

Hon Melissa Lee

Minister for Media and Communications

**AIDE MEMOIRE: Meeting with Warner Bros Discovery, 21 December 2023**

<b>Date:</b>	14 December 2023	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Reference:</b>	AM23/506
<b>Contact</b>	Carl Olive, Manager Media Policy, 9(2)(a) [REDACTED]		

**Purpose**

- 1 This aide memoire provides information to support your meeting with Glen Kyne and David Cormack from Warner Bros Discovery (WBD) on Thursday 21 December 2023. Appendix 1 contains suggested talking points. Appendix 2 contains information on WBD attendees.
- 2 As WBD may wish to discuss Kordia transmission fees in the context of plans to transition to a digital only service, Appendix 3 contains more information on Kordia, the broadcasting transmission market and the Transmission Fee Waiver scheme.

**WBD is facing significant market challenges and revenue loss**

- 3 WBD NZ made a NZ\$34.8 million loss in 2022 due to rising costs; WBD US made a reported US\$7.3 billion loss in the same year. The issues facing WBD are shared by the wider broadcasting sector, which is facing a significant downturn in advertising revenue.
- 4 WBD has signalled concern with its current investment in the New Zealand market, indicating it is finding it increasingly difficult to justify why it would continue to invest and exist in the New Zealand market. WBD's departure would mean a decrease in media plurality in broadcast television and would leave TVNZ, Whakaata Māori, and one Sky channel (Sky Open, formerly Prime) as the only major operators on free-to-air linear television.

**WBD is seeking Kordia fees relief**

- 5 WBD has previously stated that it will need to move to an internet-only service as it is no longer economically viable to provide a linear, free-to-air service beyond 2025. Currently WBD estimates that the hard date for ceasing Digital Terrestrial Television (DTT) is mid-2025.
- 6 State-owned enterprise Kordia is the major provider of television and radio broadcast facilities, including the digital television platforms – DTT and direct-to-home (DTH-satellite).
- 7 WBD is likely to be seeking Kordia fees relief to enable it to continue legacy linear broadcast transmission, as well as to help migrate its audiences to its IP only model, helping to create a sustainable future for WBD locally. WBD has stated that it pays around \$5.253 million per year on DTT costs to Kordia.

- 8 Transitioning from DTT to internet-only services and the cost pressures faced through Kordia's transmission fees are industry wide issues. In 2020, as part of an initial COVID-19 Media Support Package, up to \$20.5 million was allocated to cover television and radio transmission fees for 6 months to help New Zealand media entities with short term cashflow relief. 9(2)(b)(ii) [REDACTED]
- 9 While DTT is a sunset technology and that companies have signalled the intention to transition to online streaming platforms, live television broadcasting (alongside analogue radio transmission) contributes to New Zealand's resilience during natural disasters and towards equity of access for geographically isolated older New Zealanders.
- 10 Going forward, the Government may need to consider the regulatory settings for Kordia and how it manages the transition away from DDT, bearing in mind the cross-portfolio issues and responsibilities involved.

### **WBD supports modernising legislation**

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- 11 WBD supports reviewing broadcasting legislation. It has previously requested that a review be expedited and that advertising restrictions be abolished, to ensure an even playing field for local broadcasters who are in direct competition with the international streaming companies.
- 12 Officials will provide you with advice on the potential scope and objectives of a review of the Broadcasting Act on 20 December. 9(2)(f)(iv) [REDACTED]

### **WBD has concerns with TVNZ's market position**

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- 13 WBD has previously raised concerns about TVNZ's commercial imperatives and would like to see a codified Statement of Intent around TVNZ's public media goals. WBD considers this would help curtail what it sees as market-distorting behaviour of TVNZ, which WBD considers hinders the growth of other broadcasters.
- 14 Going forward, you may wish to consider and clarify TVNZ's role and how it aligns with your Ministerial priorities. There are several ways available for you to do this, including:
- establishing your priorities through TVNZ's 2024 Letter of Expectations, and
  - through new board appointments with the necessary expertise to achieve your priorities, there are three board appointments that expire on 30 June 2025.

### **Next steps**

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- 15 We understand that there is some willingness amongst the television broadcasters to work together with Government to manage the transition from DTT. However, the timeframes for change will vary with each broadcaster, for example TVNZ sees this as a medium-term (3-5 years) priority.

16 Concerns from broadcasters in relation to Kordia transmission fees should be referred to the responsible shareholding Ministers – the Ministers of Finance and State-Owned Enterprises. You may wish to meet with the shareholding Ministers to discuss WBD’s and other broadcasters’ concerns in relation to Kordia’s transmission fees. Officials can also meet with Treasury to raise these issues and consider ways to support the sector in relation to transmission costs moving forward.

9(2)(a)

Elise Daly Sadgrove  
**Acting Manager, Media Policy**

**Noted by Hon Melissa Lee**  
**Minister for Media and Communications**

Date:

**Appendix 1: Suggested talking points**

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9(2)(g)(i)



## Appendix 2: Warner Bros Discovery meeting attendees

	<p><b>Glen Kyne, Senior Vice President and Head of Networks, Warner Bros Discovery Australia, New Zealand and Japan</b></p> <p>Glen Kyne has held the position of Senior VP and Head of Networks since June 2022. Based in Auckland, Glen oversees all Networks activity for all three markets across Pay TV, free-to-air, and Broadcaster Video on Demand.</p> <p>He has previously held leadership roles at Discovery Australia New Zealand and MediaWorks New Zealand. From 2018 to 2020 he was Chair of ThinkTV, a collaborative advertising body for the NZ TV industry. He was Ch2ef Customer Officer at Mediaworks and has worked previously at NZME.</p>
	<p><b>David Cormack</b> is Partner in the Draper Cormack Group which specialises in public relations. David has worked in various public relations roles, including for Internet NZ, the NZ Fire Service and various Government departments. He has also previously worked as Communications and Policy Director of the Green Party.</p>

## **Appendix 3: Background information on Kordia**

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### **Kordia is a major provider of transmission services**

Kordia Group is wholly-owned by the Crown but is not part of the public service. Kordia is a state-owned enterprise (SOE), a commercial entity, providing a range of transmission, connectivity, cloud and cyber security solutions. Through its Media division, Kordia is the primary free-to-air broadcast television and radio transmission provider for New Zealand. As an SOE Kordia is required to act as a profit maximising commercial entity.

For television broadcasting transmission, the market is mainly made up of Kordia and Johnston Dick and Associates (JDA), with Sky TV engaged in television broadcasting transmission for self-supply. Using figures from the 2020 transmission waiver scheme, Kordia accounted for 86% of the total funding provided, with JDA and others accounting for 14%. Kordia's geographic population coverage is approximately 4 million people while JDA's coverage is 550,000 people.

Kordia's shareholders are the Minister of Finance and the Minister for State-Owned Enterprises, on behalf of the Crown. The Shareholding Ministers send Letters of Expectations and make board appointments. The Treasury, through the Commercial Operations Group, provides the administrative support to the shareholding Ministers.

In June 2022, the Commerce Commission completed a review of broadcasting transmission services. The review did not identify competition issues that required urgent attention. The Commerce Commission will continue to monitor the broadcasting transmission market to identify any issues that may require further investigation.

### **Kordia payments made up the majority of the Transmission Fee Waiver scheme to provide media entities with short term cashflow relief**

As part of the COVID-19 Media Support Package, transmission fees for television and radio were waived for six months. \$20.5m of funding was made available for this initiative (covering both television and radio transmission) 9(2)(b)(ii) At the time of development, Treasury advised that Kordia charges approximately \$40m per year to provide broadcast transmission services to media entities in both television and radio.

The Transmission Fee Waiver scheme was successful in providing broadcasters with cashflow relief at a time of heightened uncertainty and a drop in advertising revenue. However, it was difficult to administer and relatively costly for short term effect.

Treasury's view at the time was that the transmission fee waiver was unlikely to make a material difference to the risk of media company failure and does not provide support for long-term media company solvency.