

STUFF LIMITED

SUBMISSION TO THE PUBLIC MEDIA MINISTERIAL ADVISORY GROUP

EXECUTIVE SUMMARY

1. Stuff Limited ("**Stuff**") is grateful for the opportunity to submit to the Public Media Ministerial Advisory Group (the "**Advisory Group**"). We want to work with you to achieve a model that will ensure that New Zealand journalism and content is not only protected but can flourish.
2. Stuff agrees with the draft terms of reference for the Advisory Group and the Public Media Funding Commission Cabinet paper (the "**Papers**") that:
 - (a) sustainable local media play an important role in NZ's national identity and an informed democracy;
 - (b) the sustainability of traditional models for delivering quality journalism is increasingly under threat from digital platforms that do not produce quality journalism; and
 - (c) there is merit in forming a Media Commission to comment publicly on the state of NZ's media "ecosystem", and provide recommendations on how to best ensure NZ media is resilient and sustainable.
3. However, Stuff is concerned with the emphasis in the Papers on the creation of an expanded RNZ+ service. That initiative will not achieve the desired end of delivering sustainable, quality, trusted journalism in NZ.
4. Rather, Stuff predicts that providing additional funding dedicated to publicly owned organisations, as opposed to being focussed on contestable supply of quality content, will inevitably exacerbate the issues facing commercially funded journalism providers. An expanded RNZ+ would draw audiences and journalists (and inevitably advertising revenue) away from the commercial operators, leading to an erosion of the balance created by the interaction of public and commercial providers in the news ecosystem.
5. This proposal would therefore achieve the opposite of the intended media diversity by creating a larger government-owned media influence (RNZ+, TVNZ, Māori TV) at the expense of the sustainability and coverage of commercial media providers. As Mediaworks' CEO has said, "It won't work and it puts at risk the very thing they want – media diversity".¹
6. The creation of an expanded RNZ+ would also not efficiently support the journalism that is most at risk due to the current market failures arising from the dominance of digital platforms. The journalism that is most at risk is not national stories, or investigative journalism, of the type currently created by RNZ.
7. Rather, the journalism that is most at risk is coverage of local and regional issues, including holding local authorities to account. Stuff's recent decisions to sell or close 28 community or rural newspapers,² and cease the Tuesday and Thursday editions of the Marlborough Express and Nelson Mail,³ are just further steps in the erosion of this function that cannot be commercially supported due to current market conditions. Local journalism is not content currently produced by RNZ. It has been almost entirely historically produced by commercially funded journalism providers that have local newsrooms, such as Stuff. RNZ does not have the history, skills, experience, or infrastructure necessary to fill that gap in local coverage.

¹ <https://www.stuff.co.nz/national/politics/100802382/hit-pause-on-rnz-urges-mediaworks-ceo>

² <https://www.stuff.co.nz/business/101632830/stuff-outlines-newspaper-closures-as-part-of-shift-to-digital>

³ <https://www.stuff.co.nz/business/industries/93632089/nelson-mail-cuts-tuesday-and-thursday-editions>

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8. The most efficient and effective way to support the sustainability of diverse and quality journalistic coverage in NZ would be to allocate any increased public funding to fund the content, not specific entities. This would involve allowing public and commercial providers to contest for funding of coverage of topics, issues, and areas that would likely otherwise miss out due to market failures.
9. This could be administered by the existing agency, NZ On Air, or a similar dedicated news-funding body. It would be similar to the "Local News Partnerships" initiative recently launched in the UK whereby commercial media organisations can engage in competitive bidding processes for funding to employ "democracy reporters" to cover council and public meetings across the UK, on the conditions that:⁴
 - (a) the media organisations pass stringent criteria demonstrating that they have a strong track record of producing relevant journalism in the area they are applying to cover; and
 - (b) the content produced by those reporters must then be shared with all other media organisations that are part of the Local News Partnerships initiative.
10. An analogous "Local News Partnerships" initiative would be an effective and efficient solution to sustaining coverage of issues that are important to NZ's identity and democracy. It could:
 - (a) enable media organisations to use their existing experience and expenditure in coverage of particular areas and issues (such as existing newsrooms), rather than requiring RNZ+ to "reinvent the wheel" by investing in areas where it has no existing infrastructure or experience;
 - (b) retain competitive tension for coverage of such issues and allowing for the sustainability of a diversity of organisations covering such issues, rather than proceeding down a track that risks leading to a monopoly public provider; and
 - (c) potentially also leverage off the expertise of NZ On Air, which has significant experience over a number of decades in allocating contestable funds.
11. This submission expands on the key market facts underpinning Stuff's views above.

THE STATE OF THE MEDIA INDUSTRY

12. Commercial media providers, both globally and in NZ, are facing unprecedented existential challenges. This issue is receiving significant attention from regulators and policy makers around the world. For example:
 - (a) in December 2017 the Australian Government directed the Australian Competition & Consumer Commission ("**ACCC**") to undertake a public inquiry into the impact of digital platforms on the ability of media organisations to fund and produce quality news and journalistic content for Australians;⁵ and
 - (b) in February 2018 the British Government "launched a review to preserve the future of high quality national and local newspapers in the UK", with a "key focus" on "the local and regional press, who face an uncertain future".⁶

⁴ <http://www.bbc.co.uk/mediacentre/latestnews/2017/local-democracy-reporters>

⁵ <https://www.accc.gov.au/media-release/accc-seeking-views-on-news-and-digital-platforms-inquiry>

⁶ <https://www.gov.uk/government/news/new-review-launched-of-press-sustainability-in-the-uk>

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13. Stuff agrees it is necessary and appropriate that the NZ Government empower a body, such as the Advisory Group, to conduct a similar enquiry in NZ, and to provide recommendations on how best to ensure NZ media is resilient, trusted and sustainable.

THE SCOPE OF THE ENQUIRY

14. It would want to assist the Group to ensure the scope of the enquiry is appropriately framed from the outset to best identify the problems, and to best identify and implement strategies that can most effectively and efficiently provide solutions to support the production of local journalism.
15. To do that, however:
- (a) it is important that the Advisory Group not start with an assumption that public media is the solution, or, specifically that a vastly expanded RNZ+ is the solution. It is critical the Advisory Group are permitted to consider and give such weight as the evidence supports to the opportunities for additional contestable funding for private media providers. The Advisory Group should focus on the best way to create the content considered desirable, and be agnostic as to the platform through which that content is delivered;
 - (b) the terms of reference assume that "independent investigative journalism" is most at risk due to the challenges facing media providers. That does not reflect Stuff's view, or the views expressed in analogous inquiries overseas. Investigative journalism into issues of national interest is an area that continues to be well resourced by commercial providers, given it appeals to a wide audience. This is reflected by:
 - (i) Stuff's recent November 2017 formation of a National Correspondents team ("to dive deeply into stories of national significance")⁷ and formation of the Stuff Circuit video-led investigative journalism team;⁸ and
 - (ii) recent entry / expansion of other investigative journalist providers such as Newsroom and The Spinoff.

Rather, the types of journalism that are most at risk are coverage of local issues. That is illustrated by Stuff's recent decisions to sell or close 28 community or rural newspapers,⁹ and cease the Tuesday and Thursday editions of the Marlborough Express and Nelson Mail.¹⁰

Similarly, the current UK press sustainability inquiry has a particular focus on considering the sustainability of regional and local press (noting that "latest figures show that around two thirds of local authority areas don't have a daily local newspaper").¹¹ The February 2018 Australian Senate Select Committee Report on the Future of Public Interest Journalism also raised specific concerns about the sustainability of local / regional journalism:¹²

Some regional newspapers are so understaffed they can barely offer any true insight into local government or business and are restricted to filling back sections with generic lifestyle content and relying on

⁷ <https://www.stuff.co.nz/national/99364498/introducing-stuffs-national-correspondents-team>

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<https://www.stuff.co.nz/national/stuff-circuit/101292456/stuff-launches-securedrop-to-enable-confidential-communication-with-sources>

⁹ <https://www.stuff.co.nz/business/101632830/stuff-outlines-newspaper-closures-as-part-of-shift-to-digital>

¹⁰ <https://www.stuff.co.nz/business/industries/93632089/nelson-mail-cuts-tuesday-and-thursday-editions>

¹¹ <https://www.gov.uk/government/news/new-review-launched-of-press-sustainability-in-the-uk>

¹² The Australian Senate *Select Committee on the Future of Public Interest Journalism* (report, February 2018).

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press releases as their main source of information, instead of talking to communities and covering local events.

16. The scope of the Advisory Group's inquiry should be expanded to consider the particular threats to the sustainability and quality of local journalism, and the alternatives to expansion of public media to most effectively and efficiently maintain that local journalism.

SIGNIFICANT EXPANSION OF RNZ+ WILL HARM MEDIA DIVERSITY

17. The creation of an expanded RNZ+ service will not achieve the desired ends of better delivering a sustainable, quality journalistic ecosystem. Rather it will inevitably exacerbate the issues facing commercially funded journalism providers by drawing further audiences and journalists (and inevitably advertising revenue) away from them. That will have the result of imposing costs, stifling innovation and giving rise to other unintended consequences as cautioned against in the Government's expectations for good regulatory practice.¹³
18. These are not theoretical concerns. The same consequences have played out in Australia due to public broadcasters (ABC and SBS) expanding their roles. As Fairfax's CEO has outlined in Australia:¹⁴

At the very time the Turnbull government has reform legislation in parliament to deal with the structural issues facing the commercial media sector, its own agencies — the ABC and SBS — are using taxpayer dollars to distort the content market. ... The Government needs to restate or clarify the boundaries in which the ABC and SBS operate. This should not include using taxpayers' money to undercut commercial operators on programming and threaten jobs.

19. Similar concerns have been raised in relation to the role of the BBC in the UK:¹⁵

The BBC is not a substitute for market-driven plurality and should not risk pre-empting market failure by creating new, competing services in areas already served by the commercial sector... The danger for the commercial news sector is that a lack of clear boundaries for the BBC's online activities, an exceptionally broad sense of public purpose, and no clear obligation on the BBC to seek partnerships opportunities by default, combines with the vast resources of the BBC to muscle out innovation and excellence in the commercial sector. This would not only be bad for news brands who are trying to make news pay in a digital world, but would be bad for consumers too, with innovation lost, and a potential reduction in the genuine plurality of voices covering local, national and international news.

20. Concerns about the "creeping scope" of public media can also be seen NZ with the recent announcement of RNZ's partnership with The Spinoff, whereby RNZ will publish content from The Spinoff on its platforms. That initiative will see RNZ competing further with commercial media for audience, without actually producing any additional content of the type provided for in its Charter.¹⁶
21. It is very important for the sustainability of commercial media providers, and ongoing media diversity, that the same mistakes are not replicated or exacerbated in NZ.

RNZ IS NOT AN EFFICIENT PROVIDER OF LOCAL / REGIONAL COVERAGE

22. The journalism most at risk is coverage of local issues. RNZ is not well placed to replicate or replace that coverage. RNZ's Charter provides that it is to focus on issues of national interest / identity. RNZ is not, and does not have the experience or infrastructure to be, a locally focussed media provider.

¹³ <http://www.treasury.govt.nz/regulation/informationreleases/pdfs/good-reg-practice.pdf>

¹⁴ <http://www.newsmediaworks.com.au/media-heads-call-for-crackdown-on-abc-and-sbs/>

¹⁵ http://www.newsmediauk.org/write/MediaUploads/PDF%20Docs/BBC_OO_-_The_Publishers_View.pdf

¹⁶ <http://www.scoop.co.nz/stories/BU1803/S00312/rnz-and-the-spinoff-announce-content-partnership.htm>

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23. By contrast, Stuff, and other small and large commercial media providers, have significant experience, expertise, and infrastructure for the creation of local journalistic content. Whilst sustaining that content is becoming increasingly challenging, the expertise and infrastructure is in place. It would be far more effective and efficient for the Government to provide funding for additional content production (i.e. journalists) to media providers with that infrastructure already in place, because the additional public interest journalists can then "free ride" off the established commercial infrastructure. That is a significantly more cost-effective outcome than funding an entire new infrastructure.

ALTERNATIVE FUNDING MODELS SHOULD BE ADOPTED

24. Instead of a narrow focus on increasing the funding, size, and scope of RNZ+, the Advisory Group's objective (i.e. to recommend a framework for the delivery of sustainable and diverse journalism) would be best achieved by:
- (a) amending the RNZ Charter to require it to work in transparent partnerships with other news provider organisations to best enable the sustainable production of local journalism across the media ecosystem; and
 - (b) providing additional public funding to NZ On Air or a similar body for news, which can then be allocated through contestable processes to the most effective / efficient provider, whether that be RNZ or a commercial media provider.
25. An initiative analogous to the UK's "Local News Partnerships" initiative would be an effective and efficient solution to sustaining coverage of issues that are important to NZ's identity and democracy.

PUBLIC SERVICE TV WOULD NOT BE AN EFFICIENT USE OF PUBLIC FUNDS

26. There is a suggestion in the Papers that the Government is considering options for a public service TV channel. Although it has no free-to-air TV operations, and therefore no directly competing interests, Stuff is firmly opposed to that approach as an entirely ineffective and inefficient use of public funds. The \$38 million identified for additional media funding would be but a mere drop in the ocean of creating an attractive public service TV channel. By way of example, TVNZ has operating expenses in the order of ~\$290 million,¹⁷ Māori TV receives public funding in the order of \$32 million per year,¹⁸ and ABC and SBS in Australia together receive AUD\$1.5 billion of public funding per year (with a significant proportion of that being TV related costs).
27. To the extent the Government's concern is sustainable production of journalism, significant volumes of quality local, regional and investigative journalism could be achieved through directing that funding to existing media providers, rather than creation of a further linear TV platform. By way of comparison, Stuff could replicate its entire news generating capabilities for that same amount of funding. It is apparent that even comparatively small amounts of contestable public funding for commercial media providers would make a significant difference to the sustainability of their content, with that content available across the online platforms that New Zealanders increasingly wish to use to access and interact with content (rather than investment in creating a further TV platform).

¹⁷ <https://www.tvnz.co.nz/one-news/new-zealand/tvz-posts-net-profit-1-4-million-2017-financial-year>

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<http://www.maoritelevision.com/sites/default/files/attachments/M%C4%81ori%20Television%20Annual%20Report%202016.pdf>