Figure 1 – Change to advertising revenue distribution across media and media aggregators – by market share



Note: The data for the above was collected from the annual releases of advertising revenue information by the Advertising Standards Authority (ASA). The ASA notes there is no standard definition of 'turnover' or standard methodology for collecting this data and that care should be taken when comparing sectors. We recommend this graph be viewed to show trends over time rather than insight into any specific area in any one year.

19. New Zealand advertising revenues are rapidly moving from broadcasting and newspapers to digital/online media and overseas-based platforms such as Google. While this presents a starker situation for commercial media, in particular newspapers, it is also having an impact on public media in terms of the affordability of journalism and local content.
20. TVNZ has indicated that its current business model is not viable over the medium term. Without change, within a few years, Crown support will likely be required for TVNZ to continue operating as it does today. [REDACTED] 9(2)(b)(ii) [REDACTED]. A different path for TVNZ, as a public media organisation, remains open.
21. RNZ too is facing funding pressures. It will need a considerable injection of both capital and operating funding over the next few years to expand its operations from a radio-focussed enterprise into a multi-media organisation providing high quality content on a variety of platforms.
22. A further consideration is recent revelations of aggregating platforms influencing the quantity and type of news links appearing in consumer “feeds” by altering their algorithms. This also affects access to New Zealand media. The ability of an aggregator to exert influence as to what news appears to New Zealanders evidences the need for a trusted place or places to access news and current affairs content.

Ministerial Advisory Group on Public Media

23. Concerns about the state of the media environment led Cabinet to establish a Ministerial Advisory Group on Public Media (Ministerial Advisory Group) in February 2018. The Ministerial Advisory Group was tasked with providing high quality, independent advice that would contribute to the following (DEV-18-MIN-002):
 - 23.1. support for and enhancement of the role of public media in national identity and an informed democracy
 - 23.2. advice on the provision of sustainable, long-term funding for public media, to safeguard its independence from the government of the day, and protect it from the “benign neglect” of prolonged static funding
 - 23.3. independent analysis and public awareness of the public media sector’s health, needs and opportunities
 - 23.4. support for more New Zealand content
 - 23.5. support for plurality in the provision of comprehensive and in-depth news and current affairs, given the economic stresses on media businesses that may otherwise reduce plurality.
24. The Ministerial Advisory Group’s Terms of Reference were updated in October 2018. At this time it was tasked with providing advice on the capacity for more effective sharing of resources and collaboration between public media entities, and in

particular the long term relationship between public broadcasters (TVNZ, RNZ and the Māori Television Service) (CAB-18-MIN-0516).

Goals to guide work on strengthening public media in New Zealand

- 25.** On the recommendation of the Ministerial Advisory Group, I have been working to a set of public media goals:
 - 25.1. supporting more quality New Zealand content in all genres across a variety of platforms
 - 25.2. supporting an appropriate quantity of New Zealand content
 - 25.3. better catering to Māori, Pacific and other under-served audiences
 - 25.4. enhancing national identity
 - 25.5. promoting an informed democracy
 - 25.6. safeguarding the media's independence
 - 25.7. supporting plurality in the provision of quality news and current affairs across New Zealand
 - 25.8. supporting the sustainability of the media sector
 - 25.9. improving access to New Zealand content.
- 26.** I am seeking Cabinet's agreement to adopt these as Government goals to guide policy work on strengthening public media and the wider New Zealand media system, and to support decisions on funding allocation.
- 27.** The goals will be distilled into three to four investment objectives against which the options for strengthening public media will be assessed.
- 28.** Media is a key means of revitalising Māori and Pacific language and culture. The goal of 'better catering to Māori, Pacific and other under-served audiences' is intended to support the advancement of the:
 - 28.1. Maihi Karauna strategy, in particular creating the conditions for te reo Māori to be valued by Aotearoa whānui as a central part of national identity; and
 - 28.2. Pacific Aotearoa Lalanga Fou, in particular thriving Pacific languages, culture and identities.

Contribution of Government-owned media organisations to public media goals

- 29.** To inform its advice to me, the Ministerial Advisory Group commissioned research on the potential for greater collaboration between New Zealand's public media entities and the long term relationship between public broadcasters.

30. Overall the research found that *“the rigid and separate structures that make up the public broadcasting system in New Zealand have . . . served to restrict the sort of evolutionary change that overseas public broadcasters have used to better position themselves for a converged future”*. The report also found that *“imposing collaboration on fragmented and misaligned organisations was a poor alternative to addressing the fundamental issue of inappropriate structures and mandates”*.¹
31. The research report advised that now *“is the appropriate time to consider ambitious reform that properly aligns all parts of the public media system with the Government’s public media objectives.”* The Ministerial Advisory Group strongly agreed with the report’s findings.
32. The research looked in some detail at how well current public media entities contribute to the public media goals and found that no current entity can deliver all the public media goals, partly because of their current legislative mandates.

TVNZ

33. TVNZ provides the most effective platform from which the public media goals might be delivered for the benefit of New Zealand audiences. It is New Zealand’s highest rating broadcaster, reaching two million New Zealanders daily, and it is developing a strong audience following for its entertainment-focused On Demand site. It reported 102 million TVNZ On Demand downloads for its 2017/18 financial year.
34. However, the current purpose of TVNZ, as defined in the Television New Zealand Act 2003 and expanded on in its Statement of Intent, effectively limits its ability to meet all of the public media goals. TVNZ’s statutory functions are to be a successful national television and digital media company providing a range of content and services on a choice of delivery platforms and maintaining its commercial performance. The expectations placed on it by Government relating to content, and a lack of direct funding, prevent it from playing a strong role in fulfilment of the public media goals. TVNZ must select and broadcast content for its commercial appeal, rather than to serve any public good.
35. TVNZ’s revenue has declined from \$391 million in the 2008/2009 financial year to \$318 million in the 2018/2019 financial year. It forecasts that its revenue will continue to decline.
36. TVNZ does serve a somewhat more diverse audience than strictly commercial considerations would dictate. It carries around 50 per cent of the visual content funded by NZ On Air and spends approximately \$90 million per annum from its commercial revenues on New Zealand content.

RNZ

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Public Media Collaboration: Strengthening Public Media to Meet the Government’s Public Media Objectives, Shaun Brown and Guy Beatson, December 2018.

37. RNZ's charter and the public media goals are interchangeable. The goals relating to national identity, an informed democracy, media independence, plurality of news and current affairs services as well as catering for Māori and Pacific audiences find clear expression in the RNZ Charter.
38. RNZ received \$39.80 million in funding in the 2018/2019 financial year. Prior to that it had had static funding of approximately \$35 million for close to a decade.² RNZ broadcasts three nationwide networks, RNZ National, RNZ Concert, and the AM network, which relays Parliamentary proceedings. It also provides live-streaming of all its broadcasting services and is expanding its range of audio-visual content. RNZ had an estimated weekly audience of 845,945 people across all platforms in June 2018. However, RNZ can only contribute in part to the goal of more quality New Zealand content, as it is not funded or equipped to produce and distribute a full range of video content.
39. Not having a television-based service is a significant limiting factor to its ability to deliver the full range of public media goals.

NZ On Air

40. NZ On Air receives public funding to invest in content for local audiences on a contestable basis. It received \$97.73 million in the 2018/2019 financial year (excluding funding for RNZ and the National Pacific Radio Trust). Prior to that it had static funding of approximately \$93 million for close to a decade.³ Its statutory functions require it to promote programmes that reflect and develop New Zealand identity and culture. While it is limited to a funding role, it is able to invest in a wide range of content, both broad appeal and special interest, across multiple platforms.
41. NZ On Air delivers on the majority of the public media goals. However, the contestable funding method is not well suited to the ongoing production of daily news and current affairs. In funding television and audio-visual content NZ On Air is also focussed on local content, rather than on expanding the range of international content of interest to New Zealanders beyond what is supported by commercial broadcasters.
42. A limiting factor is that, for the majority of the content it funds, NZ On Air requires a commitment by broadcasters to ensure that the content is visible and discoverable by audiences – or is made at all. This approach leaves broadcasters in a gatekeeper role, i.e. a broadcaster may choose not to feature content that NZ On Air would wish to fund if it can feature higher rating content or content that focusses on an audience segment more desired by advertisers.

Addressing the problem

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This excludes the Joint Innovation Fund of \$6 million, which was a one off Budget 2018 initiative.

3

This excludes the Joint Innovation Fund of \$6 million, which was a one off Budget 2018 initiative.

43. With the Minister of Finance, I have considered a range of options for better achieving the public media goals. We have narrowed these down to three options for further analysis (the options not chosen are described in Annex A):

- 43.1. Creating a new public media organisation by combining TVNZ and RNZ*
Establishing a single combined public media service, potentially including a non-commercial television channel or channels with less advertising than commercial broadcasters. This option would aim to improve agility across platforms and provide higher standards of public media content, while achieving a degree of internal plurality in the provision of services. Different models for such a service, ranging from a fully funded service, to semi-commercial for its television-and-online services, to commercial but with specified funded channels, would be compared as part of the examination of this option.
- 43.2. Consolidating the news services of RNZ and TVNZ*
Sharing news resources between RNZ and TVNZ, without otherwise changing current structures or amending statutory functions, with the aim of improving agility across platforms while preserving some plurality of output.
- 43.3. Substantially increasing funding for NZ On Air*
To allow more hours of local programming to be supported with the aim of expanding the range and depth of local content available to New Zealand audiences. The scope of funded content could also be broadened, for example to include greater support for local news.

The next step is detailed policy analysis

- 44.** I am proposing that the advantages and disadvantages of each option be examined in detail. This analysis would include:
- 44.1. development of three to four investment objectives from the public media goals, against which to benchmark and measure the potential benefits of each of the options
- 44.2. preparation of detailed option descriptions, including the core organisational form, governance (where relevant) and funding models for each option
- 44.3. consideration of the sector impacts of each option, for example the impact on the current contestable funding model for content, the Māori media sector, and on private media organisations
- 44.4. analysis of the three options against the investment objectives to determine the preferred option.

Chief Executive's Advisory Group to carry out detailed investigation

- 45.** I intend to establish a Chief Executive's Advisory Group comprising representatives from the Ministry for Culture and Heritage, the Treasury, State Services Commission, Te Puni Kōkiri, the Ministry for Pacific Peoples, TVNZ, RNZ and NZ On Air as well as an independent industry representative to assist my officials with the development of

advice. The Chief Executive of the Ministry for Culture and Heritage would chair the Group and be accountable for providing the advice.

46. This Advisory Group would be supported by a Secretariat Working Group comprising representatives from the Ministry for Culture and Heritage, the Treasury (in an advisory capacity), Te Puni Kōkiri, NZ On Air, RNZ and TVNZ, who will undertake the detailed policy analysis. The Working Group would consult with the Ministry of Foreign Affairs and Trade on specific measures that might be considered under these options to ensure consistency with New Zealand's international obligations, where relevant.
47. Draft terms of reference for the Chief Executive's Advisory Group are attached at Annex C. I propose that I be given delegated authority to finalise the Terms of Reference.
48. My intention is to work closely with the Minister of Finance as co-shareholding Minister of TVNZ and RNZ.

Timing

49. I intend to return to Cabinet in November 2019 with advice on the preferred option for strengthening public media.
50. This report back will also include a timetable for implementing the recommended option.

Relation to Māori Media Sector Shift Review

51. The Minister for Māori Development is leading work on a review of the Māori media sector to maintain and enhance its effectiveness in the future and to enable greater alignment with the wider public media sector.
52. While the consideration of the future role, functions or structure of the Māori Television Service and other Māori broadcasting organisations is outside the scope of the work I am proposing, it will be important that it aligns with work being progressed in the Māori media sector. The inclusion of Te Puni Kōkiri on the Chief Executive's Advisory Group as well as a Te Puni Kōkiri representative on the Working Group will ensure its alignment with the Māori Media Sector Shift work programme.
53. I will closely work with the Minister for Māori Development to ensure opportunities for alignment with work on options for strengthening public media are identified.

Anticipated reaction from other media organisations to options if advanced

54. My officials have advised that private media organisations regularly express concern that TVNZ's relative commercial success is removing potential advertising revenue from the pool available for their organisations. On that basis there is likely to be support from private media for an investigation of options including a less commercial approach to public television, which would free up revenue for their organisations to compete for.

55. This is indicated by comments made by the Chief Executive of MediaWorks, in his submission to the Ministerial Advisory Group, that ring fencing public broadcasting in New Zealand would help ensure the sustainability of the commercial television market in New Zealand.
56. There may be concern about preserving a diversity of media voices and minimising the risk of a merged Crown media agency becoming a significant gatekeeper in the public media space. Attention to the possibility of maintaining some internal plurality under these options and contracting out some content creation may help to allay such concerns.
57. The inclusion of the option to increase funding to NZ On Air is likely to be supported by the television production industry, which benefits from the agency's subsidies.
58. The media market in New Zealand is evolving rapidly. Media organisations have been meeting with me to express concern about the precarious nature of their business models. If there is a major change in the commercial market in the short term I may need to reconsider the identified options, which have a public media focus.

Consultation

59. The following departments have been consulted in the preparation of this paper: the Treasury, State Services Commission, Te Puni Kōkiri, Ministry for Pacific Peoples, the Ministry of Business, Innovation and Employment and the Ministry of Foreign Affairs and Trade.
60. The Department of Prime Minister and Cabinet has been informed.
61. There has been no consultation with public or private media organisations on the proposals in this Cabinet paper. However, the Ministerial Advisory Group met with public and private media organisations to inform the advice it provided.

Financial Implications

62. The costs associated with the investigation of the three options will be met from within the Ministry for Culture and Heritage's budget, with a possible contribution from the other key organisations: the Treasury, TVNZ and RNZ.
63. The Treasury has indicated that it could contribute some funding. However, before discussion with TVNZ and RNZ, I cannot anticipate what their response might be to a request for a financial contribution.
64. Depending on the option preferred by Cabinet in November, funding may be required for the costs associated with the detailed design and implementation work that would follow.
65. Given the issues facing the public media system, detailed design work would need to begin immediately once a preferred option is chosen. Both the cost of this work and the funding implications (i.e. the relative ability of the Ministry for Culture and Heritage and partner agencies to meet these through reprioritisation versus the

requirement for new funding outside of the budget cycle) will be addressed in the November Cabinet report back.

Legislative Implications

66. This paper does not include legislative proposals. A new public media organisation, if agreed, would require significant legislative changes to the existing Television New Zealand Act 2003 and Radio New Zealand Act 1995. A combined public news service might also require legislative change.

Impact Analysis

67. An impact analysis is not required at this stage.

Human Rights

68. This paper makes no proposals that are inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. I expect that any preferred option for strengthened public media will be fully consistent with both Acts.

Gender Implications

69. This paper makes no proposals with negative gender implications. One of the objectives of a preferred option for strengthening public media would be to better serve all sections of the population, compared with the status quo.

Disability Perspective

70. This paper makes no proposals with negative implications from a disability perspective.

Publicity

71. I do not propose making any public announcements following decisions on this Cabinet paper. I have already signalled publicly that officials are looking at options to strengthen public media.
72. I will consider making announcements in November 2019 once decisions have been made on a preferred option.
73. I intend to talk with the Chairs of TVNZ, RNZ and NZ On Air following Cabinet to inform them of Cabinet's decisions to establish a Chief Executive's Advisory Group and Working Group, with membership from their entities, to investigate three options to strengthen public media.

Proactive Release

74. I do not intend to release this Cabinet paper, as it contains commercially sensitive information the release of which would affect future decisions by publicly owned and private media organisations.

Recommendations

I recommend that the committee:

1. **note** that the Ministerial Advisory Group on Public Media was tasked with “providing advice on the capacity for more effective sharing of resources and collaboration between public media entities, and in particular the long term relationship between public broadcasters (RNZ, TVNZ and the Māori Television Service)” (CAB-18-MIN-0516);
2. **note** that the Ministerial Advisory Group recommended a set of public media goals to support strengthening public media:
 - 2.1. supporting more quality New Zealand content in all genres across a variety of platforms;
 - 2.2. supporting an appropriate quantity of New Zealand content;
 - 2.3. better catering to Māori, Pacific and other under-served audiences;
 - 2.4. enhancing national identity;
 - 2.5. promoting an informed democracy;
 - 2.6. safeguarding the media’s independence;
 - 2.7. supporting plurality in the provision of quality news and current affairs across New Zealand;
 - 2.8. supporting the sustainability of the media sector;
 - 2.9. improving access to New Zealand content;
3. **agree** that these goals be adopted as Government goals to guide policy decisions and funding allocation for public media;
4. **note** the declining state of both public and private media indicates that our current media structure is not sustainable;
5. **note** that the Ministerial Advisory Group recommended that consideration be given to combining RNZ and TVNZ, as this would be preferable to other forms of collaboration between the two broadcasters under their present, incompatible mandates;
6. **agree** that the Minister for Broadcasting, Communications and Digital Media will lead a project to investigate three options for strengthening public media:
 - 6.1. a combined public media service incorporating TVNZ and RNZ;
 - 6.2. consolidating the news services of TVNZ and RNZ; and
 - 6.3. substantially increasing funding for NZ On Air;

7. **agree** that the future role, functions or structure of the Māori Television Service and other Māori broadcasting organisations will be outside the scope of this project;
8. **note** that the Minister of Broadcasting, Communications and Digital Media will work together closely with the Minister for Māori Development to co-ordinate work on strengthening public media with the Māori Media Sector Shift;
9. **note** that a Chief Executive's Advisory Group and Working Group will be established to assist my officials with the development of advice;
10. **note** that the Chief Executive's Advisory Group will comprise officials and representatives from the Ministry for Culture and Heritage, the Treasury, the State Services Commission, Te Puni Kōkiri, the Ministry for Pacific Peoples, RNZ, TVNZ and NZ On Air as well as an industry representative;
11. **note** that the Chief Executive's Advisory Group will be chaired by the Chief Executive of the Ministry for Culture and Heritage who will be accountable for the provision of advice;
12. **note** that in developing advice officials will take into account New Zealand's international obligations, where relevant;
13. **note** the attached draft terms of reference for the Chief Executive's Advisory Group and Working Group;
14. **authorise** the Minister of Broadcasting, Communications and Digital Media to finalise the terms of reference for the Chief Executive's Advisory Group and Working Group;
15. **invite** the Minister of Broadcasting, Communications and Digital Media to report back to this committee in November 2019, with a preferred option for strengthening public media.

Authorised for lodgement

Hon Kris Faafoi

Minister of Broadcasting, Communications and Digital Media

ANNEX A: OTHER PUBLIC MEDIA OPTIONS

1. In addition to the three options selected for investigation, the following options were considered and are summarised below:
 - 1.1. **Creation of a 'one stop shop' for New Zealand content.** This option would involve expanding the functions of NZ On Screen or Freeview to become a one-stop-shop for publicly-funded New Zealand content. It has the potential to enhance national identity and increase access to New Zealand content. It does not, however, address the other public media goals and does not contribute to the ongoing viability of the media sector.
 - 1.2. **Publicly fund reporting on local democratic processes.** This would be relatively easy to implement, and RNZ and NZ On Air are currently running a pilot. It is likely to produce small improvements in a number of public media goals, but is a very limited response to my overall ambition to strengthen public media. It is not likely to have a noticeable and sustainable impact on the goals except in news and current affairs improvements.
 - 1.3. **Evolving RNZ into a multi-platform, digital, public broadcaster.** This option ignores the opportunity to leverage TVNZ's brand and reach to achieve public broadcasting goals, and it does not address the issue of the ongoing viability of TVNZ or other media organisations. I do not see this as being an attractive option in comparison to a new public media organisation combining both government-owned broadcasters.
 - 1.4. **Merging all publicly owned broadcasters (including the Māori Television Service).** This option is likely to produce similar benefits, of efficiency and multi-platform agility, to a merged TVNZ and RNZ, but with increased cost and risk including, significantly, a loss of autonomy of Māori broadcasting interests.

ANNEX B - THE STATE OF THE MEDIA

1. The state of media is changing rapidly:
 - a. Advertising revenue for traditional media providers, including publicly-owned TVNZ, is reducing because it is being lost to aggregating global giants such as Google and Facebook.
 - b. As New Zealand's news media organisations become less profitable, there is retrenchment, reduced regional coverage, reduced in-depth journalism, reduced analysis, and more "infotainment" style news content and reliance on user generated content.
 - c. Consumers expect content to be available on multiple platforms at all times, which is driving the transition from traditional transmission of audio visual content to internet-based delivery.
 - d. The influx of easily accessible content from overseas has resulted in audience fragmentation, meaning New Zealanders are accessing less New Zealand audio-visual content on prime-time mainstream media.⁴
 - e. Diversity of content is reducing, e.g. regional audiences are seeing a reduction in local content due to the closure of at least 29 community and rural newspapers in the last two years.
 - f. Public commentary is increasing on the risks of foreign influence in the media and the ability of social media platforms to control what news is seen, especially in the context of implied influence exerted by private and state interests on overseas elections.
2. The following table sets out the data on trends by genre and local content as a percentage of the prime time schedule between 2007 and 2016. In 2016 genres showed increases in local content hours were News/Current Affairs, Sports, Documentaries, Drama/Comedy, Entertainment and Māori programming. General/Factual and Children's programming decreased. In 2016 local content on prime time television (broadcast between 6 pm and 10pm on seven free-to-air channels) comprised 31 per cent of prime time television schedules. This was a decrease from 36 per cent in 2015.
3. As the research does not record on demand consumption, it has been discontinued by NZ On Air.

Figure 2 - Proportion of local content hours on television by genre and in prime time

Genre	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
News/Current Affairs	4,055	4,042	3,978	3,807	3,882	3,948	3,305	3,750	3,660	2,961
General Factual	3,029	3,593	3,257	3,124	2,799	2,053	2,180	1,742	1,708	1,919
Sports	1,825	1,501	1,568	1,425	1,934	1,774	1,665	1,613	1,754	1,681
Children's	1,155	1,232	1,034	973	872	990	885	1,067	1,047	856
Documentaries	1,154	928	943	1,055	889	764	694	742	691	622
Entertainment	813	569	889	863	752	823	1,277	1,574	1,809	1,621
Drama/Comedy	722	646	559	615	572	551	518	601	712	817
Māori	374	326	309	291	351	317	358	333	223	308
Local Content Broadcast time	13,126	12,836	12,537	12,154	12,051	11,219	10,881	11,418	11,600	10,784
Local Content % of Schedule	31%	33%	33%	32%	32%	31%	32%	34%	34%	32%

Local Content in Prime time	2,982	3,156	3,117	3,102	3,055	3,240	3,071	3,436	3,701	3,726
Percentage of Prime time schedule	31%	36%	36%	35%	35%	37%	35%	40%	42%	43%

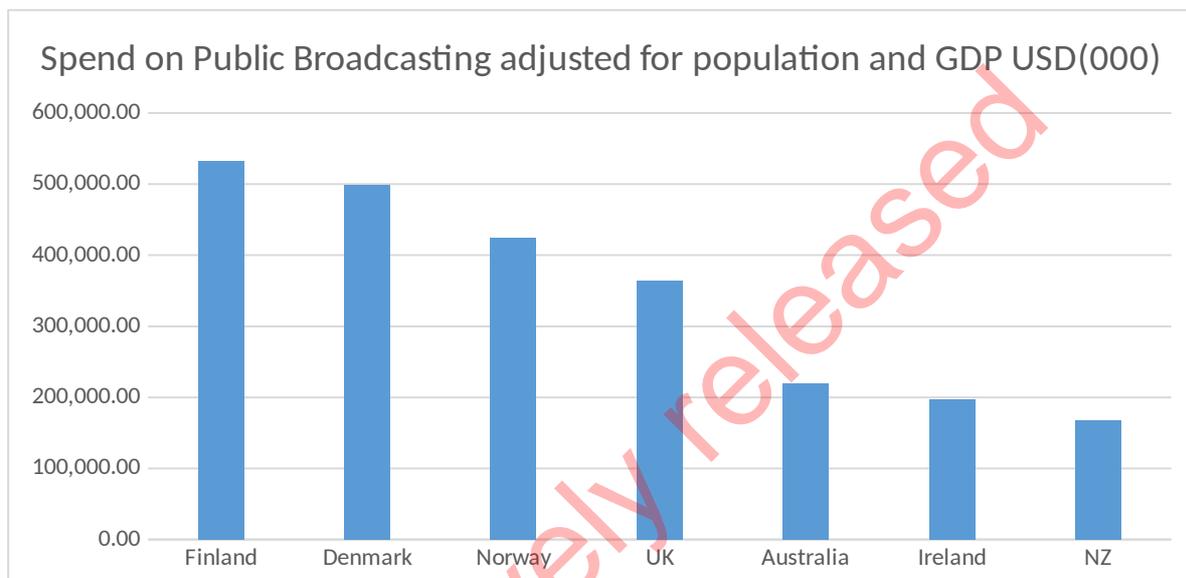
4. A further consideration is that aggregating platforms can influence the quantity and type of news links appearing in consumer “feeds” by altering their algorithms. In New Zealand, The Spinoff reported that social media-linked access to its content (audiences who click on a Spinoff article from their social media feeds) in 2018 dropped from 52 per cent to 30 per cent as a result of a change in Facebook algorithms linked to a policy shift to de-emphasise news⁵.
5. The same sort of issues are facing media services around the world, where many countries already have combined media organisations. This has resulted in a number of inquiries in partner countries, for example the:
 - a. United Kingdom government-commissioned “Cairncross Review: A Sustainable Future for Journalism”, which is proposing a range of measures to preserve media diversity and improve access to and quality of news.
 - b. United Kingdom’s House of Commons report on disinformation and “fake news” on social media sites, recommending that clear legal liabilities should be established for tech companies to act against harmful or illegal content on their sites.
 - c. Australian Competition and Consumer Commission preliminary report on the impact of online search engines, social media and digital content aggregators on competition in the media.
 - d. Canadian review of broadcasting and communications legislation, which is examining issues such as content creation in the digital age and how to strengthen the future of Canadian media and content creation.
 - e. Australian Senate review of the economic and cultural value of Australian content on broadcast, radio and streaming services.

5

<https://thespinoff.co.nz/media/21-08-2018/the-real-ratings-of-nzs-news-sites-shows-some-have-a-big-problem/>

- f. Australian Minister for Communications and Minister for the Arts report on the sustainability of Australia's film and television industry, which included 13 recommendations broadly grouped under the categories: tax incentives for screen production; Australian content quotas; and other issues.
 - g. Australian and Children's Screen Content Review, which is being conducted by the Department of Communications and the Arts in conjunction with the Australian Communications and Media Authority and Screen Australia.
6. Adding to the issue, New Zealand's spending on public media is less than other comparable countries:

Figure 3 - Public media funding in comparable countries⁶



6

Annual funding of public broadcasting adjusted for population size and GDP (PPP). GDP per capita USD from World Bank <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP>. This graph excludes expenditure on local content from commercial revenue.

ANNEX C: DRAFT TERMS OF REFERENCE FOR THE CHIEF EXECUTIVE'S ADVISORY GROUP

Purpose

1. The Government would like to strengthen New Zealand's public media and the New Zealand media system more generally. The Government's public media goals are for policy that:
 - a. supports more quality New Zealand content in all genres across a variety of platforms
 - b. supports an appropriate quantity of New Zealand content
 - c. better caters for Māori, Pacific and other under-served audiences
 - d. enhances national identity
 - e. promotes an informed democracy
 - f. safeguards the media's independence
 - g. supports the plurality in the provision of news and current affairs
 - h. supports the sustainability of the media sector, and
 - i. improves access to New Zealand content.
2. To progress these goals, the Government would like to examine three options for strengthening public media so that a decision on a preferred option can be made. The three options for examination are:
 - a. establishing a new public media organisation incorporating television, radio and online platforms by combining TVNZ and RNZ
 - b. combining the news services of TVNZ and RNZ without combining the two organisations
 - c. substantially increasing funding for NZ On Air.

Context

3. In February 2018, a Ministerial Advisory Group on Public Media (Ministerial Advisory Group) was convened to provide high quality, independent advice aimed at strengthening New Zealand's public media. The Ministerial Advisory Group's Terms of Reference were updated in October 2018, tasking it with providing advice on the capacity for more effective sharing of resources and collaboration between public media entities, and in particular the long term relationship between public broadcasters.

4. The Ministerial Advisory Group recommended that the Government investigate combining TVNZ and RNZ to create a new public media service organisation.
5. Cabinet has agreed that this option along with two additional options - combining the news services of TVNZ and RNZ and substantially increasing funding for NZ On Air - be investigated further to determine which option would most effectively strengthen public media. Officials are to report back to Cabinet in November 2019 with a preferred option.

Chief Executive's Advisory Group

6. The core function of the Chief Executive's Advisory Group (CE's Advisory Group) is to assist the Ministry for Culture and Heritage with the development of advice for the Minister of Broadcasting, Communications and Digital Media on the preferred option for strengthening public media. Accountability for the provision of advice will remain with the Chief Executive of the Ministry for Culture and Heritage.
7. The CE's Advisory Group will be comprised of Chief Executives, or their representatives, from the Ministry for Culture and Heritage, the Treasury, the State Services Commission, Te Puni Kōkiri, the Ministry for Pacific Peoples, TVNZ, RNZ and NZ On Air as well as an independent industry representative. The CE's Advisory Group will be chaired by the Chief Executive of the Ministry for Culture and Heritage.
8. The CE's Advisory Group is expected to commit to meeting once a fortnight from August – November 2019.
9. The CE's Advisory Group will be required to keep a number of agencies closely informed throughout the duration of this work including: the Department of Prime Minister and Cabinet, the Ministry of Foreign Affairs and Trade, the Ministry of Business, Innovation and Employment, and the Commerce Commission.
10. The CE's Advisory Group will be supported by a Secretariat Working Group (the Working Group).

Secretariat Working Group

11. The Working Group will be comprised of representatives from the Ministry for Culture and Heritage, the Treasury (in an advisory capacity), Te Puni Kōkiri, TVNZ, RNZ and NZ On Air.

12. The Working Group will be led by an independent facilitator. The independent facilitator's role is to ensure the processes used by the Working Group produce high quality advice on time.
13. The Working Group is expected to be comprised of tier 4 or 5 level officials and is expected to commit to three full time days a week for ten to twelve weeks from August to November 2019. It is expected that the representatives on the Working Group will have a good understanding of the sector and the skills and capabilities to carry out quantitative data analysis, business analysis and intervention logic mapping.
14. The Working Group will provide advice and input to support the CE's Advisory Group to understand the impacts and opportunities associated with the three options. It will also support the CE's Advisory Group to ensure that the work undertaken is robust and comprehensive.

Scope

15. The work will focus on examining the advantages and disadvantages of each of the shortlisted options. This will require:
 - a. development of three to four investment objectives from the public media goals, against which to benchmark and measure the potential benefits of each of the options
 - b. preparation of detailed option descriptions, including the core organisational form and funding models for each option
 - c. consideration of the sector impacts of each option, for example on the current contestable funding model for content, the Māori media sector, and on private media organisations
 - d. analysis of the three options against the investment objectives to determine the preferred option.

Out of scope

16. Consideration of the future role, functions or structure of the Māori Television Service and other Māori broadcasting organisations will be outside the scope of this work. However, it is important that this work aligns with the Māori Media Sector Shift work and incorporates goals for stronger Māori perspectives and content in public media.
17. Private sector merger proposals are also out of scope.

Deliverables and timing

18. Deliverables and timing for the work are as follows:

Date	Action
Aug 2019	<ul style="list-style-type: none"> • Agree project plan • Prepare and agree description of current state of public media • Undertake intervention logic mapping to establish problem, benefits and investment objectives • Agree investment objectives • Prepare and agree future state description
Sep 2019	<ul style="list-style-type: none"> • Prepare detailed option description, including the core organisational form and funding models for each option • Consider sector impacts for each option, for example the impact on the current contestable funding model for content, the Māori media sector, and on private media organisations • Analysis of the three options against the investment objectives to determine the preferred option
Oct 2019	<ul style="list-style-type: none"> • Test and refine analysis • Report to Minister of Broadcasting, Communications and Digital Media and Minister of Finance with advice on preferred option

19. This work will inform a report back to Cabinet in November 2019 on a preferred option for strengthening public media.

Stakeholder engagement

20. There will be no stakeholder engagement, outside the membership of the CEs' Advisory Group, during this phase of the work.



Cabinet

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.

Strengthening Public Media

Portfolio **Broadcasting, Communications and Digital Media**

On 12 August 2019, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Public media goals

- 1 **noted** that the Ministerial Advisory Group on Public Media (the Ministerial Advisory Group) was tasked with providing advice on the capacity for more effective sharing of resources and collaboration between public media entities, and in particular the long term relationship between public broadcasters (Radio New Zealand (RNZ), Television New Zealand (TVNZ), and the Māori Television Service) [DEV-18-MIN-0231];
- 2 **noted** that the Ministerial Advisory Group recommended a set of public media goals to support strengthening public media:
 - 2.1 supporting more quality New Zealand content in all genres across a variety of platforms;
 - 2.2 supporting an appropriate quantity of New Zealand content;
 - 2.3 better catering to Māori, Pacific and other under-served audiences;
 - 2.4 enhancing national identity;
 - 2.5 promoting an informed democracy;
 - 2.6 safeguarding the media's independence;
 - 2.7 supporting plurality in the provision of quality news and current affairs across New Zealand;
 - 2.8 supporting the sustainability of the media sector;
 - 2.9 improving access to New Zealand content;
- 3 **agreed** that these goals be adopted as government goals to guide policy decisions and funding allocation for public media;

Options for strengthening public media

- 4 **noted** that the declining state of both public and private media indicates that New Zealand's current media structure is not sustainable;
- 5 **noted** that the Ministerial Advisory Group recommended that consideration be given to combining RNZ and TVNZ, as this would be preferable to other forms of collaboration between the two broadcasters under their present, incompatible mandates;
- 6 **agreed** that the Minister for Broadcasting, Communications and Digital Media lead a project to investigate the following three options for strengthening public media:
 - 6.1 a combined public media service incorporating TVNZ and RNZ;
 - 6.2 consolidating the news services of TVNZ and RNZ;
 - 6.3 substantially increasing funding for NZ On Air;
- 7 **agreed** that the future role, functions or structure of the Māori Television Service and other Māori broadcasting organisations be outside the scope of this project;
- 8 **noted** that the Minister of Broadcasting, Communications and Digital Media will work together closely with the Minister for Māori Development to co-ordinate work on strengthening public media with the Māori Media Sector Shift;
- 9 **noted** that a Chief Executive's Advisory Group and Working Group will be established to assist officials with the development of advice;
- 10 **noted** that the Chief Executive's Advisory Group will comprise officials and representatives from the Ministry for Culture and Heritage, the Treasury, the State Services Commission, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Department of the Prime Minister and Cabinet, RNZ, TVNZ and NZ On Air, as well as an industry representative;
- 11 **noted** that the Chief Executive's Advisory Group will be chaired by the Chief Executive of the Ministry for Culture and Heritage, who will be accountable for the provision of advice;
- 12 **noted** that in developing advice, officials will take into account New Zealand's international obligations, where relevant;
- 13 **noted** the draft terms of reference for the Chief Executive's Advisory Group and Working Group, attached to the paper under DEV-19-SUB-0214;
- 14 **authorised** the Minister of Broadcasting, Communications and Digital Media to finalise the terms of reference for the Chief Executive's Advisory Group and Working Group;
- 15 **noted** that the Minister of Broadcasting, Communications and Digital Media is seeking advice on other competition issues relating to the media sector;

Further report

- 16 **invited** the Minister for Broadcasting, Communications and Digital Media to report back to DEV in November 2019, with a preferred option for strengthening public media.

Martin Bell
for Secretary of the Cabinet

Secretary's Note: This minute replaces DEV-19-MIN-0214. Cabinet amended paragraph 10.

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Broadcasting, Communications and Digital Media

Proactively released