Introduction

Our group was created at the end of March 2021 to oversee the development of a business case to consider the viability of a new public media entity.

Everyone knows that the way we’re getting entertainment and news, both what we’re watching and listening to and how we’re doing it, has changed. We were asked to explore the challenges this has created for our public media – and most importantly, New Zealand audiences present and future – and what can be done about it.

We completed our work with substantial agreement across the group on the importance of public media, the issues it is facing internationally and in Aotearoa and the possible answers, including the features of a new entity.

Given our brief, our focus was on the entity and how it might work. The business case follows a prescribed process and documents in detail how our decisions were made, and the processes followed to gather information and consider options.

But over the last five months, we have spent many hours individually and collectively considering broader questions around what might make public media more durable and work better for New Zealanders.

This report, outside the constraints of that formal process, sets out that thinking and describes how an entity might evolve and operate. It also includes some of the things required to support this shift and create a stronger media sector – what we have called dependencies.

We think this is important to set out as the media environment, internationally and domestically, has changed substantially since Cabinet thought about these issues and made initial decisions at the beginning of 2020. The future described then is now a lot closer, and the need for action is more pressing.

Aotearoa has a unique public media system comprising two quite different public media entities, TVNZ and RNZ, and NZ on Air as a separate funding agency for public media content. We have looked to strengthen this and have a system that works for New Zealanders rather than looking to adopt other international models.

This paper represents our (the BCG’s) views and advice, built through our working sessions, and supported by research and analysis as set out in the Business Case. The stakeholder engagement on a possible Charter has confirmed, however, that these general areas of concern are widely shared.

The issues involved are complex and no single solution or silver bullet will address them. However, the move to a new entity is an important start. As audiences become more fragmented, a single consolidated media entity with multiple relevant brands will ensure the pillars of public media - truth and trust, and being able to see ourselves - remain.
Executive summary

Our key recommendations are that:

- This issue, of the need for strong public media and a new public media entity, is critically important if we are to continue to see and hear ourselves, have trust in our media, and a well-performing democracy – and change is needed.

- A new, single entity with a consistent public media focus and greater scale – that has more options and greater flexibility to respond to change and to reach audiences – is a key part of that change. It should:
  - Be independent, deliver on Te Tiriti obligations and serve all New Zealand, and those currently under-served
  - Receive both commercial and Crown revenue, with direct operational and content funding. Over time, the Government would provide
  - Use a range of platforms, including current radio and linear TV, to reach audiences where they are
  - Provide trustworthy news as a core service
  - Work with the wider sector to support public media outcomes and outsource where appropriate to support NZ’s media sector.

- There are some other things that can be done to support these outcomes and to strengthen the overall media sector.
  - Stronger oversight and monitoring to ensure the entity delivers and acts appropriately
  - Increasing funding to NZ on Air to increase the amount and variety of local content available
  - Providing certainty of funding for community and student media and the National Pacific Radio Trust.

- Creating a new entity is the starting point in making the change needed to have public media that works better for New Zealand, and if the decision is made to proceed, change needs to occur as rapidly as possible, because:
  - The existing entities and staff require certainty
  - The challenges and technology changes are only likely to become greater and faster
  - Whether or not the government supports change over the status quo, the financial costs of public media will increase.
The new entity
The business case was developed in line with directions set by Cabinet in January 2020. The business case process was to test the feasibility of a new public media entity with the following core features:

i. It is a single legislative entity.
ii. It has a clearly defined public media mandate and purpose, with the core functions of a globally recognised public media entity.
iii. It provides public media services across a variety of platforms, some of which will be advertising-free.
iv. It has a mixed funding model, with revenue derived from Crown and non-Crown sources.
v. It operates as a not-for-profit entity.
vi. It has statutory provisions for editorial and operational independence.

Our recommendations are that:
The new public media entity has editorial and operational independence and will deliver:

- quality, trusted public media content
- to all New Zealanders including those groups who are currently under-served and/or under-represented
- through the channels audiences choose to access
- Māori stories and perspectives in line with its obligations under the Treaty of Waitangi.

The new entity is:

- a public media entity supported by commercial revenue, not a commercial entity supported by the government
- a single entity, with a number of services and brands
- to receive direct baseline operational and content funding to support core public media services
- both collaborative and competitive with other public and private media, sharing infrastructure, resources, and content where appropriate to achieve public media outcomes
- semi-commercial, and not for profit. Commercial revenue is to be used to invest in public media outcomes and there will be guidelines in place for surpluses
- agile and efficient. It will respond to audience demand - that means both delivering new services in new ways and ending those that don’t have value.

The new public media entity will:

- provide independent, trusted, and truthful news as a core service
- be multi-platform. It will operate its own and use other platforms and services will be both online and linear
- continue to deliver current commercial-free services and radio and linear scheduled television services. On new platforms these services can be commercial, and the entity can create new commercial and non-commercial services
- maintain its public media brand (watermark) to ensure its NZ public media content is easily recognisable and accessible on any platform and/or channel
- outsource production wherever possible to support the independent production of local content
- deliver new public media content to NZ audiences free, at least on first publication
- be monitored to ensure it delivers on its public media outcomes.
Te Tiriti and Māori

From our first meeting we began discussing issues around the entity’s obligations to Māori and the relationship between our work and that of the Māori Media Shift Advisory Group (MMS) reporting to Minister Jackson.

The MMS is separate in that it is looking specifically at Māori media, but complementary in that both our groups are looking to engage Māori more effectively. In our work we have looked at the role of public media and a ‘mainstream’ public media entity around te reo, and in the representation of Māori and Māori perspectives.

The BCG and MMS Chairs met twice, and the MMS group attended part of a BCG meeting. As part of the charter consultation, the BCG Chair and other members also met with diverse members of the Māori Media sector, including the Māori Media Shift Advisory Group.

From those conversations it became obvious that there is a general view that the current public media arrangements aren’t meeting the expectations of Māori. The impression we received is that while Māori Television and iwi Radio are important and vital taonga for te reo and tikanga Māori it could be argued that the rest of the public media sector had abdicated their Te Tiriti responsibilities to those entities.

It is worth remembering where and why these entities were created and how their roles could continue to be different but be enhanced in a wider partnership with a new public media entity.

In its Te Reo Māori Report (Wai 11), the Waitangi Tribunal found that the Treaty of Waitangi was directed to ensuring a place for two peoples in New Zealand; that the Māori language must be regarded as a taonga; and that the Crown is obliged by the Treaty to take active steps to protect te reo.

In December 1993 the Crown accepted that the principles of the Treaty of Waitangi impose a continuing obligation to take such steps as are reasonable to assist in the preservation of te reo Māori using both radio and television broadcasting.

The Māori Television Service is a result of the policy developed for protecting and promoting te reo Māori on television and a place in which te reo Māori me ngā tikanga Māori have a secure home. However, this does not minimise all other public media’s responsibilities to acknowledge and support Māori language and culture.

The new public media entity will be required to continue and enhance the Crown’s delivery on its Article Two responsibilities and to deliver the government’s goals of Maihi Karauna. It should also showcase Māori perspective in all genres and celebrate the successes of Māori in balance with their challenges so that all New Zealanders gain a greater understanding of our indigenous people, their history, and their stories – both past and present.

We heard that the creation of a new entity provides the opportunity for a Te Tiriti partnership model in governance and management. Some suggested that this form of governance would alleviate many other concerns around content, representation, and partnerships. Some BCG members think that this is a decision for Government and not part of our mandate, but some members feel strongly that this opportunity is one that will impact on the entity’s ability to meet all of its critical success factors.
1. Public media

While the Business Case process was focused on a possible new public media entity, the role of an entity and how it might operate sits within broader considerations around the provision of public media content, the health of the overall media sector, and what New Zealanders need from public media.

For us this came down to two essential parts:

1. trusted news. Information about Aotearoa and the world that helps people keep up to date with events and understand what is happening, and that ultimately allows our democracy to function effectively
2. local content. The programmes and shows that reflect our unique society, allowing people to see and hear themselves and each other, and that help build our culture.

(At various stages in the process, to test our thinking, we talked about the ‘Armageddon scenario’. What was the minimum we would want a public media entity to provide if, for whatever reason, there was a collapse in media provision? We always came back to trusted news, and New Zealand content – documentary, drama, music, comedy etc.)

We recognise that public media content is also provided by community and private sector media entities, and they both also make a valuable contribution to public media outcomes by reaching specific audiences and providing a wider range of views and perspectives.

We’re also realistic. People choose to access all sorts of content – from the Olympic Games to Sweet Tooth, to Coronation St – and that RNZ and TVNZ currently play and provide a lot of international material and that this will continue. Our group is in no way taking a purist or prescriptive view about the worth of certain programming or content over another.

But without overstating, considering a public media entity and what it needs to do within our society continually reminded us just how important our media is and that our work wasn’t just about a change programme, a new entity, or even just public media.

We had to keep thinking about the critically important issue of the role of the media sector and how it supports our society and democracy function in this internet-dominated world. In other words, what helps New Zealand (see, hear about, reflect on and) be New Zealand.

Its strengths

Public media content in Aotearoa is watched and listened to and valued. New Zealanders also trust our news media, and our public media in particular.

While internationally and in New Zealand, trust levels are declining over time, we have higher than average trust in news – 48% here against a survey average of 38% in 2021. Australia had 38% trust levels, the USA 29%, and the UK 28%.

When looking at the trust ratings of various news outlets in New Zealand, there are positive ratings across the board, but with our public media, Radio NZ and TVNZ, on top (By contrast, few New Zealanders trust the news they find via search engines (26%), or social media (14%). These levels are comparatively low internationally).
Similarly, while the number of people watching and listening to linear television and radio is falling over time, there are still a large number of viewers and listeners. A lot of people watch live TV every day and on average they watch for more than two hours a day. Through the middle of last year, when viewer and listener numbers were up across the board, TVNZ’s live show One News had an average audience of around 750,000 each night (TV3 News drew a linear audience of 240,000.)

The latest figures show RNZ having a cumulative weekly broadcast audience of 602,000 (100,000 fewer than through the COVID bump last year), behind the live audience total for the Breeze (671,000) Newstalk ZB (651,000) and the Edge (631,000).

In addition to this, both RNZ and TVNZ have significant online audiences. TVNZ on Demand has a growing audience, reaching one in five New Zealanders daily last year (21%, up from 13% in 2018). And in a typical week, nearly 1.1 million users accessed rnz.co.nz, 325,000 RNZ’s YouTube channel and 102,000 RNZ mobile apps.

Whether or not people watch or listen to New Zealand content, they believe that it’s important to have it available.

Close to 90% of people think it is important to have free-to-air, publicly funded television content, nearly 60% believe RNZ provides a valuable service and three-quarters of New Zealanders agree that it is important to have a public service broadcaster.

So, while this programme of work is in large part driven by technology change, there is still a large market for – and real value in – existing services and forms of delivery.

Public media in the form of traditional broadcasstradio and television provides individuals with companionship and connections, is still often the backdrop to family time, and ensures shared experiences right across our society – from election night through to the Olympics. Though it was a decade ago, as an example, two million people (across four channels) watched the first game of the Rugby World Cup, the All Blacks v Tonga, live in 2011.

We also note that while New Zealanders have ready access to a huge and international range of content and news, they share a domestic news media that is covered by rules of balance and accuracy. This is different from those countries where there are fragmented media markets and people choose partisan media that reflect their own political views.
The issues

Audience. Audience expectations regarding when and how they access content, and the quality of content, have evolved. If we don’t have relevant public media content available on the devices or platforms people use, we don’t reach them – hence they’re ‘underserved’. There are several key audiences who are underserved by current public media content: 15-24 year-olds; Pasifika New Zealanders; and Asian New Zealanders.

Māori are large consumers of live television and are generally better served by public media content than these groups, but still not as well served as Pākehā. There is also an issue of groups being ‘under-represented’ or ‘poorly represented’. For example, they might listen to public media, but not hear themselves on it; or how they are generally portrayed is inaccurate and/or negative.

Given public media, by definition is at least partly publicly funded, this creates an issue of fairness. While audience figures show public media still reaches a lot of people, some groups are well served by what we currently have, but others are not. In the future that’s something that we need to balance. Public media is for everyone: it’s about reflecting, as much as possible, all of our communities and combined culture.

As a small, predominantly English-speaking country, it is also important not to lose our distinct voice in a sea of internationally available English language content.

These issues of access are on top of the perennial ‘complaints’ people have around public media -read TV. They want fewer ads, and to see and hear more of what they want. According to research, this means more documentaries, current affairs, comedy, and drama. The largest viewing ‘gap’ is in sport – i.e., people don’t watch much sport on TVNZ compared to other television outlets.

Technology. The internet and technology have changed what we’re watching and listening to and how we do it. This trend is accelerating and is now occurring across all demographics. For younger generations, who have grown up in the digital age, the change is even more stark.

Demographics

The ‘average’ figures referred to contain a very wide range of results, and differences, between various ethnic and age groups.

Age is the main differentiating feature in media consumption. For example, while on average 61% of NZers watch linear television each day, only 38% of those aged 15-24 will. By contrast, 91% of younger people will watch online TV or video content. Similarly, only 36% of ‘youth’ listen to live radio daily, but 88% will stream music. For older people (45+), 79% watch live television daily, 59% listen to live radio, 37% watch online TV or video content and 22% stream music.

The media New Zealanders consume reflects the devices and platforms available to them. Eight in 10 New Zealanders have a smartphone, laptop or PC, and television. Household access to Netflix is now as widespread as to a radio.
<table>
<thead>
<tr>
<th>Device/Platform</th>
<th>Access Percentage</th>
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<tbody>
<tr>
<td>Smartphone</td>
<td>81%</td>
</tr>
<tr>
<td>Working TV</td>
<td>78%</td>
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<tr>
<td>PC/laptop for personal use</td>
<td>77%</td>
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<tr>
<td>Working radio</td>
<td>61%</td>
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<tr>
<td>Netflix</td>
<td>61%</td>
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<tr>
<td>Tablet</td>
<td>48%</td>
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<tr>
<td>Smart TV connected to internet</td>
<td>46%</td>
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<tr>
<td>Chromecast or similar</td>
<td>37%</td>
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<td>Sky TV</td>
<td>33%</td>
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<td>PVR</td>
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<td>Games console</td>
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<td>Lightbox</td>
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<td>FreeviewPlus/MyFreeviewPlus</td>
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<td>Apple TV</td>
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<td>Neon</td>
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<td>Vodafone TV</td>
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This could simply be seen as a continuation of the technology disruption and change in consumer behaviour that all societies and businesses deal with. However, as described earlier, the media is not just another sector. That is why all democracies have public media and why a number of countries are looking at ways to modernise and strengthen their media systems.

A key problem is that digital disruption is occurring with news as well as content, with people often using the same internet platforms for both – i.e., they access ‘news’ from the same sources as they get their entertainment, without the delineation that still occurs with regulated news media. As the ‘social media’ name suggests, the likes of Facebook, Twitter and YouTube were designed for personal interactions and are not set up to differentiate between opinions and information – or, in many instances, the worth (or truthfulness) of any opinion compared to another.

**Financial.** Media organisations in all countries are facing financial challenges as they respond to rapidly changing audience habits driven by technology shifts, and the impact of on-line content providers and platforms.

Our public media are being forced to compete for audience attention and advertising revenue with the FAANGS - the dominant US-based but near global internet media companies (Facebook, Amazon, Apple, Netflix, Google, and Spotify, along with Disney+, and YouTube Premium).

This increased competition has significantly reduced the share of revenue (advertising, subscription, and sponsorship) available domestically, with private and government spending on advertising moving away from traditional media. Half of New Zealand’s advertising spend of $2.4 billion in 2020 was on digital media.

With TVNZ currently 95% funded by commercial revenue, the decline of ad revenues is a significant issue, as is the size of the FAANGs and their capacity to spend on content.
Scale

All public media entities, even the largest like the BBC, are no longer the biggest players domestically, but national players in a global market. The BBC has a large international audience on top of a domestic population of 68 million. Last year, it spent nearly $NZ5.5 billion on content production. Netflix and Disney+ together spent five times that - $NZ27.5 billion (The BBC is funded by 25 million households paying an annual license fee of $NZ310. Netflix has more than 200 million international subscribers and Disney+ 100 million).

In Aotearoa, NZ on Air spends around $100 million annually on NZ-made content, and a part of TVNZ’s $2.4 billion programming budget is also for domestic content. Meanwhile, it is estimated Amazon is spending as much as $1 billion on a single Lord of the Rings season.

New Zealand’s overall public media spend per capita is relatively low and real funding per capita has been inflation adjusted but has declined steadily over the past decade. Public funding for local content has not kept pace with the cost of production.

Until recently, the dominance of TVNZ in the local market and its ability to earn advertising revenue (of nearly $400 million a year) has mitigated and perhaps obscured this challenge. Now, both these positions are under threat.

The ‘counterfactual’

In considering the costs and benefits of change, it is important to also consider the costs and benefits if change is not made. Rather than the status quo, which simply assumes that current arrangements continue, we wanted to evaluate a more realistic view of the cost of not making any changes to the current public media arrangements. In the business case we have called this the ‘counterfactual’.

Whether or not there’s a move to a single entity, linear television advertising revenue will reduce. This will be driven by a continued audience shift to online platforms from linear TV; TVNZ’s (or the new entity’s) market share in linear advertising diminishing; and returns from advertising from digital platforms unlikely to reach the mass market of free-to-air audiences and the attached premiums.

This is a major cost that needs to be addressed, but if the status quo were to continue, new Crown funding will be required to support TVNZ, RNZ and NZOA to remain operational under existing settings, that is, if they were not to reduce current content provision and programming.

Additional capital funding is also required to support the continuation of the status quo. This is to invest in the new platforms that TVNZ and RNZ want to build and to upgrade some ageing existing infrastructure.

The business case includes forecasts that to maintain the status quo, significant extra operational spending - $2.4 billion - would be required to cover the loss of advertising revenue and rising costs. $2.4 billion would be required

Our public media system is not structured to deal with these challenges. The current laws governing how public media operate were devised before the turn of the century and importantly, the advent of internet media. As a result, they are focused on linear delivery and services for TVNZ and RNZ respectively.
These legal frameworks are restrictive, encourage a series of individualised and unconnected responses to the audience challenges that both entities are facing, and limit RNZ’s and TVNZ’s ability to collectively respond and innovate.

Of course, their business models are also different with TVNZ being a commercially focused operation and RNZ being publicly funded and having a far stronger public media focus. This also means that the two organisations have distinct and separate cultures.

This isn’t about criticising the management, behaviour or focus of these two entities (or NZ on Air) but to point out the failures of having a prescriptive and outdated public media system with separate mandates, objectives and funding mechanisms for the major entities involved. Both RNZ and TVNZ are innovating to deal with change, but necessarily, they are doing this separately.

Increasing public funding alone would not address the issues identified as the existing models are unable to deliver efficiently and effectively given the duplication of funding, resources, and infrastructure. With our current public media structure, a $1 investment would not necessarily see a $1 return.

**2020 highlighted these issues**

The media environment and the structure of the sector have changed considerably since late 2019 when Cabinet last considered these issues and made initial decisions to look at the feasibility of a single media entity. The pace of change has accelerated and for all of the market the future has become closer, if not always clearer.

The COVID-19 lockdown resulted in more New Zealanders moving online and 2020 was the cross-over point where online platforms overtook our traditional media platforms in terms of engaging with the largest daily audiences.

At the same time, there was an increased desire for access to reliable information about New Zealand’s health response and an increase in the use of traditional news media. TVNZ news updates were the most widely used and trusted source of information during lockdown. This trend of higher media access and ratings was supported by the desire for information through the general election process.

In the media sector, the last two years have seen very high-profile issues around the profitability of traditional media (exacerbated by the impact of the COVID lockdowns) and ownership changes. Stuff was sold to its staff for $1, Television Three was sold to the US Discovery network and the Mediaworks radio business separated, and all these businesses – and TVNZ and RNZ – received new or extra government funding. This was through the $50 million support package for media entities to help them manage the impacts of COVID and/or through the $55 million public interest journalism fund to provide transitional support to news media.

The same issues around changing media ownership and around information and trust have been playing out internationally, with the major industry trend being the shift to further conglomeration. The most notable in terms of impact in Aotearoa is the merger of Discovery with WarnerMedia, which has created a $US150 billion business, Warner Bros. Discovery.

(An unusual outcome from all of these, in some instances contradictory, pressures and events is that TVNZ could well be in its strongest ever commercial position. However, it cannot be assumed that the conditions that led to this position – including its dominant market position over the past few years – will continue.)

The pandemic and US election also highlighted the issue of misinformation, though similar trends are playing out across most societies, including here.
Misinformation and trust

A report from the Chief Censor released in June showed that 82% of New Zealanders are concerned about the spread of misinformation here. 83% believe that social media users often spread misinformation, 69% that social media corporations do, and 29% that New Zealand news media do. (The same research shows 61% trust domestic news media.)

84% think something should be done about addressing misinformation and 55% that Government agencies are best placed to do this.

Separate research from JMAD also shows concern about poor journalism. 90% of respondents said they were concerned about factual mistakes, dumbed down stories, and misleading headlines and clickbait.

What has happened over the last year and a half, nationally and around the world, reinforces the need for a legislative framework, and entity structure, that can deal with the range of issues identified - and accelerating change.

Ideally, this framework should not be too prescriptive. It would put in place the rules, the outcomes required, and focus and structure of the new entity and then provide it the freedom and flexibility to get on with its job.

Sources

- Information on audiences comes from a Kantar report prepared for the Strong Public Media programme and is based on a range of research, including that commissioned by NZ on Air

- The public trust ratings of media and peoples’ views on media performance are from: Myllylahti, M. & Treadwell, G. (2020). Trust in news in New Zealand. AUT research centre for Journalism, Media and Democracy (JMAD).
  
  Available: https://www.aut.ac.nz/study/studyoptions/communication-studies/research/journalism-media-and-democracy-research-centre/projects

- The figures on misinformation are from the Classification Office report: The Edge of the Infodemic: Challenging Misinformation in Aotearoa, 30 June 2021
2. The public media entity

We believe a single entity is required as the first step towards meeting these challenges and to provide, as much as possible, a strong public media presence here. It would make New Zealand the first country to design a new organisation fit for purpose in a post-internet world.

Others are trying to update their media systems. We are recommending building a new organisation with a new mandate to operate in a new way.

The organisation will have public media principles at its heart, but it is very much looking to the future in terms of how it operates and reaches audiences. The entity we envisage is outwardly focused – on audiences, outcomes, and its role within the wider New Zealand media sector.

We want it to be able to work in an era of unprecedented competition and media conglomeration and allow the greatest possible flexibility in terms of its relationships and the platforms and services it offers.

The benefits

We believe that, across the board, audiences, the sector, and New Zealand will benefit from a new entity with the characteristics we have described (page 3).

Current audiences will still enjoy the same services they do now, with both linear television and radio continuing – and current ad-free content on these platforms remaining advertising free. (This criterion, that current commercial-free services will remain commercial-free, had been set by the Minister for Broadcasting and Media.) People will also be able to reach this programming in other ways, for example through video-on-demand, podcast, and streaming services, as well as through other third-party distributors, and there will be a strengthened news service offering content across these different platforms.

This means there will be more New Zealand content where and how people want it and those currently under-served will have a better chance of seeing and hearing themselves. (This outcome would be supported by increased funding for content production. This is why we also suggest an increase in contestable funding for NZ on Air.)

Continuing with the current platforms and the mixed funding model means that there shouldn’t be much disruption for the staff of the existing entities – for example radio production and being able to sell advertising are still required skills. The culture of both organisations will need to shift, but there is no reason that this cannot be achieved with the right leadership.

There would be better use of Crown investment with the entity having clear and consistent objectives, greater scale, scope, and flexibility and integrated - rather than duplicated - infrastructure and offices, management, and governance. Also, there would be only one entity investing in new infrastructure.

One of the parameters around our work, and the reason that we are clear the entity is a public media entity, is that it should operate in a way that complements and collaborates with other media including private media. For instance, to reach youth, the entity may want to partner with student radio; for Pacific audiences, the Pacific Media Network.

This approach stretches to outsourcing, with the entity required to use a significant amount of external talent and production capability, for example, rather than expanding in-house production. At the same time, it will have a role in training and talent development across the sector. There will be an opportunity for community and other media to leverage the entity’s resources, infrastructure, and content.

To illustrate what this might look like, without pre-judging any decisions that ultimately sit with the entity, or exaggerating the amount of immediate change there will be, after establishment people could, without charge:
• watch 6pm news on linear television (with advertising, but without sponsorship), and Seven Sharp or Shortland St
• listen to Morning Report (without advertising)
• watch the latest NZ music (and archival clips) through the entity’s streaming service and via curated podcasts
• read the latest news on the entity website, and hear this every hour on the radio
• listen to Concert radio
• watch and listen to archival and new TV and radio podcasts through a shared on-demand internet portal
• access, across different platforms, news stories from their region or community (and/or language) provided by partnership arrangements with local media.

We assume that the current brands associated with this content and programmes, and with RNZ and TVNZ, are likely to continue for some time. However, we would hope that the focus and quality of the entity would mean that in 10 years, or 5, it has developed a strong brand so that no matter where people access New Zealand content – online through its own platform, on its linear services, or via, YouTube, Netflix, or the latest version of Tik Tok - they will identify that they are watching and listening to quality New Zealand content that is made for them.

**Content**

In a world where enormous volumes of content are being produced, we want New Zealanders to help create and find the news, entertainment and information which reflects their lives. That is what gives insight and creates connections.

This means creating an entity which not only provides a home with many different rooms for people to feel comfortable in, but one which is also prepared to spend time with them in the places they already enjoy. As a result, the entity will have the flexibility to have a range of its own great brands and services, but it will also collaborate with others to meet the needs of New Zealanders.

The concept of a home is important. A large minority of people state they would watch more New Zealand-made content if it was available on demand and easily accessible, or if there was one place to go for it. A single home also helps in building awareness. Most people are relatively satisfied with content they consume, and a lot of the potential audience don’t actively search for content even though there is content available that they would be interested in.

What we have tried to do, and it has been difficult, is not be arbiters of taste. Some people feel incredibly strongly about Concert radio and others don’t listen to it. A lot of people watch publicly funded reality shows, others really don’t like them. Those sorts of things, and our personal views such as the need to ensure drama and children’s content is produced, had to sit to the side while we considered structural issues – how people can access what they want. Content is what tends to get people excited; what we are looking at is the system that provides that.

**Funding**

While meeting the public media objectives and the outcomes described are the major objective, the entity’s proposed design and funding is intended to spend taxpayer money as effectively as possible, to minimise costs and particularly, future funding shocks to government.
However, to build stronger public media, it is necessary to spend more. Whether or not there is change and a move to a new entity, the cost of public media is growing, and we do not see a scenario where government funding won’t be increasing.

A single entity, operating as an Autonomous Crown Entity, is proposed to ensure efficient and effective spend on future public media. Over the 30-year window of the business case it is forecast the entity would be funded.

Over the next five years (through to 2025/26), which is a more certain period to forecast, the entity would be funded.

To ensure that the new public media entity is able to provide a minimum service in a worst-case scenario, such as a rapid collapse in advertising revenue, the business case recommends that it “directly” receive as baseline Crown funding.

This provides a base of funding for content, ensures that current commercial-free services can be retained and means that the entity isn’t distracted during the change and integration process. The Group is committed to the idea that the new entity requires certainty of funding, especially during the start-up phase. This allows its board and management to focus on change, the entity’s role, and outcomes, rather than a drive for commercial revenue.

Greater certainty is also provided to commercial media, which provides the incentive for the entity to make money in order to spend it and to innovate with commercial services and maintain revenues, including from linear TV, for as long as possible. The entity won’t be
constrained from charging for any new services, though of course it can also create new free-of-charge public media content and services.

In the short term, these funding arrangements should mean that there is minimal or no extra cost to the Crown apart from change and implementation costs.

Certainty of funding may also assist in the production of content. At present NZ on Air funding is accessed annually and it can be difficult to ensure the availability of scarce and costly talent to produce the 2nd (and 3rd) seasons of shows. Being able to enter arrangements for a ‘season and a half’ could reduce fixed costs and ensure the availability of both production and creative talent.

This mechanism is also important in setting the basis for monitoring delivery on public media outcomes.

Internationally, there are other funding methods for public media that supplement (or in some cases replace) taxpayer funding through government Budget rounds. The reasonably long transition to greater government funding for the new entity provides a window for any future government to consider these options in the future.

**Change**

We spent considerable time looking at the change process and what would be required to transition to a new entity (the ‘Management case’ within the overall business case).

Simply, we want the entity to work and the window of opportunity to stabilise our public media sector in the face of the challenges from the global giants is shrinking. We are also conscious of the possible impact of the shift on staff at both RNZ and TVNZ and that both organisations are still obliged to fulfil their current mandates and continue to operate effectively. It is particularly important that TVNZ retains a focus on maintaining commercial revenue through any transition phase.

As mentioned, a challenge for the new entity is that it would be building around what are currently two separate operations and cultures. The change process needs to recognise this and sell the vision – and benefits - of the new entity to staff. The opportunity it represents is greater than either RNZ or TVNZ can independently offer.

The Group feel strongly that action now is critical and that the change process needs to be as fast as possible while allowing a new entity board to build on what’s working and develop its business model. (Of the various dimensions that were considered when looking at the best option for the entity, the timeline for the change process was a major differentiation.)

This sentiment is echoed by the two organisations themselves. They have been engaged in the process and support the progress that has been made and are asking for this pace to continue.
3. Considerations and dependencies

Dependencies

Monitoring – Our proposal is to create an entity with greater scale, flexibility, and scope. It needs that size to provide the range of services required, and as we have noted, it will be anything but large compared to its international competition.

But the entire New Zealand media market is small, and we want other, private media organisations to succeed as well, so the entity’s role in the sector has to work. In part, this will be managed by the proposal for its charter to include a description of its relationship with the rest of the media sector and how it is to behave and operate. (This is not something that is in the current RNZ charter.)

We believe other mechanisms and controls are required to ensure these intentions are met.

At present, a number of pieces of legislation outline a variety of monitoring agencies with various roles. NZ on Air, for example, monitors audience, but not entity performance or behaviour. To be clear, these are not NZ on Air’s responsibility at present.

The form of the new entity, an Autonomous Crown Company, determines some of the governance and oversight arrangements that will be in place if it is created. The entity will annually produce a Statement of Intent, and an Annual Report and its funding agreement will allow the Minister to set measurable performance expectations. These arrangements are in addition to the defined purpose, objectives, operating principles, and outcomes that will be set out in the charter.

It is also assumed that there will be a mechanism for reporting on public expectations and levels of satisfaction with the services provided by the entity.

However, further work is required through the next phase of the programme to consider the detail of an appropriate monitoring regime.

Success for this entity is about more than ratings or revenue and monitoring will need to deal with both objectives (for example, how it is delivering to under-served and under-represented audiences) and operating guidelines (for example, having appropriate mechanisms to ensure that the entity uses its content funding to deliver an appropriate range of programmes).

Considerations

We are also suggesting changes to the funding of NZ on Air and community media to improve public media outcomes, and that government consider some other issues around the sector that may affect the operation or impact of the new entity.

NZ on Air – NZ on Air’s role was not considered as part of the new entity and the business case, and we heard that it performs its current role well. However, as the major funder of public media content, our proposals would impact it and it, too, needs to be configured appropriately for the 21st century.

(Ideally, this needs to be thought about alongside the other government entities that fund the creation of local content, in particular Te Māngai Pāho (TMP) and the NZ Film Commission.)
There is a good reason, historically, for differentiating between film, television and radio, but in the modern multi-media and multi-platform environment it seems arbitrary to differentiate funding for content on the basis of how it might be consumed. As with monitoring arrangements, funding is a maze, with NZ on Air, TMP and the Film Commission receiving money from the Ministry of Culture and Heritage, MBIE, and Te Puni Kokiri.

To support NZ on Air’s role in the media system, and to increase the range of public media content produced (especially for under-served audiences) we recommend it receive additional funding of $9(2)(f)(iv). As it is not funding directly linked to the new entity, this is not included in the business case. If the Government agreed with this, the extra funding for NZ on Air would need to be sought separately.

Community media – At present, three major community media groups, CAMA, the National Pacific Radio Trust and student radio, receive funding via NZ on Air. While the amount they receive does not appear to significantly change year-to-year, all of these groups are required to apply for their funding annually. We believe, as with the new entity, they would all benefit from certainty of funding and recommend that this be guaranteed on a three-yearly basis but still be facilitated via New Zealand on Air so that the current relationships and supports are maintained.

Distribution - The distribution/transmission systems were out of scope of our work, which means we haven’t considered Kordia and the Telecommunications Act. We are aware, however, that distribution costs are significant for the entity. There are also wider issues to consider around how audiences will be able to receive services in the future, especially with a likely shift to more internet-based delivery. One of the characteristics of public media entities is that their content services are universally available at no cost to the consumer at the point of use. Current satellite and terrestrial distribution provide content services universally (or nearly so) to all New Zealanders on this basis. Telco-based services do not do this.

These are longer-term considerations, but important, especially with one of RNZ’s current responsibilities (which would be carried over to the new Entity) being to provide Lifeline Utility services in emergency situations.

Other commercial matters – The formation of a new entity will provide greater insight into the asset base and the opportunities around it. This includes significant land holdings as well as the commercial properties.

Similarly, the future of Freeview (which does support content to some niche and underserved audiences) requires further thought.

Archives – The creation of a new entity and the changes to legislation required provides an opportunity to articulate the entity’s obligations to archive content and potentially improve access to the wealth of New Zealand ‘broadcast’ content currently held in archive. At present, there is a patchwork of legislation covering this area and access is complicated by TVNZ’s commercial focus and issues around copyright for some material. The review of NZ on Air last year said that its archives include 4,500 projects (excluding music) worth $2.4 billion, and this is only some of the material held.

The updated legislative provisions required to establish the new Entity, will include updated provisions for archive material “owned” by the new Entity – this will include existing TVNZ
and RNZ archive material. However, we believe there is opportunity beyond updating the legislation, to enhance New Zealanders' access to this material.

**Diaspora** – The group has focused on the ability of a new entity to serve New Zealanders and audiences in Aotearoa, and not on the capacity to take NZ-made content to the world. But our large diaspora, particularly in Australia, is a very real audience for the new entity and government should seriously consider ensuring the ability of New Zealanders overseas to access content from the new entity.
Conclusion

We are excited about the possibilities around creating a new public media entity. As we have set out in this paper, there are significant challenges to address. However, the solution we have put forward is not just about solving a problem - there’s an opportunity to create a stronger, more sustainable, and more effective media system.

New Zealanders value public media and want it to be strong.

Other countries are trying to respond to the same issues, but their responses are largely around regulatory settings and in trying to keep the threats at bay. New Zealand is the first country to look to create a fit-for-purpose entity for public media in the 21st century.

Our business case is about building a new organisation with a new mandate to operate in a new way – one that takes account of the huge shift that’s going on with technology, platforms and what people want to see and hear. And we’re accepting these changes – and the opportunity they provide to better meet the expectations of New Zealand viewers and listeners - rather than thinking we can build a wall around us.

It’s impossible to predict with accuracy what will happen in this space in the next few years, and therefore what is required. But an enhanced public media entity with a clear focus and the funding and flexibility to adjust its offering provides a robust response. Aligning the current mandates and funding through this entity will also provide better value for money for taxpayers and minimise the risk of continuing without change.

Importantly, we want to continue the ability of our public media to make content by, for, and about New Zealanders and to provide quality, independent news that holds decision-makers to account. We see the proposal in the business case and spending in this area as an ‘infrastructure’ investment. In this case, however, it isn’t so much about bricks and mortar as in the shared experiences and stories, and the trusted and factual information that our society and democracy are built on.

The continuing appeal of RNZ’s and TVNZ’s existing services provide a strong basis upon which to build the future. The current models are creaking rather than breaking. But they are creaking, and the pressures will only increase.

That is why now is the time to make change.

We hope that New Zealanders will think that the approach we have set out might provide a way forward.

The BCG was:

Michael Anderson, Dr Trisha Dunleavy, William Earl, Sandra Kailahi, Bailey Mackey, Tracey Martin (chair), John Quirk and Glen Scanlon.

The Group was formed on March 31 and met that day to be briefed on its work. After that it held nine formal working meetings in Auckland, Wellington and via the internet, starting in Auckland on April 11.

Its final meeting was on August 24.