

Hon Willie Jackson

Minister for Broadcasting and Media

AIDE MEMOIRE: Strong Public Media Overview and Update

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Contact	Liz Stewart, Director, Strong Public Media Programme, 9(2)(a) [REDACTED]		

Purpose

- 1 Attached, as **Appendix 1**, is an overview of the Strong Public Media (SPM) covering the following:
- Cabinet considerations 2020
 - The issues
 - Cabinet decisions 2022
 - Benefits
 - Timeline
 - Establishment phase
 - SPM May Status report
 - Immediate next steps and considerations.

Liz Stewart
Director
Strong Public Media Programme

Noted by Hon Willie Jackson
Minister for Broadcasting and
Media

Date:

Appendix 1: Strong Public Media Overview and Update

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**Manatū
Taonga**

Ministry
for Culture
& Heritage

Strong Public Media



SPM Overview and Update

Date: June 2022

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Strong Public Media: *Background*

Cabinet agreed problem definition:

New Zealand media are increasingly unable to meet the needs and interests of New Zealand's dynamic and diverse population.

The availability of digital content from international platforms has increased audience choice and changed when and how they access media content.

This increased competition has significantly reduced the share of revenue (advertising, subscription and sponsorship) available to New Zealand media.

In addition, public media funding has remained static, meaning that this funding is diminishing in real terms. Further, public funding for New Zealand content has not kept pace with the cost of production.

Cabinet agreed outcomes:

New Zealand audiences choose to access mainstream and targeted content and services that support:

- needs and interests as people living in Aotearoa, including Māori, Pasifika, and under-served audiences,
- ability to be informed and engaged members of our participative democracy and open civic society,
- access to a diversity of content they value and trust.

Public media in New Zealand are:

- operationally and editorially independent,
- securely and sustainably funded,
- able to respond effectively to an evolving operating environment and relevant to changing consumer preferences, in particular younger audiences,
- Complement and collaborate with private media.

Public media play an integral role in New Zealand:

- a connected, informed, cohesive, and independent nation,
- a healthy, participative democracy.

Cabinet agreed parameters:

- Single legislative entity
- Clearly defined public media mandate and purpose
- Provides public media services across a variety of platforms
- Mixed funding model
- Not-for-profit entity
- Editorial and operational independence
- Advertising-free services will continue to be advertising-free
- Informed by a detailed business case.

Competition and audience

The internet, new technology and the growth of the huge social media and online media companies is changing what people are watching and listening to and how they do it. There is a continuing shift to online services.

Internationally, traditional media is under pressure as it competes for audience and revenue with the FAANGs and public media in New Zealand is no different, with RNZ and TVNZ facing the same challenges around how people access and consume media. TVNZ and RNZ still have large audiences, but they are slowly declining.

- More New Zealanders - across all age groups - watch video on demand like YouTube each day than watch television. 2020 was the year when the majority of us crossed over from traditional platforms to online media
- More households have access to Netflix than a radio and people are just as likely to watch content on a laptop, computer, or smartphone as on television

For children and young people, the change is even more stark. For them, and for some other audiences, our public media doesn't work.

- Young people do not use traditional media. Just over a third watch TV or listen to the radio each day – while more than 80% of 15–39-year-olds (around half the total population) use online video daily
- This is also the case for some of our largest ethnic groups, notably NZ Pacific and Asian communities

These are significant issues because of the role public media plays in our democracy, by providing trusted news and information; and by supporting, reflecting and connecting our people and culture

Trust

The growth of social media and misinformation is worsening these problems.

- 82% of New Zealanders are concerned about misinformation (Censor's report June 2021). 83% believe social media users often spread misinformation; 69% that social media corporations do.
- 84% think something should be done about addressing misinformation and 55% that Government agencies are best placed to do this.

While New Zealanders value public media, trust in our news media, including RNZ and TVNZ, is decreasing.

- Whether or not people watch or listen to local 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. Three-quarters of NZers agree that it is important to have a public service broadcaster.
- Nationwide trust in the media fell from 53% in 2020, to 45% in 2022. (AUT April 2022).
- RNZ was the most trusted, at 6.2 out of 10, down from 7.0 in 2020. TVNZ dropped to 5.9, from 6.8 in 2020. Stuff and The New Zealand Herald both scored 5.7

Structure

There are also issues with the way our public media is currently structured.

- Our two current public media entities, RNZ and TVNZ, were established as separate state broadcasters built around radio and television and their legislation is focused on these platforms rather than audiences.
- Investment in new technology is required and costs, including content productions costs, are increasing

SPM: Cabinet Decisions 2022

The new entity

In Feb 2022, Cabinet decided a single new, independent, public media entity will be created. It will provide many of the current services of TVNZ and RNZ but be built for the 21st century, so it will be digitally focused and multi-platform.

The entity will have a charter, in legislation, that sets out its purpose, objectives, operating principles, and outcomes. Delivery on the charter is the entity's priority.

Operational decisions will be made by the new entity, but it will be expected to:

- provide quality public media content to all New Zealanders, including groups who are currently under-served or under-represented
- content will be 'freely available and accessible'
- provide independent, trusted, and truthful news as a core service
- use a range of platforms, including current radio and linear TV and those of third parties, to reach audiences how they want
- support the Crown's Te Tiriti obligations and provide Māori stories and perspectives
- outsource production where appropriate to support the independent production of local content
- collaborate with and support the wider New Zealand media sector where appropriate.

The entity will have a mixed funding model. It will receive Crown funding model. It will seek commercial revenue to deliver on its public media outcomes and operate sustainably.

Editorial independence

A foundational principle protected by: specific statutory provisions protecting entity from Ministerial direction/removal of Board members because of editorial matters; the entity's organisational form; and expectations in the entity's charter.

Current provisions for RNZ relating to independence from commercial influence replaced with charter provisions of editorial independence, impartiality and balance (reflecting different funding model).

Māori-Crown relationship

Existing obligations under Crown entity framework plus specific provisions relating to:

- Board appointments; engagement with Māori on relevant matters; and collaboration with Māori media organisations
- Provisions in charter relating to delivery of te reo/tikanga Māori content to broad audiences, and provision for Māori audiences.

Organisational form/governance/monitoring

The entity will be an Autonomous Crown Entity (ACE).

The Minister for Broadcasting and Media is Responsible Minister; Minister of Finance also has a role.

Standard Crown entity reporting requirements will be supplemented by:

- a specific requirement for annual reporting on charter and other statutory obligations in its annual report
- a requirement to obtain and take into account audience feedback
- five-yearly review of the charter and the entity's performance by Parliament.

NZ on Air

The proposed charter for the new entity aligns with NZOA's statutory mandate as set out in the Broadcasting Act.

There will be a requirement for both NZOA and the new entity to collaborate to achieve key objectives. This is to ensure NZOA and the new entity work together closely to ensure that there is no duplication or gaps in the funding of content.

The wider media sector and collaboration

As a public media entity, the new organisation has a role to support the wider media system in Aotearoa, particularly where other businesses and organisations are delivering public media outcomes. The entity's charter will describe its role in working with and supporting the media sector.

It could do this in a number of ways including:

- forming alliances or partnerships with other organisations
- outsourcing appropriate services to support industry growth, for example, using external talent and production capability rather than relying on in-house production.
- allowing others to access its infrastructure, including its digital platform, to share and support the ongoing investment in new technology
- investing in strategic, system-wide capability - for example, offering training and cadetships for journalists, who could then take their skills to other private or public media entities.

Benefits

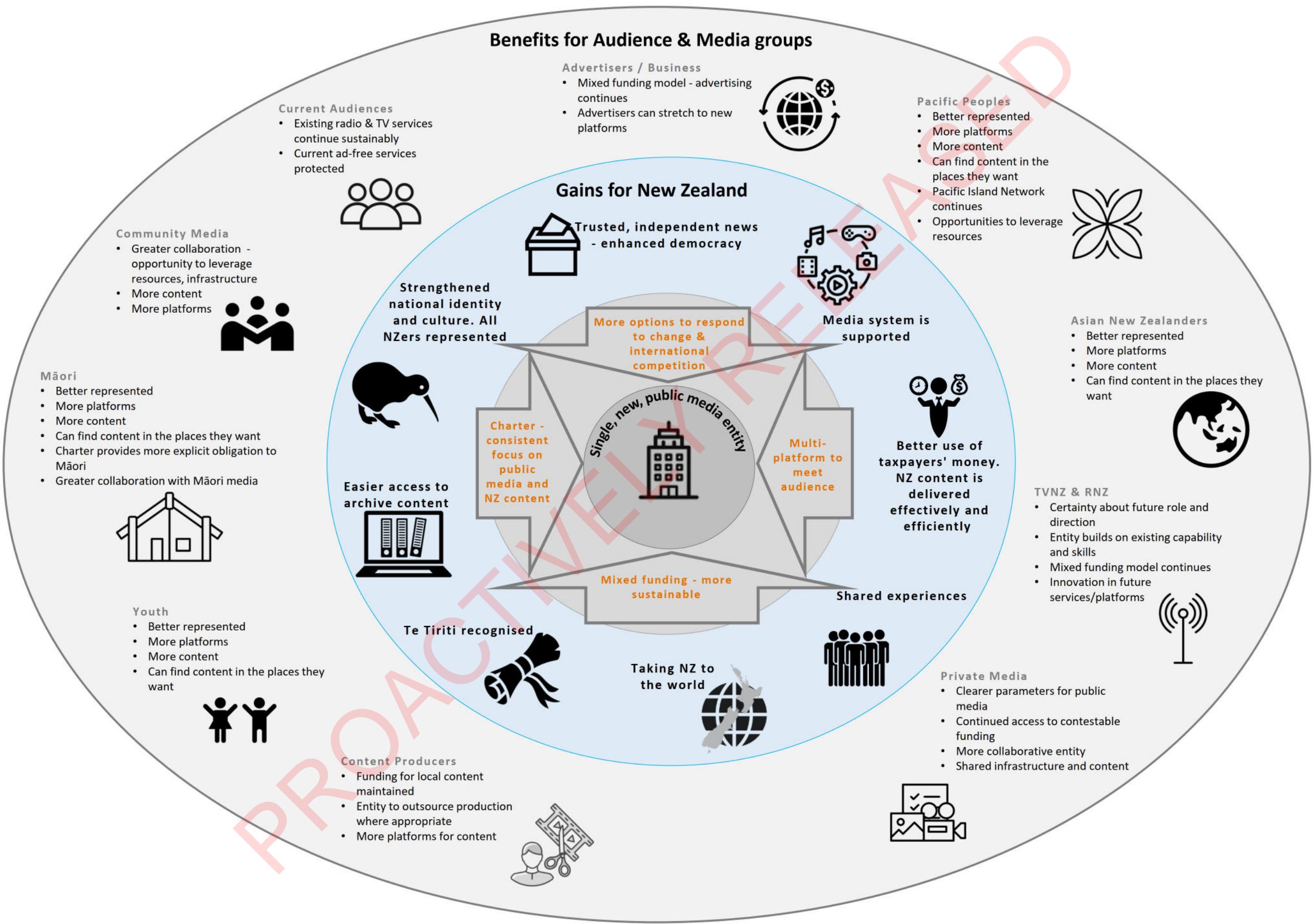
The entity will be better shaped to deal with the future. It will have more flexibility to respond to change and be focused on new ways of delivery to reach local audiences and compete for their attention.

This provides a range of benefits:

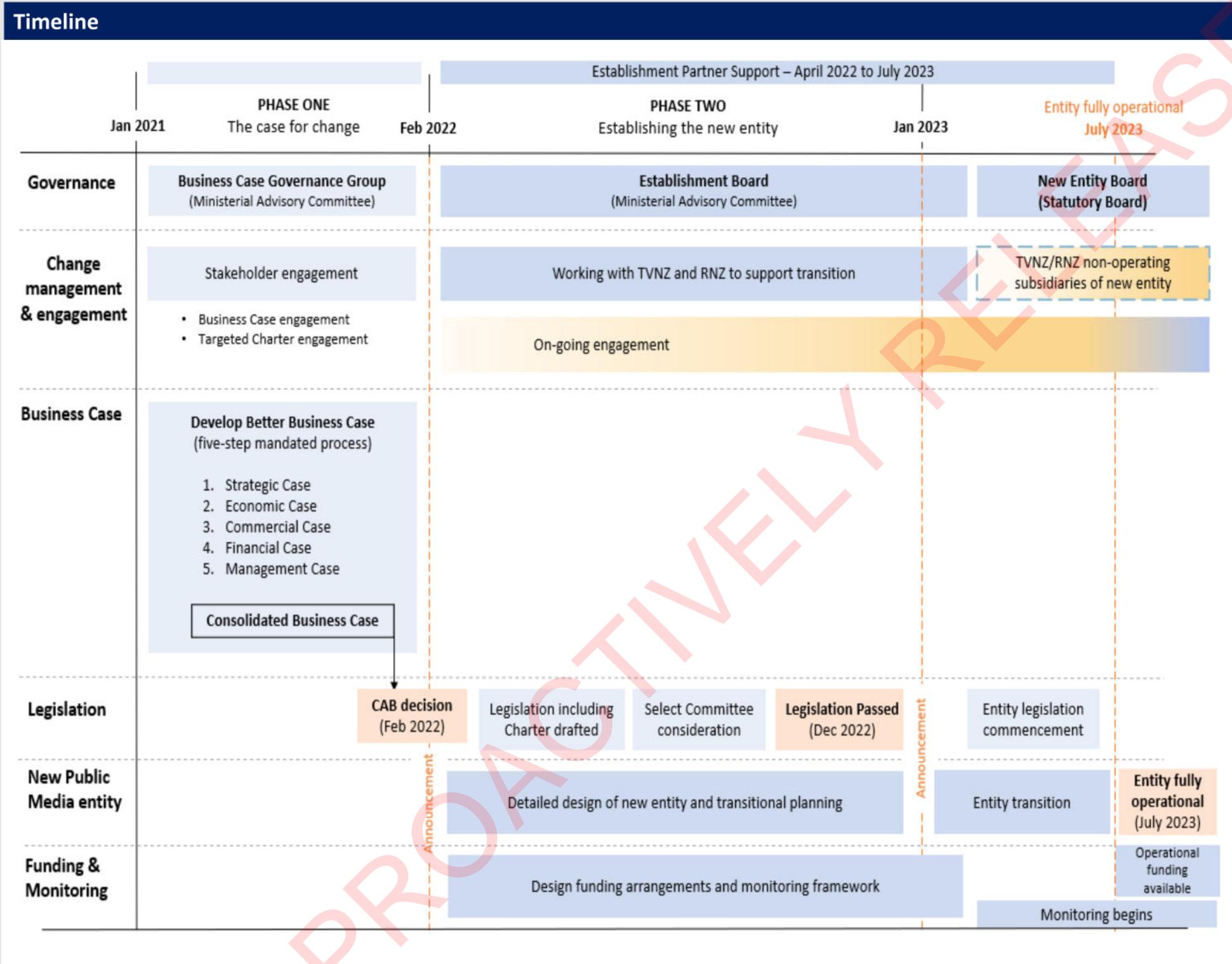
- NZ's culture will be better reflected, with more accessible content and entertainment, and all New Zealanders being represented
- democracy will be better supported through people being able to find trusted news and information and being better informed
- the public media system will be fairer, with a wider range of New Zealanders, including young people, having access to relevant content.
- NZ's public media will be more sustainable.

Having a single entity, with a mixed funding model means that commercial revenue – what the entity earns from advertising and other streams - will be able to support public media objectives. A single organisation and structure allows more effective and efficient spending, and investments in technology and infrastructure.

The entity's public media focus also means there will be greater support for the wider media sector.



Strong Public Media: *Timeline*



Establishment Phase

During the Establishment Phase, the programme will create a single new public media entity that will ultimately absorb the existing operations of TVNZ and RNZ. This work runs parallel with the legislative process.

The Establishment Board reports directly to the Minister and is responsible for:

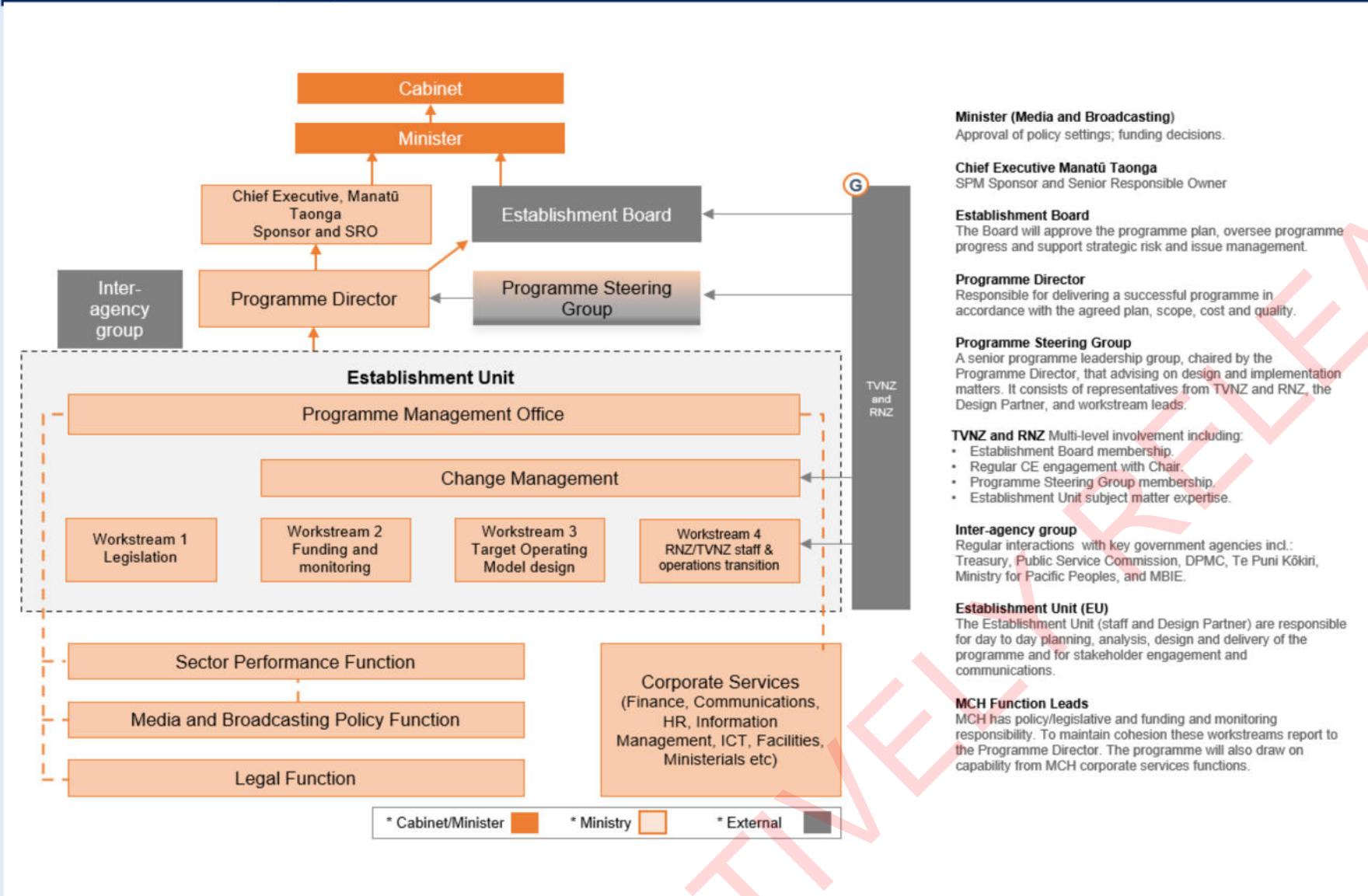
- overseeing detailed organisational design of the new entity and transition planning
- development and implementation of a change management plan for RNZ and TVNZ
- advising the Minister on the entity’s financial model, monitoring framework, and any other issues relating to the entity’s legal or financial framework or accountability arrangements.
- The Board is supported by an SPM Establishment Unit and a design partner (Deloitte).

The Unit delivers the full range of support required, including:

- supporting the passage of legislation to establish the new entity
- funding and monitoring arrangements
- new entity operating model design
- transition planning for TVNZ and RNZ and change management
- stakeholder engagement and communications
- governance support and programme management.

SPM: Establishment Phase

Governance & delivery responsibilities



Next steps	
Workstream	Responsibility
Legislation	<ul style="list-style-type: none"> Minister to introduce legislation to the House (mid-year) Parliament and select committee consideration (2nd half of year) Opportunity for public engagement on all aspects of the Bill including the entity and its charter
Funding and Monitoring	<ul style="list-style-type: none"> Establishment Board oversight Input from MCH, Treasury, NZoA
Target Operating Model Design	<ul style="list-style-type: none"> Establishment Board oversight Seeking input from media sector on current services and audiences
RNZ/TVNZ staff & operations transition	<ul style="list-style-type: none"> Establishment Board oversight Substantial input from TVNZ and RNZ

Budget & Funding

The Budget provides \$327 million of new Crown funding over three years, (\$109m annually) for the operations of the new public media entity – starting from July next year. Government will provide half of its estimated operating budget - \$200 million in Crown funding annually.

The Budget also provides:

- a further \$40.1m in implementation funding over 4 years
- \$1m annually in additional monitoring funding for MCH (from July 2023)

Existing public media funding arrangements and levels remain for RNZ and NZ on Air next year (2022/23).

About \$51 million from the existing Media and Broadcasting appropriation funding will go to the new entity next year. Most of that is operational funding for RNZ that currently passes from Mānatu Taonga, through NZ on Air to RNZ. From July 2023 that Crown funding will go to the new entity directly via the Ministry.

There is still \$40m per annum in Crown funding required for the new entity’s first year of operation. How this funding will be provided is yet to be decided. Over the next few years it is expected that the entity will continue to generate significant commercial revenue based on TVNZ’s current returns. With the lift in Crown funding, its total revenue, including commercial revenue, is forecast to be greater than its operating costs. Because of this, the Budget includes forecast Capital Returns. However the entity’s financial model, including the levels of commercial return that can be reinvested, will be finalised through the establishment design work underway now.

Strong Public Media – Phase 2 (Establishing the new entity)

The key objective of this phase is the establishment of a new public media entity that is fully operational by 1 July 2023. Key outputs include legislation that will establish the new organisation (includes a charter); the operating model design of the new entity; the process to transition from the current state to the new entity; and the design of funding and monitoring arrangements that will provide transparency over the organisation's performance.

Sponsor: Bernadette Cavanagh

Programme Manager: Anthony Townsend

Programme Director: Liz Stewart

Audience: Sponsor and Establishment Board

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SPM: Immediate next steps and considerations

Legislation, comm's and engagement

Estimates

The Estimates hearing for Vote Arts, Culture and Heritage (which includes Broadcasting and Media) is on Wednesday 22 June from 12.30-1.30pm

Legislation

The Aotearoa New Zealand Public Media Bill is to be introduced Thursday 23 June (and will be publicly available via Parliamentary Services)

It will receive its 1st Reading on Tuesday 28 June. To support this you will receive:

- A draft speech (Friday 17 June)
- A draft press release (Friday 17 June)

Comm's and engagement

The Establishment Board chair has recently met with key commercial, Māori and other public media organisations to update them on the work underway and to advise that legislation is likely to be introduced this month.

Before the Bill is introduced:

- The CEs will receive a confidential copy of the legislation and programme communications to support their messaging to staff
- The Programme Director and Board Chair will brief E tū and the PSA
- The press gallery and key media will be given a heads up

After the Bill is introduced:

- TVNZ and RNZ CEs will communicate to their respective staff. Both organisations will also put out press releases.
- The programme will notify the sector via its email database
- The Manatū Taonga website will be updated following the Minister's 1st Reading speech

Key issues/considerations

Role

The SPM process has been about the Minister and Cabinet making decisions around the objectives, form and shape of the new entity, with detailed design decisions to be made at arms' length.

As Minister, you are responsible for the progress of the Establishment Board's work and the progress of the bill through Parliament, but your decision-making is largely around the funding and monitoring regimes. Decisions around the new entity's strategy and detailed design and operating model will be made by the new entity's board and executive (following advice from the current Establishment Board.)

The performance of RNZ and TVNZ through this period is critical and they will continue to deliver their current services under their current Governance until new legislation is passed. However, their on-going involvement in the new entity establishment is also critical. This is being managed through the construct of the SPM Establishment Board and Establishment Unit arrangements. Separate meetings have been scheduled for the Minister to meet with your Establishment Board Chair (Hon Tracey Martin)

Funding & Monitoring

Through its work on the entity's financial model, the Establishment Board will recommend the funding arrangements for the new entity and the levels of commercial revenue that can be reinvested and under what conditions. There is significant to be done in the design of these arrangements and this is underway with the Treasury, MCH, Deloitte and others.

s9(2)(f)(iv)

There is significant work required to establish the monitoring arrangements for the new entity, encompassing: audience impact, entity's behaviour within the sector and appropriate Crown Entity performance. MCH and the Treasury will be joint monitors of the new entity and are therefore closely involved in the design activity. This is another area where advice and decisions will come to you as responsible Minister.

Other

There is a significant amount of work underway through the different programme workstreams and a range of live issues to be managed through the establishment phase. We look forward to engaging with you on your preferred approach for keeping across updates.