

Hon Melissa Lee

Minister for Media and Communications

AIDE MEMOIRE: Meeting with TVNZ, 20 December 2023

Date:	14 December 2023	Priority:	Medium
Security classification:	In Confidence	Reference:	AM23/513
Contact	Carl Olive, Manager Media Policy, 9(2)(a) [REDACTED]		

Purpose

- 1 This aide memoire provides background information and talking points for your introductory meeting with Television New Zealand Ltd (TVNZ) at 10.30 – 11.15am on Wednesday 20 December. Appendix 1 provides suggested talking points.
- 2 TVNZ attendees at the meeting will be Alastair Carruthers (Board Chair), and Brent McNulty (Acting Chief Executive). Attendee biographies are in Appendix 2

Key messages

- TVNZ is a Crown Entity Company, of which you and the Minister of Finance are shareholding Ministers.
- Like the wider TV sector, TVNZ’s advertising revenue from live broadcasting is declining. Growth in advertising revenue from TVNZ+ has so far not been enough to offset this.
- TVNZ continues to hold a strong position in the New Zealand television sector, with both the most popular linear channel (TVNZ1) and the most popular local streaming service (TVNZ+).
- TVNZ’s business strategy to 2027 is focused on growing the audience for TVNZ+ and the revenue generated from digital advertising, to achieve a sustainable profit position. To achieve this, TVNZ is investing heavily in digital, including a new IP platform.
- TVNZ has a keen interest in policy work to modernise New Zealand’s media legislation. TVNZ would like to see Sunday advertising restrictions removed, free-to-air broadcasters given first option for bidding rights to major sporting events, and regulatory measures to ensure the prominence of local TV services relative to global platforms.
- TVNZ may also like to discuss the costs of maintaining live TV broadcasting. This issue needs to be carefully managed against the critical lifeline utility role it continues to play and the cross-portfolio issues and responsibilities involved.

TVNZ is a Crown Entity Company

- 3 As a Crown entity company, TVNZ is monitored by the Treasury. You and the Minister of Finance are TVNZ's shareholding Ministers and have received separate advice from the Treasury regarding TVNZ's current performance (Treasury report T2023/1960 refers). The Ministry's role in relation to TVNZ is to advise you on media policy issues.
- 4 TVNZ has annual revenue of more than \$300 million and employs more than 700 staff. Under the Television New Zealand Act 2003 (the Act), TVNZ's functions are to be a successful national television and digital media company, providing a range of content and services on a choice of delivery platforms and maintaining its commercial performance. The Act provides that TVNZ:
 - must provide high-quality content that is relevant to, and enjoyed and valued by, New Zealand audiences. This content must encompass both New Zealand and international content and reflect Māori perspectives.
 - must include in its services channels that are free of charge and available to audiences throughout New Zealand.
- 5 The Civil Defence Emergency Management Act 2002 designates TVNZ as a 'lifeline utility'. It is expected to play a key role in the sharing of information in regional and national emergencies.
- 6 TVNZ owns a 44.9 percent stake in Freeview, New Zealand's digital free-to-air TV broadcasting platform, alongside Warner Bros. Discovery (32.4 percent), Whakaata Māori (17.7 percent) and RNZ (5 percent).

TVNZ is still reaching audiences in a changing market

- 7 Treasury's report outlines the challenges that TVNZ is facing due to the changing market. Despite these challenges, recent NZ On Air research demonstrates that TVNZ is continuing to reach New Zealand audiences:
 - TVNZ1 remains the most popular TV channel, reaching 36 percent of New Zealanders daily.
 - TVNZ's streaming platform TVNZ+ dominates daily on-demand viewing among New Zealanders and has significantly grown its audience, from 17 percent daily reach in 2021 to 27 percent in 2023.
 - Looking at net daily reach, the combined audience of all TVNZ channels plus on demand is slightly bigger (50 percent of New Zealanders) than YouTube (48 percent).
 - While Stuff is the most used news source (35 percent say they use it regularly), it is followed by TVNZ at 24 percent for (on par with the NZ Herald).
- 8 Recognising new audience expectations, TVNZ's strategy to 2027 is focused on digital transformation, and is anchored by three priorities:

- Accelerate digital revenue: to help offset declines in broadcast revenue, 9(2)(b)(ii) [REDACTED]
- Extend digital audience reach: TVNZ aims to double audiences for its streaming platform TVNZ+ by 2028 (from a current weekly audience reach of around 600,000) while retaining its commitment to local content.
- Sustainable future business: TVNZ aims to deliver a sustainable profit by the 2028 financial year, enabled by its five-year Horizons transformation programme – including work on a new online platform (further discussed in paragraphs 9-11 below).

TVNZ is investing heavily in digital and local content production

- 9 To achieve its strategic priorities TVNZ has developed a five-year plan, referred to as 'Horizons', to invest in technology and digital growth to build a stronger digital backbone for the business. To do so, it will begin drawing down on its cash reserves in FY2024.
- 10 The plan includes investing 9(2)(b)(ii),9(2)(i) [REDACTED] in the development of a new online platform to support the TVNZ+ app. This will move the business from broadcast-based technologies to a cloud-based engine. Further detail about Horizons and investment is provided in the Treasury's advice (Treasury report T2023/1960 refers).
- 11 Treasury's report also provides advice on TVNZ's contribution to local content production (more than \$100 million annually, about 60 percent of its content budget) and outlines the challenges in relation to its expense and profitability compared with international acquisitions.
- 12 As audiences migrate online from live broadcast TV, TVNZ's ability to deliver a return on local content diminishes further. 9(2)(b)(ii) [REDACTED]
[REDACTED]
[REDACTED]

A TVNZ Board appointment, and Executive changes, are forthcoming

- 13 There is currently one vacancy on the TVNZ board. You and the Minister of Finance received a report on 7 December 2023 (T2023/1649 refers) seeking agreement to commence an appointment round for this vacancy. A report shortlisting board applicants will be provided to shareholding Ministers in late January or early February 2024.
- 14 Previous Chief Executive Simon Power resigned in April 2023, with Brent McAnulty acting as Chief Executive since July. An announcement on a new Chief Executive is expected before the end of the year.
- 15 TVNZ has also recently announced changes to its executive team. The new structure sees the executive team reduce from ten down to seven roles, to align the business with TVNZ's strategic priorities and to manage costs.

Key policy issues for TVNZ

9(2)(f)(iv)

Bidding rights for major sporting events

- 19 TVNZ would like to see New Zealand adopt 'anti-siphoning' regulations, which allow free-to-air broadcasters first option to bid for broadcasting rights for major sporting events.
- 20 In Australia, such regulations exist for a specified list of events, including Rugby World Cup matches (involving the national team, as well as the final) and the Olympic Games. They ensure events of national significance are available on free-to-air television, rather than exclusively on pay television.
- 21 TVNZ has made some progress in securing sports broadcasting rights. It has taken over Spark's domestic cricket rights from July 2023 for three years, covering the Black Caps, White Ferns and New Zealand's domestic Twenty20 competition. It also shared rights for the men's Rugby World Cup in 2019, though it did not secure any live broadcast rights for the men's Rugby World Cup in 2023 (instead Sky secured exclusive rights until 2029).

Prominence of local services and content

- 22 TVNZ may raise the issue of prominence of local TV services and apps on new smart TVs sold in New Zealand.
- 23 TV manufacturers around the world are increasingly commercialising their platforms. Global streaming services are being prioritised at the expense of local TV channels and on-demand or streaming apps (such as Freeview, TVNZ+, Māori+ and ThreeNow), which are becoming harder to find. TVNZ, along with other Freeview shareholders, considers regulation is needed to ensure New Zealanders can easily find local TV content and services in a digital age.

24 The previous Minister for Broadcasting and Media sent letters to Samsung, LGE, Google and Freeview, inviting them to work collaboratively on ways to voluntarily increase prominence of local New Zealand services. Further options to address prominence and discoverability (including any regulatory measures) could be further explored via the review of the Broadcasting Act. Separate advice will cover the potential scope and approach for this work.

Transition from linear broadcasting to digital

25 TV broadcasters, including TVNZ, pay a fee to Kordia (a government-owned firm) for use of its digital terrestrial television (DTT) network. Broadcasters have indicated these costs are increasingly unsustainable as competition increases from global streaming companies and revenue from live broadcast advertising decreases.

26 Treasury has provided you with advice relating to this matter (T2023/1960 refers). Officials note Kordia's shareholding Ministers are the Ministers of Finance and for State-Owned Enterprises.

9(2)(a)

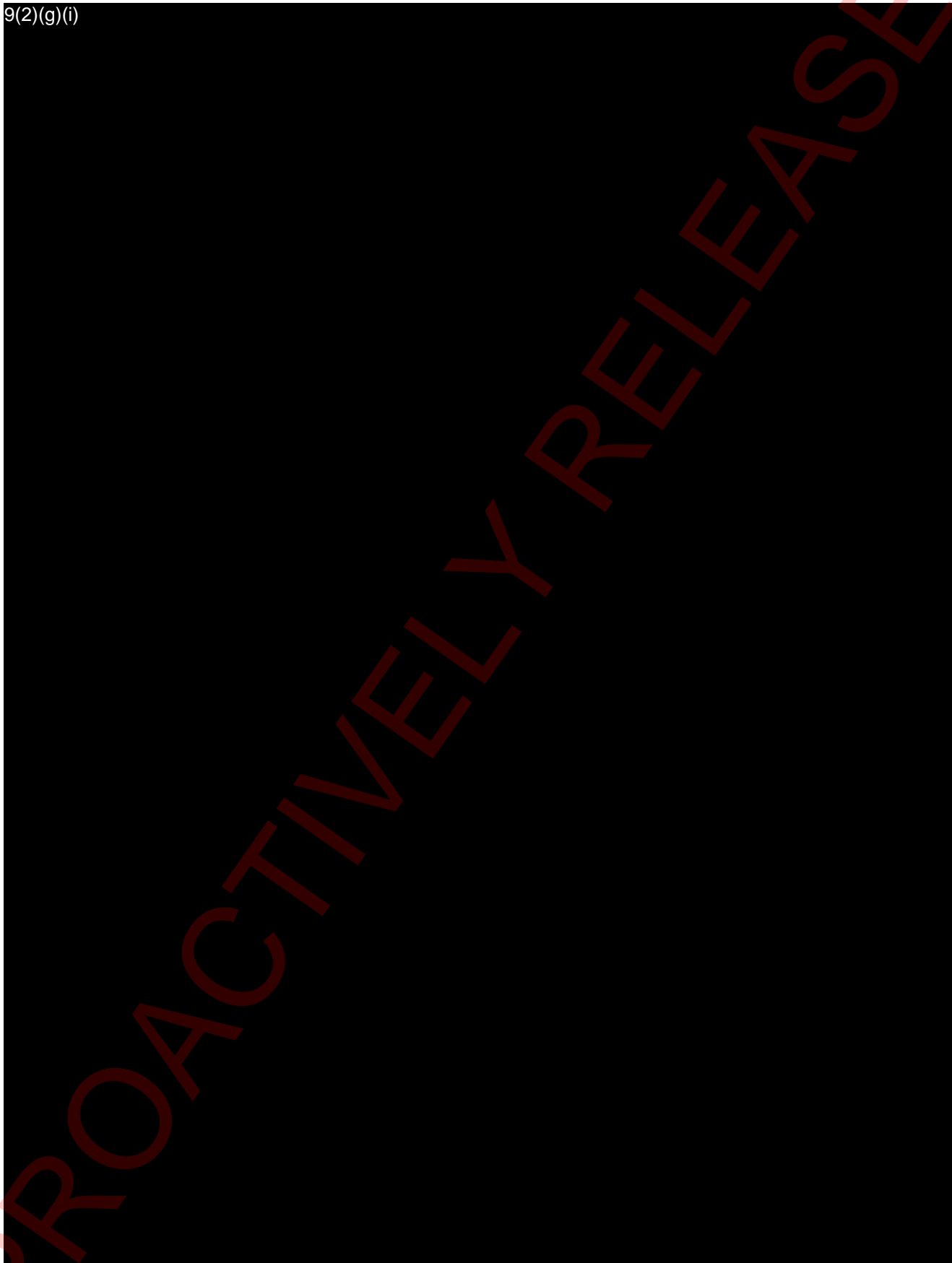
Elise Daly Sadgrove
Acting Manager, Media Policy

Noted by Hon Melissa Lee
Minister for Media and Communications



Date:

Appendix 1: Talking points

9(2)(g)(i)



Appendix 2: Meeting attendees

<p>Alastair Carruthers</p> 	<p>Alastair Carruthers was appointed as Chair of TVNZ on 1 July 2023, for a three-year term. Alastair is also the current Chair of the New Zealand Film Commission (appointed on 1 October 2022, for a three-year term).</p> <p>Alastair previously held the CEO position for Chapman Tripp for over ten years and has been Chair of the Allpress Espresso group, Co-Chair of the Te Papa Foundation, Chair of Creative NZ and the Arts Board, and a member of supervision boards for the Transport and Statistics Ministries. Alastair is a former council member and interim CEO of Unitec.</p> <p>Alastair is a current board member of Tātaki Auckland Unlimited, Cornwall Park Trust, Tāmaki Paenga Hira Auckland Museum, Ringa Hora Services Workforce Development Council, and the Auckland Regional Amenities Funding Board.</p> <p>He has been an executive producer of two feature films, and was awarded a CNZM for Services to Arts governance in 2014.</p>
<p>Brent McAnulty</p> 	<p>Brent McAnulty has served as the Acting Chief Executive Officer of TVNZ since 1 July 2023, following the departure of the previous Chief Executive Officer, Simon Power.</p> <p>Brent has been with TVNZ for nearly 14 years. Prior to becoming Acting CE he led TVNZ's Legal and Corporate Affairs team, responsible for risk management, governance, broadcasting standards, legal compliance as well as external media and government relations.</p> <p>Prior to joining TVNZ, Brent worked as a Senior Counsel for Telecom.</p>