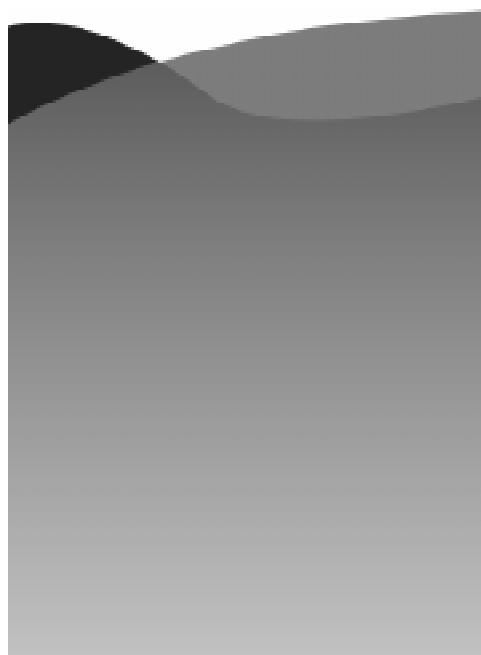


# **SURVEY ON LOCAL CONTENT: SUMMARY OF VIEWS**



**TE MANATŪ TAONGA**  
MINISTRY FOR CULTURE AND HERITAGE

DECEMBER 1999

## **LIST OF RESPONDENTS**

(By acronym employed in the text)

ANZA	Association of New Zealand Advertisers
ART	Artists' Round Table
BP	Brian Priestley
CBC	Churches Broadcasting Commission
CNZ	Creative New Zealand
CRL	Canwest Radio Ltd
CTF	Children's Television Foundation
FPF	Front Page Films & TV
GL	Geoff Lealand
GRT	Green Ribbon Trust
N&P	Paul Norris and Brian Pauling
NZFC	New Zealand Film Commission
NZOA	New Zealand On Air
NZTBC	New Zealand Television Broadcasters' Council
NZWG	New Zealand Writers' Guild
RBA	Radio Broadcasters' Association
RNZ	Radio New Zealand
SDG	Screen Directors' Guild
SPADA	Screen Producers and Directors Association
TVNZ	Television New Zealand
TWP	Tom Williamson Productions
WIFT	Women in Film and Television

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## EXECUTIVE SUMMARY

The purpose of this report is to provide an integrated account of responses to a survey of views on local content in New Zealand television and radio programming that was sent out to broadcasting industry stakeholders by the Minister of Cultural Affairs in the former government. Around 40 individuals and organisations were initially sent copies of the survey (and others had it relayed to them), and 22 responses were received.

In condensed form, the key questions were:

- (a) What changes could be made within the framework of the existing broadcasting model to increase local content?
- (b) What would be the implications of future developments in broadcasting and the provision of local content, and how could government address these?

A variety of views and concerns were expressed in the responses, generally reflecting (as could be expected) the particular location and interests of each responder. In particular, there was a divide between those who believed that regulation was required to ensure desirable levels of local content were achieved, and those who believed that such regulation would be counterproductive. There was general agreement, though, that a degree of local programming was a good thing, and that more money needed to be spent by government to secure it.

Beyond that, few conclusions can be given. The function of this report is descriptive rather than prescriptive, and responses did not fall out in such a way as to provide ready-made agreed solutions.

It would be fair to say that the weight of opinion (assessed solely in numerical terms) favoured confirmation of a strong public broadcaster; increased investment in programme production; establishment of quotas to protect New Zealand content. The connection between local content and development of national cultural identity was very widely (perhaps insufficiently critically) accepted.

However, this numerical weight of opinion reflects directly the distribution of the survey, and more particularly the group configuration of the industry (many more groups representative of producers than of broadcasters, for example). Clearly, this does not reflect the total number of individuals with a stake in the industry (including consumers, the majority of whom are not directly represented in the responses); the economic power invested in the industry; nor, conceivably, accuracy and fullness of understanding.

That said, there were a number of points made by respondents from right across the ideological spectrum that should be noted. These are briefly highlighted below.

## Quotas

The intention to introduce format (or genre) specific quotas rather than other kinds would be largely endorsed. But a number of responses opposed quotas altogether or raised what could be significant problems. NZ On Air (NZOA) made the following points:

- Quota or content regulation would need to be accompanied by NZOA funding, or else quota would need to be very detailed and prescriptive.
- Any shift in emphasis between commercial and social objectives for TVNZ would have an impact on advertising revenue and hence on investment in local production.
- Would regulation apply to all, or could there be trade-off between categories or in return for payment of a levy?
- Account would need to be taken of the potential for quota to be filled entirely by Australian production. (Alternatively, country specific quotas would need to be introduced into CER.)

An Artists' Round Table paper attached to its submission doubted whether quotas are the best way of achieving cultural gains for New Zealand television.

- If quotas are not targeted they will not provide any real cultural gains.
- If they are targeted, there is a risk that the types of programmes that would need to be produced would be very expensive compared to purchasing their overseas counterparts.

ART concluded: 'If a mechanism such as NZOA was not funded to the level required to meet the demand from broadcasters then this would amount to a severe compliance cost and is likely to be a disincentive for investment into NZ television broadcasting.'

Front Page Films & TV made a similar point that, without substantial micro-regulation, quotas tend to act in such a way as to merely replace an already existing audience's overseas programmes with local counterparts.

Paul Norris and Brian Pauling recommended a system of differential quotas (i.e. *channel* specific as well as genre specific) to recognise that different channels play to different target markets, and have a different mix of programmes. Geoff Lealand recommended 'incentive-led' (more funding for local content production) rather than imposed quotas.

## The NZ Film Industry

The NZ Film Commission claims that the current funder/provider model has not adequately supported domestic feature film making in three respects: finance; talent base; and long term focus. The NZFC says that television finance (by whatever mechanism) is basic to indigenous feature film making in every OECD country but nowhere is this less so than in NZ. NZ broadcasters have used the availability of NZOA money as a reason not to participate substantially in feature film financing.

## **Māori Programming**

NZ On Air raised two matters bearing on the establishment of a Māori television channel and the goal of providing more high quality Māori language and culture programmes on NZ television.

- The introduction of the Māori television network will, if commensurate additional funding is not made available, lead to further pressure on NZOA funds with consequent reductions in either Māori programmes on mainstream networks or in expensive or specialist programming.
- Outsourcing of programme production by commercial broadcasters is leading them to neglect recruitment and training issues. In the tightly competitive environment, independent production companies are not addressing this issue either. The problem is most acute for the production of programmes required to meet statutory responsibilities to promote Māori language and culture.

## **Vote Funding Versus Restoration of Broadcasting Fee**

It may also be of interest to strategists in the incoming government to know that opinion differed amongst those committed to an increase in public funding about the most effective means of sourcing it. Some respondents felt that the broadcasting fee is important as the expression on the part of public individuals acting as citizens rather than consumers of a symbolic as well as real stake in NZ television, as well as a better guarantee against political interference with funding levels. Others, most particularly the NZ Film Commission, felt that general or vote funding gave the government and NZ On Air greater flexibility to adjust policy setting and funding to achieve a longer term, more strategic approach, and this presumably outweighed the risk of reduction in funding.

## **A Strong Broadcasting Service**

There was considerable support for a review and consultation process to reassess New Zealand's broadcasting model. Various mechanisms suggested included a formal review (Women in Film and Television); the development of a cultural broadcasting strategy (Creative New Zealand); an advisory committee (ART). Norris and Pauling advocated a return to first principles whereby the community determined the 'broadcasting objectives' it wished to achieve. In terms of local content, they believe the following questions need to be addressed:

- Is prime time the primary focus?
- How important is local content for minority programming?
- Should the focus be on mainstream free-to-air channels where impact is likely to be most effective?

TVNZ, too, felt that more research is needed into what actual viewers want from television, and what they think about local content.

# 1. INTRODUCTION

- 1.1 The purpose of this report is to provide an integrated account of responses to a survey of views on local content in New Zealand television and radio programming that was sent out to broadcasting industry stakeholders by the Minister of Cultural Affairs in the former government. Around 40 individuals and organisations were initially sent copies of the survey (and others had it relayed to them), and 22 responses were received.
- A. Assuming that the essential features of the present funder-provider model are to be preserved:
- (i) What changes could be made to increase the levels and range of local content in broadcasting?
  - (ii) What benefits would these changes produce?
  - (iii) Who should bear the cost of these changes, and why? And
  - (iv) What developments – technical or otherwise – do you anticipate in New Zealand Broadcasting in the next five years, and what impact will they have on the availability of local content? What implications do these developments have for government’s role in fostering local content?
- B. Assuming that substantial changes can be made to the New Zealand broadcasting regime:
- (i) What combination of the measures listed above – or others you are aware of – would have the greatest impact on the levels and variety of local content at the least cost?
  - (ii) What outcomes would your preferred combination of measures achieve?
  - (iii) Who should bear the cost of such measures, and why?
- 1.2 As tends to be the case, responses did not follow a uniform pattern, and many were selective about which questions they answered. Further, there was confusion about what kinds of changes would be consistent with the present model and which would imply a different structure (which are not usually described). As a result the answers to section 2 often did not differ markedly from those given in section 1 and were much less comprehensive when they appeared at all.
- 1.3 I have therefore found it most useful to approach my analysis of the responses in the following way, which is also the broad structure of the report:
- (a) Suggested enhancement of the existing model, preceded by a brief account of comments about the existing model. Although the survey did not ask for such comments, many respondents found it natural to make such comments to contextualise their views, and the results may be of

interest. The suggested changes are ordered by the main classes into which they fell:

- Funding
- Strategic orientation
- Structure
- Regulatory regime

And it has seemed most logical to discuss benefits and costs of particular measures as they arise rather than require readers to refer backwards and forwards.

- (b) Future technological and other developments, and their anticipated impact on local content provision.
- (c) The implications of future developments for government policy.
- (d) A brief conclusion in which I consider whether there could be any other ways of looking at the local content issue.
- (e) Individual summaries of all the responses received.

## 2. ENHANCEMENTS OF THE EXISTING MODEL

### Discussion of the Model

- 2.1 Before discussing measures by means of which the existing model might be enhanced, it is worth briefly summarising arguments made for and against the existing model, which operates through a separation of those who provide the funding (NZ On Air) and those who air the programmes (broadcasters). A significant characteristic of this arrangement is that the broadcasters are not obliged to air those programmes which have been funded if a given programme is judged by a broadcaster not to meet the strategic directions or other requirements of the channel or station. In other words, there is a commercial model or imperative lodged within the overall model of a split between funder and provider.
- 2.2 The survey did not explicitly invite discussion of the model, so explicit comments on it were relatively few. Other views can be inferred from the particular changes to the model recommended.
- 2.3 There was a certain amount of support for the model, even from those who disliked some of the finer details. The Screen Producers and Directors Association (SPADA), for example, approved of the model to the extent that it promotes competition for public funding and is audience-focused. However, the association claimed that, so long as broadcasters are required to focus on bottom line issues (the commercial model), range and diversity of programming (goals written into the functions of NZ On Air) will be increasingly hard to achieve.
- 2.4 Creative New Zealand (CNZ), on the other hand, though coming from a similar position, felt that, because the current configuration of the funder/provider split provides limited opportunities to support local content, the model is not viable.
- 2.5 From the perspective of complete support for the status quo, agencies such as the New Zealand Television Broadcasters' Council (NZTBC) point to statistics that show local content has increased by 300% in ten years. NZTBC claims that any requirement imposed by government is 'reminiscent of a bygone era and contrary to the freedoms enunciated in the Human Rights Act.'
- 2.6 Critics respond to such statistics for local content by questioning the nature of the content. They argue it does not meet the criteria of range and diversity of programming.
- 2.7 The basic criticism of the current model is that it enables broadcasters to act as gatekeepers of what appears on air. The Children's Television Foundation (CTF), in making such a claim, argues that many children's programme initiatives do not get screened because they are not viable commercially.
- 2.8 The Television New Zealand (TVNZ) submission strongly defends this gatekeeping function.

From the perspective of a broadcaster, a model which allows broadcasters to be ‘gatekeepers’ is as it should be given the statutory requirements of TVNZ to act commercially and to meet the needs and objectives of our Statement of Corporate Intent.

- 2.9 Further, broadcasters by definition cater for mass audiences, and narrowcasters for smaller audiences. ‘One ought not to confuse the two by trying to put niche programming on broadcast channels in prime time in an attempt to increase the range and quantity of local programming.’
- 2.10 A view such as that expressed in the last sentence points to the immense gulf that exists between a view of diverse local content programming as fulfilling the needs of specialised, ‘narrow’ interests and a view that sees such programming as being in the ‘broad’ interests of all New Zealanders because it contributes to a national cultural identity. I will return at the end of the report to this important and defining issue.

#### *The existing model and the film industry*

- 2.11 Before moving on from discussion of the model, it is necessary to note a criticism of the existing model that comes from a somewhat different direction, namely the relation between the television industry and the film industry. From the perspective of the New Zealand film industry, the current arrangements are seen as problematic. According to the New Zealand Film Commission (NZFC) the current funder/provider model for television in NZ has not adequately supported domestic feature film making in three respects:
- *Finance.* Television finance (by whatever mechanism) is basic to indigenous feature film making in every OECD country, but nowhere is this less so than NZ. NZ broadcasters have used the availability of NZOA money as reason not to participate substantially in feature film financing. Feature film drama is a staple of television programming all over the world. NZOA’s legislation singles out drama as desirable and feature film production is cost effective for NZOA. Yet NZOA is intending to reduce its support for feature films.
  - *Storytelling Talent Base.* NZOA’s television programme funding has helped to establish a range of production companies, but it has been very difficult to get broadcasters to screen one-off dramas, mini-series, children’s drama and quality documentaries. This has a negative effect on the feature film talent base.
  - *Long term focus.* The licence fee system encouraged a ‘democratisation’ of the fee. This approach tended to drive high volume, short term impacts rather than the long term perspective which is necessary for training and industry development.
- 2.12 Whatever their particular ideological views or operational positions within the industry, all respondents were agreed that more funding will be required if local content levels are to be enhanced. They are also mostly agreed that a

combination of measures would be necessary to realise this goal. The difference, as already indicated, is between proponents of various kinds (and varying degrees) of regulation, and proponents of no, or no more, regulation. Because the submissions do not fall easily into a framework of suggested changes *within* the model and fundamental changes *to* the model, I'm going to describe and report discussion of the full list of suggested measures and mechanisms (23 in all) together in the same section. As far as possible I will group these according to similarity and include reference to their strengths and weaknesses and their benefits as identified by respondents.

### **Increase in Funds Available**

- 2.13 A number of respondents pointed out that the only way to increase local content without changing the present model is to increase funds available to NZOA. At the same time, according to the Screen Directors' Guild (SDG), increased local content under this set up will not change in range, nature, or quality. A key question in this area posed by the respondents is whether to confirm the shift from the consumer licence or broadcasting fee to full allocation from government general funds, or whether to reinstate the licence fee. Pros and cons of each as identified by respondents will be noted as part of the discussion provided under each category.

#### *Increased Vote*

- 2.14 NZFC made the most explicit pitch to maintain the switch to Vote funding. The Commission argued that this arrangement allows NZOA and the government to adjust policy settings to fit a longer term, more strategic approach. This would help NZOA to concentrate on areas of market failure as required in its legislation. NZFC specified the following benefits accruing from such an approach:
- A clearer focus on culture and identity from a long-term perspective
  - Concentration of available finance in areas of high cost and high risk
  - Growing the capabilities of the sector
  - Supporting growth of storytelling talent
  - Growing the Māori talent base.
- 2.15 TVNZ also implicitly supported this approach, pointing out that savings on the cost of licence fee collection (about \$11m) could be added to the NZOA allocation. Further, TVNZ affirmed the priority status accorded by representatives of programme production groups to increasing quality (defined by TVNZ as 'more programming that New Zealanders want to watch'). NZTBC suggest that production funding be increased to \$60m p.a. (40% more than last year), and Media Studies scholar Geoff Lealand (GL) proposed that total NZOA funding levels be increased to \$100m p.a.
- 2.16 And NZOA itself, while not making a value judgement, provided some of the implications of the switch as it saw them. The organisation maintained that funding for public broadcasting outcomes under the current model needs to be increased by a minimum of \$16–17 million p.a. to allow NZOA 'both to redress

some of the declines in public broadcasting outputs experienced since 1995 (particularly children's television and drama) and to undertake new initiatives relevant to broadcasting in the 21<sup>st</sup> century.' (See summary of NZOA submission for detailed account of increased programming and funding innovation, p. 48.) In order to provide political independence and financial security, funding should be made on a quinquennial basis and tied to the purchase of broadcasting outputs. According to NZOA, an increase in funding to NZOA would 'alleviate the perceived "gatekeeper" problem vis-à-vis broadcasters by providing some negotiating leverage between prime-time and off-peak shows.'

- 2.17 If these respondents are correct that quality programming is the vital issue and about how to secure it, it is a strong signal to government both of endorsement of the shift to vote funding, and of the pressure to increase that funding in the future that can be expected.

#### *Reinstatement of licence fee*

- 2.18 Creative NZ provided the most considered case for reinstating the licence. According to CNZ, the following benefits would result:
- Consumers taking responsibility for private good benefits generated by production of local content
  - Reduction in direct costs for government
  - Obtaining revenue for local content production from a source which is not subject to change of government
  - The community have an opportunity to contribute to programmes that represent them and tell their stories.
- 2.19 Women in Film and Television (WIFT) also employed the last point in their suggestion that the licence fee be reinstated, citing former Irish Minister of Culture, Michael D. Higgins, on the importance of individual citizens having a direct stake in the financing of local production. The Green Ribbon Trust (GRT) pointed to the preference for a licence fee so that funding was not in competition with other commitments of the public purse.
- 2.20 Several organisations supported reinstatement of the licence fee but largely limited their suggestions to the present context of an impending shift to general funding. WIFT identified the need for a higher level of discretionary funding to give recognition to 'at risk' areas of local content (such as children's, drama, quality documentary), with additional funding for any added responsibilities. They advocated promotion of funding as a 'fundamental public good'. Specific benefits would include:
- More local product and greater variety to match NZ cultural diversity
  - Filling current void in at risk/quality areas generally
  - Better informed New Zealanders with deepened sense of national cultural identity
  - Equal footing of NZ programmes with those from elsewhere.

- 2.21 SPADA suggested funding be increased by about \$20m to bring spending power back to the level of the mid-1990s. They further suggested that there may be ways to identify or ‘ringfence’ specific areas of tax revenue (e.g. from television related industries). The New Zealand Writers’ Guild (NZWG) recommended increasing funding to a level that would allow productions to be made well and by practitioners who are fairly paid to do so. Benefits include:
- Increased opportunity to gain experience and be mentored
  - Increased employment
  - Assurance that we continue to hear and see ourselves on air
  - Improved and therefore internationally competitive product.
- 2.22 Similarly, CNZ stressed that there be greater direct support for producers of local content. Support for arts and broadcasting would enable that sector to make an even greater contribution to GDP and export earnings, and allow for the production of material which would enhance a positive image of NZ overseas.

#### *Relaxation of TVNZ Dividend*

- 2.23 A number of respondents suggested including in a package of mechanisms either the abolition of, or reduction in, the current requirement that TVNZ return an annual dividend to the government. The dividend was seen as a fundamental obstacle to TVNZ being able to air the programmes that NZOA funding was intended to encourage by requiring it to be profit-driven. Several respondents elaborated that this would allow for revenue to be reinvested. GL pointed out that this would bring TVNZ closer to a Crown enterprise model (this proposal is closely related to other mechanisms discussed below such as charters).

#### *Wider Funding*

- 2.24 Production company Front Page Films & TV (FPF) suggested that NZOA should consider funding programmes on Prime and Sky ‘where those channels can demonstrate that they are targeting an audience which commercial broadcasters are not willing to target.’

#### *Sell TV2*

- 2.25 Another production company, Tom Williamson Productions (TWP), joined by the Churches Broadcasting Commission (CBC), proposed selling TV2 as part of an arrangement to (re)establish TV One as an overtly public service channel.

#### *Reallocate Concert Programme Funding*

- 2.26 TVNZ recommended an investigation into reallocating Concert Programme funding to television, on the basis that it is a significant cost for a narrow audience.

### *Advertising Levy*

- 2.27 TWP recommended imposing a levy on advertisers as one of two principal measures of funding a single public service channel. The levy would be imposed on all advertising shown on all other channels, with a system (as with channel 4 in the UK) where some screenings of advertisements could not be booked at times specified by the advertisers. ‘This separation of advertising times from programme scheduling was the key that funded stimulating minority programming and allowed it to be transmitted in prime time.’ In the company’s view, ‘it is the near total advertisers’ control over programme scheduling in NZ that is the single most important factor in the downward slide of quality on our screens.’
- 2.28 Several respondents explicitly warned against employing this mechanism. The Association of New Zealand Advertisers (ANZA) stated that a very small population base results in obviously limited funds. ‘We would caution against considering that the advertising market would accept increases in advertising costs.’ ANZA claimed that income for advertising companies in NZ over the last three years has remained static, compared with 4% p.a. growth in Australia. The organisation suggested that this might result in a diversion of overseas advertising company investment.
- 2.29 NZOA lent support to this view, stating that increased competition for advertisers’ budgets is putting, and will continue to put, increasing pressure on network advertising revenues. ‘These pressures are exacerbated by the fact that networks are tending to spend a higher proportion of their commissioning budgets on non-New Zealand On Air programmes – i.e. format shows, reality series, and infotainment programmes.’

### *Broadcaster’s Levy*

- 2.30 There was more support for the introduction of a broadcasters’ levy or licence fee. CNZ introduced the idea in the context of programme providers unable to provide the required amount of local content. In other words it is a companion mechanism to quotas (see below) which CNZ also supported strongly. NZFC conceptualised a levy as an automatic requirement of private licence holders; and this was the sense in which it was raised by CTF and the CBC: a fee payable in return for a licence to broadcast.

### **Strategic Reorientation**

- 2.31 Several respondents made their suggestions for change conditional upon a comprehensive reevaluation of NZ broadcasting. Paul Norris and Brian Pauling (N&P) from the NZ Broadcasting School prefaced their proposals in this direction with the comment that deregulation of television has seen a narrowing of the range of programmes available, and a failure to satisfy the statutory requirements of diversity and the needs of minority audiences.

### *Review of Broadcasting*

- 2.32 WIFT recommended a formal review to consider ways to reduce the broadcasters' gatekeeping role. The CBC also called for existing legislation to be overhauled, and formal study made of public broadcasting systems in similar countries such as Norway, Ireland, and Finland.

### *Cultural Broadcasting Strategy*

- 2.33 CNZ considered that changes to the broadcasting model should be developed and supported through what it termed a 'cultural broadcasting strategy'. Such a strategy, in CNZ's view, would include application of quotas across a range of genres including information, performance, drama, children's entertainment, and news and current affairs. But locally produced game shows or certain types of 'real TV' should be excluded as incompatible with the aims of expanding local content (supporting cultural identity, demographic diversity, social cohesion, self-expression).

### *Advisory Committee*

- 2.34 ART proposed that the government set up an advisory committee for the development of public service broadcasting policy, with input (but not necessarily in all cases direct representation) from NZOA, Ministry for Culture and Heritage, TVNZ, private broadcasters eligible for NZOA funding, and SPADA. The committee would provide a stronger link between government and industry, and government policy would be strengthened. Research and cultural indicators could be developed to judge the success or failure and adequacy of government's cultural investment. It could also advise government on levels of funding for NZOA.
- 2.35 A variation on this idea was put forward by GRT. One way of limiting the 'gatekeeper' role of the broadcaster would be to place decision making responsibility over which stories and programmes receive funding in the hands of a panel of broadcaster and NZOA representatives, and if funding is granted then the broadcaster should be compelled to broadcast the programme, provided the finished product meets the criteria of broadcasting standards.

### *Establishment of Broadcasting Objectives*

- 2.36 N&P advocated going back further towards first principles. In their view, a policy for TVNZ, which should embrace TVNZ's role in the digital future, should be determined by the broadcasting objectives the community wants to achieve. They assert that the establishing of such objectives should be the first step in the reformulation of policy.
- 2.37 Amongst these comprehensive broadcasting objectives, the objectives of local content need clarification. N&P specify the first order questions that need to be addressed.
- Is prime time the primary focus?

- How important is local content for minority programming?
- Should the focus be on mainstream free to air channels where impact is likely to be most effective?

### *More Research*

- 2.38 N&P's proposition is consistent with a variety of calls for more research that several respondents made. TVNZ said that there is a need for more research on what actual viewers want from television and what they think about local content. (The broadcaster noted that there has been a 300% increase in local content hours in the last decade, and increases in every genre except sport and entertainment.)
- 2.39 ANZA made a similar suggestion. Changes to local content should be contingent on proven demand (surveyed annually at least). Where warranted, additional programming should be commissioned by NZOA (with decisions made on a more transparent basis) to satisfy particular interest groups (the nature of which should not be assumed in advance).

### **Structure**

- 2.40 Suggestions for reviews and evaluations led invariably and logically to suggestions for changes in institutional and framework structure, and for regulatory intervention. Invariably, respondents proposed changes that related to both areas. I'll deal with structure first.

### *Public Broadcaster*

- 2.41 There were numerous calls for the establishment of a public broadcaster for television. ART asserted plainly: Establish a government owned television broadcaster with a cultural, not profit oriented, charter. FPF said TVNZ should be removed from the SOE Act and placed under special legislation enabling it to pursue other objectives alongside purely commercial ones. TWP said TV One alone should have this role. N&P envisaged a Crown entity like RNZ; GL a Crown enterprise model.

### *Charter*

- 2.42 The call for a public broadcaster was generally accompanied by identification of the need for a charter that would explicitly set down how that broadcaster would function in terms of the airing of local content. In every case of those advocating this reform, the charter would, as ART put it, be 'cultural', not 'profit-oriented'. CTF said that a charter for TVNZ should require it to produce, commission, and broadcast children's programming. N&P said the charter would require fostering of national identity and culture, and programming for minority interests. It would then be harder for TVNZ to argue opportunity cost as a reason for not agreeing to take minority programmes which NZOA wanted to fund. GL referred to the placing of minimum expectations in certain areas of local production (most particularly Māori language/interest and children and young people). He proposed as a model the Australian C and P programming strands,

where children's and pre-school programmes are provided with an established time-slot not unduly subject to commercial pressures.

- 2.43 NZOA, writing in the context of considering future developments (but the point would seem to have current application if it is valid), pointed out that a charter for TVNZ would probably need to be matched by requirements on other broadcasters or there would be implications for TVNZ's competitive position. Indeed, several of those advocating charters included other mainstream channels in their prescription. A different view was expressed by the SDG. It agreed that the only way to provide a proper range and diversity of local content is to require a broadcaster to provide it, and the only mechanism for ensuring this is a charter. However, while it may be reasonable to apply *quotas* to commercial broadcasters, it may not be considered reasonable to bind them to the constraints of a *charter*.

#### *Streamline or Reorient NZOA*

- 2.44 Several contributions saw the need for a streamlining or reorientation of NZOA. FPF asserted this very strongly:

The fundamental dilemma facing NZ on Air is that it has no real leverage over the broadcasters and is thus left playing a passive role, funding only that which the broadcasters regard as compatible with their overall commercial objectives.

- 2.45 At the same time, 'there is every indication that broadcasters prefer local to imported content when all other things are equal.'
- 2.46 Therefore, the company claims, NZOA should phase out its funding of prime time programming which is designed largely to satisfy a broadcaster's target audience and instead concentrate on funding programmes for audiences which are not currently commercial priorities for the major channels. To assist this process, NZOA should itself become the prime gatekeeper in terms of commissioning programmes.
- 2.47 The point about NZOA taking a lead in terms of commissioning programmes is extended by the SDG which asserts that there must be a change in the process by which funding decisions are made. Currently, projects are by and large first identified and approved by the broadcasters and then submitted to NZOA. This needs to be reversed, the guild maintains, with channels choosing or even bidding for ideas identified by NZOA (which only rarely happens now).
- 2.48 And N&P propose a streamlining that would see NZOA refocused on the funding, stimulation, and monitoring of local content. Its current roles with respect to Te Māngai Pāho, Access Radio, transmission, archives, and perhaps RNZ, would be transferred to the Ministry for Culture and Heritage. They claimed this would double the amount of money available for funding of local content. The CBC advocates delegating the present financial responsibilities of NZOA to a separate official body which would also make annual recommendations to government about the amount of money which should be

allocated to NZOA. GL suggests NZOA consider lifting its current policy of expecting commercial returns from funded programmes (which appears to be constraining overseas sales), and reconsider its current policy of not funding NZ produced news, current affairs and sport.

### *Industry Cooperation*

- 2.49 Against this rather significant body of opinion, those close to the broadcaster interests assert their faith in the status quo to deliver satisfactory local content, or, more particularly, in the good faith and cooperation of the industry. Responding to the recent decision of the outgoing government to establish a non-commercial Youth Radio Network, the Radio Broadcasters Association (RBA) argue that the best approach is to return to a climate of industry cooperation, which was achieving 25% NZ content on youth radio formats. Similarly, Canwest Radio Ltd (CRL) state that local content is best achieved by cooperation among the various stakeholders (radio, record companies, musicians, NZOA), leading to the encouragement of self-imposed quotas.

## **Regulatory Regime**

### *Quotas*

- 2.50 The possibility of self-imposed quotas was not one admitted by the bulk of non-broadcaster respondents. The NZWG argued that intervention is important as broadcasters (despite good intentions) cannot be relied upon to properly support and encourage the production of local content when they are so commercially driven. By maintaining the current approach, the guild added, NZ runs the risk of contravening UNESCO's declaration of human rights, notably article 27 on cultural and artistic issues, and being irrevocably left behind the rest of the world's broadcasting industries. The guild, supported by several other respondents, went on to say that quotas should be genre-specific to address the lack of adequate output in six high-cost, high-risk areas (drama, children's drama, children's programmes, documentary, Māori and performance), and that a sliding scale point system for quota would help to overcome trade obligations. In addition, a scoping study of how Ireland, for example, has successfully employed quotas is in order.
- 2.51 The SDG took the same view, stating that a quota system (structured as in Australia, with higher cost programme types satisfying more quota than low cost ones) is essential. GRT also advocated a quality control points system similar to Australia. But the organisation added that, to ensure fairness, the quotas would need to be imposed across the board on all channels above a certain level of viewership numbers.
- 2.52 CNZ claimed that, because of the high cost of local programmes compared with imported ones, quotas cannot work in isolation. The value and impact of local content can be enhanced by measures such as those adopted by the Australian Broadcasting Corporation:

- Partnerships with the community to increase the amount of content available through joint funding
  - Emphasising use of new digital technology and innovative programming styles
  - Increased focus on marketing of programmes and distribution of related products (books, videos, CDs)
  - Developing skills of creative and specialist crafts people.
- 2.53 SPADA suggested that quotas will not necessarily contravene GATS requirements. Most other countries have specific protection for cultural products. And quotas, the organisation pointed out, are a mechanism to serve the expectations of audiences, not an industry support mechanism; therefore the system need not automatically exclude foreign producers.
- 2.54 The CBC endorsed a quota system, with the following provisos:
- A full and adequate regulatory system to ensure adherence
  - Annual review at minimum
  - Financial reward for meeting quotas be on a quid pro quo basis.
- 2.55 Other respondents' support for quotas was accompanied by varying degrees of qualification. NZOA offered the most extensive reservations. The organisation acknowledged that, given the 'gatekeeper' problem, where broadcasters have the ability to refuse to screen programmes NZOA may wish to fund, the introduction of some form of requirement to screen certain types of programmes could make it easier for NZOA to fulfil its statutory role. But quotas would raise a number of issues and questions:
- Quota or content regulation would need to be accompanied by NZOA funding , or else quota would need to be very detailed and prescriptive.
  - Any shift in emphasis between commercial and social objectives for TVNZ would have an impact on advertising revenue and hence on investment in local production.
  - Would regulation apply to all, or could there be trade-off between categories or in return for payment of a levy?
  - Account would need to be taken of the potential for quota to be filled entirely by Australian production. (Alternatively, country specific quotas would need to be introduced into CER.)
  - It would be advisable to use a combination of transmission requirements (for overall local content) and genre-specific quotas (for diversity).
- 2.56 NZOA concluded its discussion as follows:
- If TVNZ (or another channel) were set up as a commercial-free, state-owned broadcaster with a public service charter, and this was

accompanied by detailed local content regulation for other commercial players in the market, then the need for independent funding to ensure a diverse range of local programmes was available for the widest audience would substantially diminish. In any other circumstances where broadcasters are operating within a commercial environment, the pressures to achieve ratings and reduce costs would result in a narrow range of programmes being produced at the minimum level possible to meet regulatory requirements.

- 2.57 N&P recommended a system of *differential* quotas, i.e. quotas that are channel specific so as to recognise that different channels play to different target markets, and have a different mix of programmes. Annual negotiations would allow for evolution and change.

One of the most important arguments for quotas is that they place the responsibility for local content fairly and squarely on the broadcasters – it is they who must determine the programming to meet the quota and they who must shoulder the financial burden. In this sense quotas can be seen as part of the cost of being in broadcasting in any particular environment.

- 2.58 N&P noted that a genre-specific system in Australia has been more successful in meeting objectives than blanket quota in Canada. In the context of future developments, they proposed that less mainstream channels (including pay TV) could opt either for mini-quota or a local content levy. ‘The rationale for this levy is that it is a subsidy to those bearing the additional costs of local content, from those avoiding such costs.’

- 2.59 GL favoured quotas that are incentive-led rather than imposed. Incentives would be in the form of increased money for local content production (as a consequence of recommended changes to the present model). He also favoured programming and genre *targets* rather than minimum quota levels. These could be negotiated between the two main players (NZOA, or a Ministry of Communications, and TVNZ).

- 2.60 NZTBC completely rejects the use of quotas, on the following grounds:

- Quotas ‘represent an approach to television rooted in the past.’
- There is no reliable evidence linking programme quotas to export returns achieved by television production companies. In fact, quotas are ‘a clear example of a hidden subsidy to one sector of the wider entertainment industry.’ (SPADA’s comment, quoted earlier, that quotas are a mechanism to serve the expectations of audiences, not an industry support mechanism, is clearly relevant here.)
- ‘The costs of any interventions will inevitably be borne by the consumer in the form of increased prices for goods and services, unless a direct tax or license fee is introduced.’

- Quotas may affect broadcasting companies' ownership structures. 'This could lead to uncertainty, lack of confidence and seriously affect market share.'
- 2.61 CRL made the point that quotas for commercial radio, whether voluntary or regulatory, would need to be applied differentially according to genre and format. For example, 'solid gold' or 'easy listening' could not bear 10% NZ content. If local content quotas are imposed, this organisation noted, commercial broadcasters will expect compensation for lost audience and revenue.
- 2.62 Media commentator, Brian Priestley (BP), also felt that quotas are problematic:

If we were to set up a quota for Kiwi music, for instance, where would the music come from, what standard would it be, and who would listen? It has to be produced week after week, month after month. Quotas, surely, should not be immutable but should be considered at regular intervals in conjunction with ratings.

- 2.63 And an ART discussion paper on local content appended to its survey response made the following point:

I do not believe that a quota for television is the best way of achieving cultural gains for NZ television. Unless quota is targeted it would not provide any real cultural gains. If it was targeted, there is a risk that the types of programmes that would need to be produced would be very expensive compared to purchasing their overseas counterparts. If a mechanism such as NZOA was not funded to the level required to meet the demand from broadcasters then this would amount to a severe compliance cost and is likely to be a disincentive for investment into NZ television broadcasting.

#### *Voluntary regime*

- 2.64 As I indicated earlier, the private broadcasters favoured self-imposed quotas, or what they alternatively called a 'voluntary regime'.

#### *Tax Incentives*

- 2.65 NZWG proposed investigating the institution of tax incentives for foreign production companies to come to NZ and produce television. This would provide cashflow and experience (although rigorously controlled eligibility guidelines would be necessary).

#### *Limited Advertising*

- 2.66 In the event of a public broadcaster model being established, WIFT advocated a limited advertising regime.

### *Purchasing Contracts*

- 2.67 NZOA noted a possible further option, namely to develop a system of purchase contracts with the main free-to-air broadcasters, with a related system of rewards and penalties.

### *Regulation of Frequencies*

- 2.68 SPADA held that, in conjunction with increased funding for NZOA, frequency arrangements should (over time) be regulated to foster local content.

### **Questioning Prevailing Thinking**

- 2.69 Before moving to the next section on future developments, it may be useful to bring to the foregoing discussion the criticism of what it calls ‘traditional’ regulatory measures (basically, those described above) put forward by the production company Front Page Films & TV. Although they are presented in the context of the discussion of future developments, they would appear relevant to present conditions and considerations. FPF argues that traditional measures are weakened by global operation and distribution, and points to the following in particular:

- *Licensing* is less valid with an increase in supply of frequencies and trans-border broadcasting (satellites and Internet).
- And without substantial micro-regulation, *quotas* tend to act in such a way as to merely replace an already existing audience’s overseas programmes with local counterparts.
- *Local content* which may be profitable in itself for the commercial broadcaster because of NZOA funding may end up non-profitable because of the logic of television programming – to deliver the maximum audience across the *whole* programme line-up.

- 2.70 FPF draws from this the following conclusion:

The most practicable – and least expensive – way of ensuring not only a significant quantity but also a diversity of local content would be a state-owned broadcaster, which could, as required by the government, trade off local content for profitability. That profitability could be ‘topped up’ by the state funding agency so that the government received a dividend. Any surplus funds held by the state funding agency could be applied to meet other local content objectives on other non-state channels.

## Radio New Zealand

- 2.71 Since it is more a general statement of position, rather than a discussion of specific measures, I am including comments by Radio NZ as a separate item in this section.

Should a combination of measures result in substantially changed requirements to local content for National Radio, we do not believe these would have significant impact on programming given the NZ content levels already being achieved. Should 100% local content be a requirement however, we believe there would be significant protest and possible audience loss on the part of that section of the audience which has shown its preference for the [current mix of local and international programming] and wish that to be maintained if not increased. In addition, it is important to note that international programming provides the context and the benchmarks, against which NZ programming can be judged.

A requirement to increase local content on Concert FM would have a much more dramatic effect. Audience preferences are for mainstream music, with the specialist NZ composition component satisfying the small specialised audience and only tolerated by the majority of the audience. Indications are that an increase in levels of NZ composition would almost certainly result in listener dissatisfaction and some audience loss for Concert FM.

. . . the purchase of additional broadcast rights for NZ performance would increase the cost burden on Concert FM and could not be met out of current budget.

### **3. FUTURE DEVELOPMENTS AND IMPACTS ON LOCAL CONTENT**

- 3.1 As is usual with discussions of new technological developments, prediction as to the impacts ranges widely across the spectrum from pessimistic to optimistic.
- 3.2 The majority of the organisations representing programme producers and practitioners adopted a fairly bleak view of what the main anticipated developments (digital television in association with globalisation) will usher in. The basic story is that digitalisation will provide for many more channels and therefore fragmentation of audience, while globalisation will lead to increased concentration of media ownership and hence, without measures to guarantee local content, cultural homogeneity.
- 3.3 There were a number of variations or elaborations on this theme. WIFT fears that, in this environment, the sale or partial sale of TVNZ will proceed, making NZ the only country with no publicly owned television network operating in the public good. The SDG, along with CTF, expects that only low cost programmes will be affordable and commercially appropriate, impacting heavily on diversity, drama, documentary, and children's television. SPADA predicts a dilution of advertising revenue and increasing difficulty for channels to get their programmes noticed amongst the clutter. Local content will be of the low cost variety, apart from sport, which will be taken up by pay TV.
- 3.4 Some similar organisations introduced additional possibilities. ART considered that NZ's small population may limit the increase in channels. It may be that narrow casting will play a more important role in television, but overseas experience indicates that there are still only a few dominant channels that have the majority of the audience. (The point about continuation of a few dominant or mainstream channels was one echoed by a number of respondents across the spectrum.)
- 3.5 NZWG referred to the possibility that future technologies could make it possible for the consumer to avoid traditional broadcasters altogether if they wish, and to avoid advertisements. NZFC focused on how NZOA might respond to this combination of trends. It suggested that, while the bulk of the audience is likely to remain with mainstream channels, the question will be to what extent NZOA will trade some of its presence with the mass audience to provide for diversity. US cable channels, NZFC claimed, are far more interested in taking risks than mainstream commercial channels (another common view but one denied by TVNZ).
- 3.6 CNZ also felt that, along with increased competition and increased penetration of overseas material, there would be more channels and therefore more opportunities to create local material of interest. However, FPF sounded a note of warning to these more optimistic possibilities. It claimed that many of the niches resulting from the new conditions will, in the case of NZ, be too small to make locally produced programmes viable. And ANZA argued that diversification of broadcasting and consequent market fragmentation will make

it more difficult for the government to satisfy demands for additional local content.

- 3.7 The more wholly optimistic end of the spectrum was occupied by the broadcasters, particularly TVNZ. Referring to the introduction of multi-channel digital television and the convergence of media, TVNZ said:

It will provide the opportunity for more local broadcasting better able to meet the needs of niche/specialist audiences. It is the current limitations of analogue spectrum bandwidth which limits current broadcasters to only one or two national channels, and prevents them offering targeted narrowcast services better able to meet the demands of small groups.

- 3.8 TVNZ also expects to derive new revenue from a subscription service. In addition, there will be increased opportunities for interactivity, and local content will also be able to be delivered through the Internet and web TV.

- 3.9 NZTBC affirmed this general outlook. 'The growth in competitive, electronic-based information and entertainment services in the home will both grow the audience for domestic reception equipment and fragment the viewing patterns of households.' But it was a little more cautious about the possibilities for local content. The cost of introducing and operating digital television, together with anticipated higher prices for international programming as a result of increased demand for the most popular programming, and expected resistance by advertisers to significantly increased rates, is likely, it said, to lead to 'a careful husbanding of resources by broadcasters anxious to maintain local content levels to ensure market share, but facing increased costs and a major capital investment programme.'

- 3.10 CRL was blunt about the chances of local content in future. Developments in satellite and digital broadcasting will make available multiple overseas radio programme channels which 'will render Government imposed local content quotas discriminatory and punitive' on local broadcasters.

- 3.11 As with the discussion on measures for securing local content, and in line with its mediating position between producers and broadcasters, NZOA occupied the middle of the spectrum on the effects of future trends. The result was a more extensive discussion, which it may be useful to report reasonable fully.

- 3.12 The funding body considers that the transition to digital transmission is unlikely to cause the demise of free-to-air (FTA) television, but it will result in both threats and opportunities for local content.

- 3.13 Threats:

- New entrants to the broadcasting market are unlikely to purchase locally commissioned programmes.
- If advertising revenue is squeezed, FTA channels will spend less on local programmes.

- Accessibility of FTA broadcasting for the widest population will potentially be compromised. Broadcasters will be tempted to place their most attractive programmes and their special interest programmes on a pay-to-view basis.

#### 3.14 Opportunities:

- FTA broadcasters may place a higher value on certain types of local content to create channel identity.
- There will be potential for local programming to be enhanced by additional plays and/or interactivity.
- There will be the possibility of NZOA-funded programming being made available, on a competitive basis, to a wider range of channels.

#### 3.15 NZOA identified two further threats:

- The introduction of the Māori television network will, if commensurate additional funding is not made available, lead to further pressure on NZOA funds with consequent reductions in either Māori programmes on mainstream networks or in expensive or specialist programming.
- Outsourcing of programme production by commercial broadcasters is leading them to neglect recruitment and training issues. In the tightly competitive environment, independent production companies are not addressing this issue either. The problem is most acute for the production of programmes required to meet statutory responsibilities to promote Māori language and culture.

3.16 Another extensive and interesting discussion was offered by N&P. They believe that television will develop in two different but complementary ways which they term the 'Me Channel' and the 'Daily Us'. It will become increasingly possible, they suggest, for individual consumers to customise their own programming and to interact with programme providers. 'The dominant role of regulators, broadcasters, and production teams gives way to the viewer taking a much more active and powerful role in determining what he/she will see and experience and what influences they will be subject to.'

3.17 At the same time, they claim, not everyone will want, or be able, to take advantage of what's possible, or will want to do so all the time, and there will still be the desire for the 'shared experience' of the major events that shape the nation. 'In one sense, the more the "Daily Me" takes hold, the more there will be the need for the fostering of national identity and culture through a popular medium freely available to all regardless of preferences, IT skills, socio-economic background, or income.' Similarly, 'the more the media become subject to global influences, the more the need for systems to ensure adequate levels of local content.' So, they conclude, the role of the public broadcaster will be as important and valued as ever.

*Additional points*

3.18 To conclude this section, it is worth noting three additional points which future planners may need to take into account:

- NZFC report that in the aftermath of digital television, the delivery requirements of all films and television produced in NZ will need to meet international standards to complete overseas sales.
- RNZ report that the implementation of the Co-Star and Sadie systems will enable more fluid access and exchange of news and feature material across the programme formats.
- GRT report that many smaller, cheaper video cameras are becoming available at the leading edge of the home video camera market that are of such good quality that they can cross, and at times already have crossed, over to commercial broadcast use. It could make programme making accessible and less expensive to a wider range of people. GRT also report a trend, with the opening of the UHF band, for smaller niche TV stations which offer an opening to minority interests. However, GRT point out, they are not accessible to all and do not diminish the state broadcaster's role in providing a diverse range of content to all New Zealanders.

## 4. THE IMPLICATIONS FOR GOVERNMENT

- 4.1 Most respondents, understandably, see the implications for government of the future developments they identify as signalling an intensification of the need for the measures and solutions that each believes is necessary to secure a broadcasting system that guarantees viable local content, and which were described earlier in this report. So WIFT, for example, asserts that a complete review of the role of publicly owned television in NZ is essential. ‘Piecemeal tinkering with quotas or other mechanisms cannot result in the correctly balanced range of complementary mechanisms required to achieve desired outcomes.’
- 4.2 In SPADA’s view, if government ‘intends to view local television content, the fostering of NZ identity and culture, and the development of a knowledge economy as serious commitments, increased public funding is essential.’
- 4.3 NZWG’s concern is that without government intervention our stories, voices and images could be potentially marginalised even further.
- 4.4 CNZ say that the developments occurring make even more paramount a coordinated broadcasting strategy, and the need for ‘local content to be aired and available on more than just one digital channel if we are to protect and promote something that is “about us” and of value to New Zealanders.’
- 4.5 ART say their proposed advisory committee can help government resolve these future issues.
- 4.6 NZFC restate their view that the TVNZ charter should encourage a focus on drama, documentary and special interest programming on the grounds that these have the highest cultural impact over time and the least commercial opportunity, as well as provide the best base for a potentially lucrative creative industry.
- 4.7 NZOA state that government funding to ensure some level of local content and diversity will become even more important. Further, training programmes are required to ensure NZ television programme production is both sustainable and innovative. (There is currently no specific requirement or provision for the funding of training in the authorities provided to NZOA by the Broadcasting Act.)
- 4.8 FPF argue that the transition to digital television via decoder boxes will require the government to oversee an equitable regime for introduction of the boxes to avoid monopolisation.
- 4.9 According to NZTBC, expenditure on local content is therefore unlikely to increase beyond existing levels unless government:
- Provides direct production funding only to free-to-air television broadcasting because that will be the most effective way of reaching audiences.

- Introduces sports rights legislation which enables NZ sport to be seen on free-to-air television while also making it available to pay TV operators.
  - Allows advertising on television from midnight to noon on Sundays.
- 4.10 CRL proposes that ‘the Ministry in conjunction with New Zealand On Air establish a working group involving all the stakeholders and build on the work that has already been done to increase local content on New Zealand commercial radio.’

## 5. CONCLUSION

- 5.1 While everyone is agreed that more (or at least, by various definitions, better) local content is a good thing, and that that will require more, usually public, money, there is a clear division of opinion as to the best way to ensure that the local programmes get not only made but aired. The issue becomes reduced to two largely incommensurate blocks of opinion. On the one side, a view that the broadcasters or channels should be denied complete control over the selection of content, or that one or more public broadcasters be equipped to ensure adequate levels of local content, or both. On the other side, a view that the channels and stations be allowed to retain decision-making power over, generally, what gets made and certainly over what gets aired, assisted by access to public funding, much as is the case now.
- 5.2 Both views have validity, according to the parameters within which each is conceptualising the matter. Are there other ways of looking at the issue, in order to move beyond the present division? As the preceding discussion will have made clear, there are a number of attempts being made to think outside the more conventional positions with respect especially to television. (This is not necessarily to reject any conventional position, merely to subject them to scrutiny.) One particularly evident example is the suggestion that there be less pressure to show local content programmes in prime time. Or simply that the kind of local content funded not be conventional prime time material. Another possibility – an extension of the previous suggestion – is that local content need not always be shown on mainstream or free-to-air television. Perhaps much local programming – certainly that which is publicly funded rather than paid for by the private broadcasters themselves – could be screened on cable, or on one or more public channels available nationally but not presented and resourced as a national voice or flagship, *the* public broadcaster. Or in the future, through public narrowcast services.
- 5.3 However, it would seem that virtually all the respondents are disinclined to go so far as to admit an easy connection between local content and special or minority interest channels, and it may be worth asking why. The answer would appear to rest on one or more of the following assumptions:
- The most important one is that programmes made in NZ by and about New Zealanders are formative of a sense of national identity and culture in those who view them. As this national identity and culture is a good thing, and by definition is relevant to all New Zealanders, the screening of such programmes should be as prominent as possible.
  - Further, this work of identity formation is most effective when the citizenry is able to view the programmes together, albeit in their separate residences, to ‘see ourselves’ all at the same time.
  - Similarly, a national public television channel functions as a public sphere where the nation can talk to and debate with itself, to forge its democratic

character and tell its story; or additionally as a communal marketplace where all wares can be sampled 'in the same place'.

- 5.4 This notion of national or cultural identity appears to mean different things to different people, and perhaps decision making would be easier if greater clarity could be achieved about what different meanings it has and which meanings are being evoked in any discussion. There would seem to be two main levels of meaning:
- A weaker sense, which could be encapsulated by a term like 'national consciousness', which acknowledges various commonalities such as geo-political location, and culture in the sense of an awareness of a particular mix of cultural differences, interests, and issues of concern which is not experienced anywhere else.
  - And a stronger sense of a common character or outlook which New Zealanders share or should share. This would seem more the sense in which Contact Energy Chairman Phil Pryke is using the term when he refers (*Dominion*, 9/12/99) to the need for 'creating a national identity, which [Australia] has in many ways done so magnificently.'
- 5.5 Television and radio would seem very well suited to the first sense, merely by virtue of their infrastructural ability to embrace the nation, to contribute significantly to constituting a sense of nationality by connecting people and showing and repeating recognisable images. It is rather less clear how broadcasting could (or should) contribute to the second sense. But a clearer view of what precisely is at stake in this area of culture and identity, and how present and emerging broadcasting technology actually works in relation to it, might ease the way forward.
- 5.6 Perhaps the experience of NZ literature can help. Writing in the current issue of *New Zealand Books*, literary critic Mark Williams argues that conscripting New Zealand literature for the faithful (or unfaithful) presentation of the natural beauties of the nation may be less conducive of cultural identity formation and, importantly, artistic excellence than would a concentration on establishing a point of distinction from the literatures of other countries. Williams, contrasting the writing of Katherine Mansfield with the 'travels in Moriland' style of colonial nationalist writing, quotes Oscar Wilde to the effect that: 'It is only by contact with the art of foreign nations that the art of a country gains that individual and separate life we call nationality.' And Williams adds: 'In other words, a national literature is to be produced not by faithful imitation of local realities, but by establishing differences from other existing literatures.'
- 5.7 If an analogous argument of artistic distinction and excellence could be made with respect to television (and not just to 'artistic' genres, it should be added), it might bring the quantity/quality/funding nexus into sharper relief.

## 6. SUMMARIES OF RESPONSES

### *ASSOCIATION OF NZ ADVERTISERS*

#### **Suggested changes to present model**

- Changes to local content should be contingent on proven demand (surveyed annually at least).
- Where warranted, additional programming should be commissioned by NZOA (with decisions made on a more transparent basis) to satisfy particular interest groups (the nature of which should not be assumed in advance).

#### **Benefits of changes**

More transparent decision-making by NZOA would provide greater understanding, appreciation, and direction.

#### **Who pays? And why?**

Additional costs should be met by government (but a reintroduced license fee is unlikely to be publicly acceptable).

#### **Future developments in broadcasting and their impact on local content provision**

*Diversification* of broadcasting and consequent market *fragmentation* will make it more difficult for the government to satisfy demands for additional local content.

#### **Who would pay and why?**

The very small population base results in obviously limited funds. 'We would caution against considering that the advertising market would accept increases in advertising costs.' Income for advertising companies in NZ over last three years has remained static, compared with 4% p.a. growth in Australia. This may result in diversion of overseas advertising company investment.

## ***CANWEST RADIO LTD***

Canwest rejects the survey preamble's assumptions that commercial radio advertisers have a significant influence over content and that the content is therefore conservative and mass audience directed. On the contrary, advertisers are attracted to a radio station for many different reasons, and the deregulated radio market has led to niche radio stations. Local content is best achieved by:

- *Cooperation among the various stakeholders* (radio, record companies, musicians, NZ on Air), leading to the encouragement of *self-imposed quotas*.

### **Who pays? And why?**

If local content quotas are imposed, commercial broadcasters will expect compensation for lost audience and revenue.

### **Future developments in broadcasting and their impact on local content provision**

Developments in *satellite* and *digital broadcasting* will make available multiple overseas radio programme channels which 'will render Government imposed local content quotas discriminatory and punitive' on local broadcasters.

### **Implications of future developments for government policy**

'Canwest proposes that the Ministry in conjunction with New Zealand On Air establish a working group involving all the stakeholders and build on the work that has already been done to increase local content on New Zealand commercial radio.'

### **What combination of measures to secure local content in future?**

*Quotas*, whether voluntary or regulatory, would need to be applied differentially according to genre and format. For example, 'solid gold' or 'easy listening' could not bear 10% NZ content.

## ***NZ TELEVISION BROADCASTERS' COUNCIL***

Supports current broadcasting model because local content has increased by 300% in ten years. A voluntary regime will ensure the best outcomes on screen. Any government imposed requirement is 'reminiscent of a bygone era and contrary to the freedoms enunciated in the Human Rights Act.'

### **Suggested changes to present model**

- Increase production funding to at least \$60 million (40% more than last financial year), adjusted annually for inflation

### **Benefits of changes**

- NZOA funded programming increased by 309 hours to over 1000 hours per annum
- Greater diversity and/or quality of programming

### **Who pays? And why?**

Taxpayer should bear the cost, in line with historical (and therefore recognised) practice.

### **Future developments in broadcasting and their impact on local content provision**

- Free-to-air television will be the preferred source of information and entertainment for most NZers, and for advertisers, in the next decade.
- 'The growth in competitive, electronic-based information and entertainment services in the home will both grow the audience for domestic reception equipment and fragment the viewing patterns of households.'
- The cost of introducing and operating digital television, together with anticipated higher prices for international programming as a result of increased demand for the most popular programming, and expected resistance by advertisers to significantly increased rates, is likely to lead to 'a careful husbanding of resources by broadcasters anxious to maintain local content levels to ensure market share, but facing increased costs and a major capital investment programme.'

### **Implications of future developments for government policy**

Expenditure on local content is therefore unlikely to increase beyond existing levels unless government:

- Provides direct production funding only to free-to-air television broadcasting because that will be the most effective way of reaching audiences.
- Introduces sports rights legislation which enables NZ sport to be seen on free-to-air television while also making it available to pay TV operators.
- Allow advertising on television from midnight to noon on Sundays.

## **What combination of measures to secure local content in future?**

Rejects programme quotas because:

1. 'They represent an approach to television rooted in the past', and because there is no reliable evidence linking programme quotas to export returns achieved by television production companies. Quotas are 'a clear example of a hidden subsidy to one sector of the wider entertainment industry.'
2. 'The costs of any interventions will inevitably be borne by the consumer in the form of increased prices for goods and services, unless a direct tax or license fee is introduced.'
3. They may affect broadcasting companies' ownership structures. 'This could lead to uncertainty, lack of confidence and seriously affect market share.'

## ***RADIO BROADCASTERS ASSOCIATION***

The RBA argues that the NZ radio industry is the most crowded and competitive of all world markets and therefore it is unfair to compare NZ with other countries with highly regulated broadcasting regimes. Moreover, time spent listening to commercial radio in NZ is higher than most other countries, and the advertising revenue it earns is higher than any other country.

### **Suggested changes to present model**

The best approach is to return to a climate of *industry cooperation*, which was achieving 25% NZ content on youth radio formats, rather than impose mandatory quotas or establish a non-commercial Youth Radio Network. Political interference will lead to confusion and frustration.

## ***RADIO NZ***

RNZ maintained that there is no mandate or reason for change. The current output of NZ content on National Radio and Concert FM meets the current requirements of stakeholders and is compatible with RNZ charter.

### **Future developments in broadcasting and their impact on local content provision**

The implementation of the Co-Star and Sadie systems will enable more fluid access and exchange of news and feature material across the programme formats.

### **What combination of measures to secure local content in future?**

‘Should a combination of measures result in substantially changed requirements to local content for National Radio, we do not believe these would have significant impact on programming given the NZ content levels already being achieved. Should 100% local content be a requirement however, we believe there would be significant protest and possible audience loss on the part of that section of the audience which has shown its preference for the [current mix of local and international] and wish that to be maintained if not increased. In addition, it is important to note that international programming provides the context and the benchmarks, against which NZ programming can be judged.

‘A requirement to increase local content on Concert FM would have a much more dramatic effect. Audience preferences are for mainstream music, with the specialist NZ composition component satisfying the small specialised audience and only tolerated by the majority of the audience. Indications are that an increase in levels of NZ composition would almost certainly result in listener dissatisfaction and some audience loss for Concert FM.’

Further: ‘the purchase of additional broadcast rights for NZ performance would increase the cost burden on Concert FM and could not be met out of current budget.’

## **TVNZ**

‘From the perspective of a broadcaster, a model which allows broadcasters to be “gatekeepers” is as it should be given the statutory requirements of TVNZ to act commercially and to meet the needs and objectives of our Statement of Corporate Intent.’ Further, broadcasters by definition cater for mass audiences, and narrowcasters for smaller audiences. ‘One ought not to confuse the two by trying to put niche programming on broadcast channels in prime time in an attempt to increase the range and quantity of local programming.’

### **Suggested changes to present model**

There is a need for *more research* on what actual viewers want from television and what they think about local content. (There has been a 300% increase in local content hours in the last decade, and increases in every genre except sport and entertainment.)

There is a need to *increase available funding* to increase quality (i.e. ‘more programming that New Zealanders want to watch’). Possible ways:

- A government commitment to increase local funding by including the previous cost of collection (now saved by direct funding and totalling about \$11m p.a.) in the allocation to NZOA.
- Investigate reallocating Concert Programme funding (a significant cost for a narrow audience) to television.
- Shift emphasis from quantity to perceived quality by either spending more on current output levels, or spending the current amount on reduced levels of local content. (NZ television shows are being produced as cheaply as they can be, and far cheaper than in any comparable Western country.)
- NZOA should continue to bear the majority costs of meeting narrower social (as opposed to popular) aims.
- NZOA should put more effort into determining the most cost-effective method of gaining exposure to the programmes it funds.

(Note that the current licence fee contributes towards the making of just 13% of local programmes on TV One.)

### **Future developments in broadcasting and their impact on local content provision**

- The introduction of *multi-channel digital television* and the *convergence of media*. ‘It will provide the opportunity for more local broadcasting better able to meet the needs of niche/specialist audiences. It is the current limitations of analogue spectrum bandwidth which limits current broadcasters to only one or two national channels, and prevents them offering targeted narrowcast services better able to meet the demands of small groups.’
- New revenue is likely to come from a subscription service.

- There will be increased opportunities for interactivity.
- Local content will also be able to be delivered through the Internet and web TV.

### **Implications of future developments for government policy**

- The government's role in fostering local content will become more complex. In a fragmenting market there will be more outlets and smaller audiences, even for strong channels.
- Popular local shows will become more valuable because they will provide the key point of differentiation in a multi-channel fragmenting market.

### **What combination of measures to secure local content in future?**

Increased local content will cost more.

**GEOFF LEALAND (SCREEN AND MEDIA STUDIES, UNIVERSITY OF WAIKATO)**

The draining away of profits from TVNZ Ltd (as a result of generated profits going to central government rather than being reinvested in the earning companies) is placing that company in an increasingly fragile position, both in terms of its local competitiveness and its ability to fund digital developments. Hence:

**Suggested changes to present model**

- Increase the funding levels provided to NZOA following abolition of the PBF to at least \$100m.
- NZOA should consider lifting its current policy of expecting commercial returns from funded programmes (which appears to be constraining overseas sales). And reconsider its current policy of not funding NZ produced news, current affairs and sport.
- Remove the expectation of dividend payments from TVNZ under the current SOE model, to allow for reinvestment. This would require something closer to a Crown Enterprise model with a charter and independently appointed board of management.
- Place minimum expectations in certain areas of local production (most particularly Māori language/interest and children and young people). A model is the Australian C and P programming strands, where children's and pre-school programmes are provided with an established time-slot not unduly subject to commercial pressures.
- Review the role of the Broadcasting Standards Authority to give it a broader view of NZ broadcasting. NZOA could also be strengthened, to take on, for example, monitoring of the minimum expectations.

**What combination of measures to secure local content in future?**

- *Quotas that are incentive-led* rather than imposed. Incentives would be in the form of increased money for local content production (as a consequence of recommended changes to present model).
- *Programming and genre targets* rather than minimum quota levels. These could be negotiated between the two main players (NZOA, or a Ministry of Communications, and TVNZ). (Responsibility for broadcasting oversight should be taken away from Ministry of Commerce as it has not performed well.)
- No NZOA funding should be provided to companies that are largely foreign-owned (or at least funding should be conditional on meeting local programming target expectations).
- Pay TV should be required to pay more for its right to operate in the NZ market (through an annual operating fee of at least \$3–4m passed to NZOA).

***PAUL NORRIS AND BRIAN PAULING (NZ BROADCASTING SCHOOL)***

Deregulation of television has seen a narrowing of the range of programmes available, and a failure to satisfy the requirements of diversity and the needs of minority audiences.

A policy for TVNZ, which should embrace TVNZ's role in the digital future, should be determined by the *broadcasting objectives* the community wants to achieve. The establishing of such objectives should be the first step in any reformulation of policy.

The objectives for local content need clarification:

- Is prime time the primary focus?
- How important is local content for minority programming?
- Should the focus be on mainstream FTA channels where impact is likely to be most effective?

**Suggested changes to present model**

- Refocus NZOA on the funding, stimulation, and monitoring of local content. Its current roles with respect to Te Māngai Pāho, Access Radio, transmission, archives, and perhaps RNZ transferred to Ministry of Culture.
- Make TVNZ a crown entity like RNZ, with a public broadcasting charter to require fostering of national identity and culture, and programming for minority interests.

**Benefits of changes**

- Reform 1 would double the amount of money available for public funding of local content, and NZOA would be slimmed down with a sharper focus.
- Reform 2 would allow money presently returned to the Crown as a dividend to be redirected to meet new programming requirements. It would be harder for TVNZ to argue opportunity cost as a reason for not agreeing to take minority programmes which NZOA wants to fund.

**Who pays? And why?**

- Reform 1 would add \$40m to taxpayers' current costs, but against this there is the argument that NZOA's ability to perform its role has been eroded by Ministerial financial directives (e.g. having licence fee payers fund Treaty obligations).
- Reform 2 would probably cost little (\$10m p.a.?) as TVNZ's profitability comes under increasing pressure from advertising competition and investment in digital.

**Future developments in broadcasting and their impact on local content provision**

*The 'Me Channel' and the 'Daily Us'*. It will become increasingly possible for individual consumers to customise their own programming and to interact with

programme providers. 'The dominant role of regulators, broadcasters, and production teams gives way to the viewer taking a much more active and powerful role in determining what he/she will see and experience and what influences they will be subject to.'

At the same time, not everyone will want, or be able, to take advantage of what's possible, or will want to do so all the time, and there will still be the desire for the 'shared experience' of the major events that shape the nation. 'In one sense, the more the "Daily Me" takes hold, the more there will be the need for the fostering of national identity and culture through a popular medium freely available to all regardless of preferences, IT skills, socio-economic background, or income.' Similarly, 'the more the media become subject to global influences, the more the need for systems to ensure adequate levels of local content.' So the role of the public broadcaster will be as important and valued as ever.

### **What combination of measures to secure local content in future?**

Two elements:

- *Differential quotas*, i.e. channel specific so as to recognise that different channels play to different target markets, and have a different mix of programmes. Annual negotiations would allow for evolution and change. Also there could be overall requirements for prime time and the entire schedule. 'One of the most important arguments for quotas is that they place the responsibility for local content fairly and squarely on the broadcasters – it is they who must determine the programming to meet the quota and they who must shoulder the financial burden. In this sense quotas can be seen as part of the cost of being in broadcasting in any particular environment.' (Note genre-specific system in Australia has been more successful in meeting objectives than blanket quota in Canada.)
- Less mainstream channels (including pay TV) could opt either for mini-quota *or* a local content levy. 'The rationale for this levy is that it is a subsidy to those bearing the additional costs of local content, from those avoiding such costs.'

### **Outcomes of such measures**

An opportunity to rethink the role of NZOA, given that responsibility for initiating local content would be placed back on broadcasters, perhaps obviating the need for further public money to be spent. Would leave two important functions:

- Setting specific local content requirements and monitoring broadcasters' performance.
- Funding of development projects at the innovation and higher-risk end.

NZOA could perhaps also have responsibility for programme standards.

## **BRIAN PRIESTLEY**

### **Suggested changes to present model**

Media commentator, Brian Priestley, advocates having one channel – a public service channel – which behaves differently. That is, a channel that *doesn't* operate according to the following principles:

- Television is basically about selling advertisements
- The public is not interested in intelligent discussion or 'elitist' culture
- Anything serious or complex should be kept short and lively
- Television should not take risks or encourage innovation
- Television shrinks the world and the community
- News and interviewing are about emotion and conflict.

On the contrary, such a channel would operate according to the following principles:

- Find out what's actually going on in the community
- Give more prominence to the role of researchers
- Provide more intelligent discussion and interview programmes which would comment on real issues
- Do more to spread awareness of television as an art form
- Not restrict itself to NZ material (because there's not enough of it, and in order to break down isolation from world ideas).

Quotas are problematic: 'If we were to set up a quota for Kiwi music, for instance, where would the music come from, what standard would it be, and who would listen? It has to be produced week after week, month after month. Quotas, surely, should not be immutable but should be considered at regular intervals in conjunction with ratings.'

### **Benefits of changes**

- A livelier nation
- A better informed nation
- A more aware nation

'Surely Beethoven and Bach have something that rock 'n roll doesn't. And if we wish this country to prosper, and provide a high quality lifestyle, don't we want to accustom people to thinking about issues in depth and not in two-minute snippets.'

### **Who would pay?**

- Licence fee
- Levy on other broadcasters (a la Austin, Texas)
- Government patronage

## **CREATIVE NEW ZEALAND**

### **Suggested changes to present model**

Because the current configuration of the funder – provider split provides limited opportunities to support local content, CNZ does not believe the current broadcasting model is viable, proposing instead an *expanded and mixed model* with three key elements:

- Incentives or levies (primarily quotas)
- A local content charter for TVNZ
- Reinstatement of the licensing fee and an expanded role for NZOA.

These changes should be developed and supported through the formation of a ‘*cultural broadcasting strategy*’. Such a strategy would include application of *quotas* across a range of genres including information, performance, drama, children’s entertainment and news and current affairs. But NZ produced ‘game shows’ or certain types of ‘real TV’ should be excluded as incompatible with the aims of expanding local content (supporting cultural identity, demographic diversity, social cohesion, self-expression). Also, there should be greater *direct* support for producers of local content.

Because of the high cost of local programmes compared with imported ones, quotas cannot work in isolation. The value and impact of local content can be enhanced by measures such as those adopted by the Australian Broadcasting Corporation:

- Partnerships with the community to increase the amount of content available through joint funding
- Emphasising use of new digital technology and innovative programming styles
- Increased focus on marketing of programmes and distribution of related products (books, videos, CDs)
- Developing skills of creative and specialist crafts people

### **Benefits of changes**

- Incentives/levies (essential in the new digital environment) will encourage the production of NZ content and will ensure that NZ material is actively promoted and presented.
- Remit/charter will ensure that the aims of government and the arts and broadcasting sectors are adequately served. CNZ advances the Australian Broadcasting Corporation’s charter (by Act of Parliament) as a model, and recommends the current RNZ charter, adapted for television.
- Wider mandate for NZOA would allow it to play an active role in the administration of new arrangements.
- Reinstatement of licensing fee has the following benefits:

- Consumers take responsibility for private good benefits generated by production of local content
  - Reduction in direct costs for government
  - Source of revenue for local content production which is not subject to change of government
  - Community have opportunity to contribute to programmes that represent them and tell their stories.
- Support for arts and broadcasting would enable that sector to make an even greater contribution to GDP and export earnings, and allow for the production of material which would enhance a positive image of NZ overseas.

### **Who pays? And why?**

- Cost should be shared by government, the consumer, and the distributors or purchasers. Principle mechanism would be reinstatement of the licensing fee. Additional money required would need to be provided by government as ‘an investment in our cultural life, national identity and a public good/community service.’
- Purchasers or distributors of local content should be required to pay a levy if they are unable to provide the required amount of local content.

### **Future developments in broadcasting and their impact on local content provision**

Digital and on-line broadcasting will mean:

- Greater choice
- Increased competition
- Increased penetration of overseas material
- But also more channels and opportunities to create local material of interest

### **Implications of future developments for government policy**

Makes even more paramount a coordinated broadcasting strategy, and ‘a provision for local content to be aired and available on more than just one digital channel if we are to protect and promote something that is “about us” and of value to New Zealanders.’

## ***NZ FILM COMMISSION***

The current funder/provider model for television in NZ has not adequately supported domestic feature film making in 3 respects:

- *Finance.* Television finance (by whatever mechanism) is basic to indigenous feature film making in every OECD country, but nowhere is this less so than NZ. NZ broadcasters have used the availability of NZOA money as a reason not to participate substantially in feature film financing. Feature film drama is a staple of television programming all over the world. NZOA's legislation singles out drama as desirable and feature film production is cost effective for NZOA. Yet because of budgetary constraints NZOA is intending to reduce its support for feature films.
- *Storytelling Talent Base.* NZOA's television programme funding has helped to establish a range of production companies, but it has been very difficult to get broadcasters to screen one-off dramas, mini-series, children's drama and quality documentaries. This has a negative effect on the feature film talent base.
- *Long term focus.* The licence fee system encouraged a 'democratisation' of the fee. This approach tended to drive high volume, short term impacts rather than the long term perspective which is necessary for training and industry development.

### **Suggested changes to present model**

- Maintain the switch from broadcasting fee to Vote funding. This arrangement allows NZOA and the government to adjust policy settings to fit a longer term, more strategic approach. NZOA may be freed up from some of the constraints that day-to-day response of fepayers placed upon it.
- This switch potentially enables NZOA to take a more strategic approach to areas of market failure, depending on whether it gets the support of broadcasters.

### **Benefits of changes**

- A clearer focus on culture and identity from a long-term perspective
- Concentration of available finance in areas of high cost and high risk
- Would grow the capabilities of the sector
- Would support growth of storytelling talent
- Would grow the Māori talent base.

### **Who pays? And why?**

Government has affirmed its acceptance of a role in providing local content. Further increases can be moderated by *re-thinking the dividend requirement* on TVNZ and by *levying* privately owned licence holders. There are downstream paybacks in both cultural and industry outcomes.

### **Future developments in broadcasting and their impact on local content provision**

*Content:* While the bulk of the audience is likely to remain with mainstream channels, the question will be to what level NZOA will trade some of its presence with the mass audience to provide for diversity. US cable channels are far more interested in taking risks than mainstream commercial channels.

*Technology:* In the aftermath of digital television, the delivery requirements of all films and television produced in NZ will need to meet international standards to complete overseas sales.

### **What combination of measures to secure local content in future?**

- The TVNZ *charter* should encourage a focus on drama, documentary and special interest programming on the grounds that these have the highest cultural impact over time and the least commercial opportunity, as well as providing the best base for a potentially lucrative creative industry.
- The levy on private channels – including pay channels – will ensure they contribute to NZ culture and identity on screen.

### **Who would pay and why?**

A combination of *public ownership* of TVNZ with a *charter* to provide for diversity outside mainstream and prime time, and a *levy* on privately owned operators as a condition of their licence.

## NEW ZEALAND ON AIR

### Suggested changes to present model

- Funding for public broadcasting outcomes through NZ on Air needs to be increased, by a minimum of \$16–17 million p.a. to allow NZOA ‘both to redress some of the declines in public broadcasting outputs experienced since 1995 (particularly children’s television and drama) and to undertake new initiatives relevant to broadcasting in the 21<sup>st</sup> century.’ In order to provide political independence and financial security, funding should be made on a quinquennial basis and tied to the purchase of broadcasting outputs. (The report commissioned by NZOA, ‘Local Content and Diversity: A Study of Television in Ten Countries’, showed NZ at the bottom both in terms of local content and government intervention.)
- A possible further option would be to develop a system of *purchase contracts* with the main free-to-air broadcasters, with a related system of rewards and penalties.

### Benefits of changes

Benefits would be the ability to *fund additional projects* in the following areas:

- *Children’s programming* (declined by 27% since 1995).
- *Drama*, including children’s drama (only 7 hours of first-run NZOA-supported drama in 1998). At level of funding requested, NZOA would be able to sustain a basic presence for NZ drama on all major free-to-air channels.
- *Mainstream Māori programming*. NZOA believes there is a growing gap on mainstream television for programming in English (or partly in te reo) of interest to both Māori and wider NZ audiences.
- *Documentary*. Funding constraints are impinging on levels of diversity and research.
- *Radio programmes*. Funding of commercial radio (as previously possible) is necessary to ensure NZ stories, perspectives, and humour are included in mainstream radio.
- *Special interest programmes*. Several years of cost containment is resulting now in reduced hours and/or programme coverage.
- *‘The Next Wave’*. In the context of digital convergence and activity, the ‘future of economic growth in a knowledge society is going to be heavily based on the communications sector. It is therefore vital that we encourage innovation, look at the linkages between television and education, and ensure there are opportunities for new export industries to grow’ – e.g. seed funding to encourage television producers to provide value-added materials to their programmes through the Internet or CD Rom applications.
- *NZ Music: Phase IV*. To increase NZ music content on commercial radio to 15-20% within the next eighteen months.
- *Television 2010*. To encourage innovative and regional television.
- An increase in funding to NZOA would ‘alleviate the perceived “gatekeeper” problem vis-à-vis broadcasters by providing some negotiating leverage between prime-time and off-peak shows.’

## **Who pays? And why?**

In the absence of a dedicated licence fee, an increase should be *taxpayer funded*, on the basis that public broadcasting is a public good (the cost of production is incurred at the outset and is unaffected by the number of consumers) and that benefits are enjoyed by society as a whole (via contributions to social cohesion and economic growth).

*Note:* Increased competition for advertisers' budgets is putting and will continue to put increasing pressure on network advertising revenues. 'These pressures are exacerbated by the fact that networks are tending to spend a higher proportion of their commissioning budgets on non-New Zealand On Air programmes – i.e. format shows, reality series, and infotainment programmes.'

## **Future developments in broadcasting and their impact on local content provision**

Transition to digital transmission is considered unlikely to cause the demise of free to air television, but will result in both threats and opportunities for local content.

### *Threats:*

- New entrants to the broadcasting market are unlikely to purchase locally commissioned programmes.
- If advertising revenue is squeezed, FTA channel will spend less on local programmes.
- Accessibility of FTA broadcasting for the widest population will potentially be compromised. Broadcasters will be tempted to place their most attractive programmes and special interest programmes on a pay-to-view basis.

### *Opportunities:*

- FTA broadcasters may place a higher value on certain types of local content to create channel identity.
- Potential for local programming to be enhanced by additional plays and/or interactivity.
- Possibility of NZOA-funded programming being made available, on a competitive basis, to a wider range of channels.

The introduction of the Māori television network will, if commensurate additional funding is not made available, lead to further pressure on NZOA funds with consequent reductions in either Māori programmes on mainstream networks or in expensive or specialist programming.

Outsourcing of programme production by commercial broadcasters is leading them to neglect recruitment and training issues. In the tightly competitive environment, independent production companies are not addressing this issue either. The problem is most acute for the production of programmes required to meet statutory responsibilities to promote Māori language and culture.

## **Implications of future developments for government policy**

- Government funding to ensure some level of local content and diversity will become even more important.
- Training programmes are required to ensure NZ television programme production is both sustainable and innovative. (There is currently no specific requirement or provision for the funding of training in the authorities provided to NZOA by the Broadcasting Act.)

## **What combination of measures to secure local content in future?**

Given the ‘gatekeeper’ problem, where broadcasters have the ability to refuse to screen programmes NZOA may wish to fund, the introduction of some form of requirement to screen certain types of programmes could make it easier for NZOA to fulfil its statutory role. But quotas or charter for TVNZ raise a number of issues:

- A charter for TVNZ would probably need to be matched by requirements on other broadcasters or there would be implications for TVNZ’s competitive position.
- Quota or content regulation would need to be accompanied by NZOA funding, or else quota would need to be very detailed and prescriptive.
- Any shift in emphasis between commercial and social objectives for TVNZ would have an impact on advertising revenue and hence on investment in local production.
- Would regulation apply to all, or could there be trade-off between categories or in return for payment of a levy?
- Account would need to be taken of the potential for quota to be filled entirely by Australian production. (Alternatively, country specific quotas would need to be introduced into CER.)
- It would be advisable to use a combination of transmission requirements (for overall local content) and genre-specific quotas (for diversity).
- ‘If TVNZ (or another channel) were set up as a commercial-free, state-owned broadcaster with a public service charter, and this was accompanied by detailed local content regulation for other commercial players in the market, then the need for independent funding to ensure a diverse range of local programmes was available for the widest audience would substantially diminish. In any other circumstances where broadcasters are operating within a commercial environment, the pressures to achieve ratings and reduce costs would result in a narrow range of programmes being produced at the minimum level possible to meet regulatory requirements.’

## **Who would pay and why?**

Should there be some form of content regulation, it is likely that some of the cost of programme production would be borne by broadcasters. This is appropriate for

programmes with some commercial value (and indeed might result in a better balance between the costs borne by consumers as opposed to taxpayers), but not for programmes needed for social and cultural reasons but with little appeal for advertisers. Such costs should be borne by taxpayers.

## ***FRONT PAGE FILMS & TV***

‘The fundamental dilemma facing NZ on Air is that it has no real leverage over the broadcasters and is thus left playing a passive role, funding only that which the broadcasters regard as compatible with their overall commercial objectives.’ At the same time, ‘there is every indication that broadcasters prefer local to imported content when all other things are equal.’

### **Suggested changes to present model**

- NZOA should phase out its funding of prime time programming which is designed largely to satisfy a broadcaster’s target audience and instead concentrate on funding programmes for audiences which are not currently commercial priorities for the major channels. To assist this process, NZOA should itself become the prime gatekeeper in terms of commissioning programmes.
- TVNZ should be removed from the SOE Act and placed under special legislation enabling it to pursue other objectives alongside purely commercial ones.
- NZOA should consider funding programmes on Prime or Sky ‘where those channels can demonstrate that they are targeting an audience which commercial broadcasters are not willing to target.’

### **Benefits of changes**

The making of more serious local documentaries which, though they may not reach the widest mass audience, will still be seen by a sizeable number of New Zealanders.

### **Who pays? And why?**

*Foregone revenue* at TVNZ, ultimately a charge on the taxpayer, justified as part of a wider government commitment to cultural citizenship. Cost can be limited by not fully decommercialising TVNZ, nor reducing its revenue from advertising.

### **Future developments in broadcasting and their impact on local content provision**

Fragmentation through deregulation and technological development will lead to:

- Increasing number of channels
- Increasing delivery by global, vertically integrated companies
- Non-linear technological forms such as interactive TV

In NZ many of the resulting niches are too small to make locally produced programmes viable.

### **Implications of future developments for government policy**

- Local content is thus going to face greater and greater obstacles from broadcasters in terms of finding payable slots. The result is that government is going to come under pressure to protect local content.

- The transition to digital television via decoder boxes will require the government to oversee an equitable regime for introduction of the boxes to avoid monopolisation.

### **What combination of measures to secure local content in future?**

Traditional measures are weakened by global operation and distribution:

- *Licensing* is less valid with increase in supply of frequencies and trans border broadcasting (satellites and Internet)
- And without substantial micro-regulation, *quotas* tend to act in such a way as to merely replace an already existing audience's overseas programmes with local counterparts.
- Local content which may be profitable in itself for the commercial broadcaster because of NZOA funding may end up non-profitable because of the logic of television programming – to deliver the maximum audience across the whole programme line-up.

'The most practicable – and least expensive – way of ensuring not only a significant quantity but also a diversity of local content would be a *state-owned broadcaster*, which could, as required by the government, trade off local content for profitability. That profitability could be "topped up" by the state funding agency so that the government received a dividend. Any surplus funds held by the state funding agency could be applied to meet other local content objectives on other non-state channels.'

### **Who would pay and why?**

There is a case for taxpayers to fund TV programming:

- It is a legitimate role of a state as part of its responsibility to build its nation to encourage the development of a national culture
- A liberal democratic state has an obligation to maintain a public sphere wherein informed consent to the Government is both formulated and articulated.

## ***NZ WRITERS' GUILD***

Concerned not only by the level of local content but also the quality.

### **Suggested changes to present model**

- *Increase NZOA funding* to a level that will allow productions to be made well and by practitioners who are fairly paid to do so.
- *Alter TVNZ's charter* so that it is not required to return a dividend to the government and therefore become a profit-driven broadcaster.
- *Implement quotas.* Intervention is important as broadcasters (despite good intentions) cannot be relied upon to properly support and encourage the production of local content when they are so commercially driven. By maintaining the current approach NZ runs the risk of contravening UNESCO's declaration of human rights, notably article 27 on cultural and artistic issues, and being irrevocably left behind the rest of the world's broadcasting industries.

### **Benefits of changes**

- A short to medium term increase in production levels in some types of programmes and a more specific pro-active approach to television funding
- Increased opportunity to gain experience and be mentored
- Increased employment
- Assurance that we continue to hear and see ourselves on air
- Improved and therefore internationally competitive product

### **Who pays? And why?**

Government should invest in our broadcasting environment because television is the art form most New Zealanders have access to. 'Our national psyche and self-image has much to do with how we see and hear ourselves on air.'

Thus a combination of licence fee and additional governmental support administered through NZOA.

### **Future developments in broadcasting and their impact on local content provision**

The potential future technologies are tipped to make it possible for the consumer to avoid traditional broadcasters altogether if they wish, and avoid advertisements.

### **Implications of future developments for government policy**

'The increase in channels and other audio/visual advances simply provides more ways for huge conglomerates to sell their product. They already have the sales systems in place and are easily more competitive than we could ever be. Our concern is that without government intervention our stories, voices and images could be potentially marginalised even further.'

### **What combination of measures to secure local content in future?**

- A much stronger and clearly defined *charter* for TVNZ in consultation with industry groups (with a cultural imperative and less of a profit imperative).
- Genre-specific programme *quotas* to address the lack of adequate output in six high-cost, high-risk areas (drama, children's drama, children's programmes, documentary, Māori and performance).
- A sliding scale *point system* for quota would help to overcome trade obligations. A scoping study of how, e.g., Ireland has successfully employed quotas is in order.
- Investigate *tax incentives* for foreign production companies to come here and produce television. This will provide cashflow and experience (but rigorously controlled eligibility guidelines would be necessary).

### **Who would pay and why?**

See SPADA response to this question below.

## **SCREEN DIRECTORS' GUILD**

### **Suggested changes to present model**

The only way to increase the level of local content without change to the model is by *increasing the funding* to NZOA. Local production is popular but expensive, and imported programming is capable of meeting profitability goals – the sole objective of broadcasters at present. (However, increases in local content under this set up will not produce change in range, nature, or quality.)

There must be a *change in the process by which funding decisions are made*. Currently, by and large, projects are first identified and approved by the broadcasters and then submitted to NZOA. This needs to be reversed with channels choosing or even bidding for ideas identified by NZOA (which only rarely happens now).

### **Who pays? And why?**

‘Those involved in the television industry should pay for the privilege of that involvement. A levy on an ongoing basis rather than outright purchase of frequencies might help. In the absence of the broadcasting fee, the balance would have to be paid by citizens through taxation.’

### **Future developments in broadcasting and their impact on local content provision**

Digital television and resulting audience fragmentation will mean that only low cost programmes will be affordable and commercially appropriate. This will impact heavily on diversity, drama, documentary, and children’s television.

### **What combination of measures to secure local content in future?**

The only way to provide a proper range and diversity of local content is to require a broadcaster to provide it, and the only mechanism for ensuring this is a *charter*. While it may be reasonable to apply quotas to commercial broadcasters, it may not be considered reasonable to bind them to the constraints of a charter.

*Therefore, TV1 should be retained in public ownership and assigned a charter. This is not unlike the situation that applied with TV1 and TV2 some years ago.*

*A quota system is essential (structured as in Australia, with higher cost programme types satisfying more quota than low cost ones).*

### **Who would pay and why?**

As previously stated. There may be ways to identify or ‘ringfence’ specific areas of tax revenue (i.e. from television related industries). ‘It may be possible to help fund a less profitable Television One by assigning the responsibility for this to TV2 and reducing the present financial return from TVNZ to the Government . . . it seems to us of little sense to reduce the revenue of one publicly owned channel and at the same time to sell a cash cow capable of paying for the shortfall . . . Separating the two channels administratively would be an essential aspect of this proposal.’

## ***SCREEN PRODUCERS AND DIRECTORS ASSOCIATION***

SPADA supports the current funder/provider split model because it promotes competition for public funding and is audience focused. However, while broadcasters are required to focus on bottom line issues (the commercial model), range and diversity of programming is increasingly hard to achieve.

### **Suggested changes to present model**

The only effectual change would be to increase funding to NZOA by about \$20m (to bring spending power back to mid 1990s level, in conjunction with (over time) regulating frequency arrangements to foster local content

### **Benefits of changes**

A short to medium term increase in production levels in some types of programmes.

### **Who pays? And why?**

As the whole raison d'être of NZOA is targeting public funds to redress market failure, it is clearly taxpayers who should pay.

### **Future developments in broadcasting and their impact on local content provision**

Digitalisation leads to fragmentation leads to dilution of advertising revenue and channels will face increasing difficulty getting their programmes noticed amongst the clutter. Apart from sport, which will be taken up by pay TV, local content will be of low cost variety.

### **Implications of future developments for government policy**

If government 'intends to view local television content, the fostering of NZ identity and culture, and the development of a knowledge economy as serious commitments, increased public funding is essential.'

### **What combination of measures to secure local content in future?**

Noting that most countries operate two or three intervention mechanisms simultaneously, SPADA strongly advocates:

- Genre-specific programme quotas to address lack of adequate output in targeted areas. (Note that quotas will not necessarily contravene GATS requirements. Most other countries have specific protection for cultural products. And quotas are a mechanism to serve the expectations of audiences, not an industry support mechanism; therefore the system need not automatically exclude foreign producers.
- Increase of funding to NZOA of \$20m.
- A charter for TVNZ if it remains in state ownership.

### **Who would pay and why?**

‘The cost, as always, will be shared between *the public* (Crown revenue to NZOA and perhaps a reduced dividend from TVNZ should it remain in state ownership), *the broadcasters* (who will also benefit from increased local programmes which are proven audience winners) and *gap financing* (the difference between production cost and licence fees paid by broadcasters) raised by producers from third party sources both in New Zealand and offshore.’

## ***TOM WILLIAMSON PRODUCTIONS***

Establishes concern as ‘the very real decrease in quality’.

### **Suggested changes to present model**

- Sell TV2, leaving TV1 as an overtly public service channel.
- Fund TV1 by two principal measures:
  - (a) Apply proceeds of the licence fee to this channel only with explicit goal of ensuring local or minority interest content on our screens – administered in isolation from political interference.
  - (b) A levy on all advertising shown on all other channels, with a system (as with Channel 4 in the UK) where some screenings of an advertisement could not be booked at times specified by the advertisers. ‘This separation of advertising times from programme scheduling was the key that funded stimulating minority programming and allowed it to be transmitted in prime time. In my opinion it is the near total advertisers’ control over programme scheduling in NZ that is the single most important factor in the downward slide of quality on our screens.’

## ***WOMEN IN FILM AND TELEVISION***

WIFT contextualises the issue of local content by drawing attention to need for ownership as well as development of intellectual property. Competition in 'quality and price' has been negative in respect of quality.

### **Suggested changes to present model**

Further regulation and increased funding are essential to ensure full benefits of local content provision. Specifically:

- Higher level of discretionary funding, and additional funding for any added responsibilities
- Recognition of 'at risk' areas of local content (children's television, drama, quality documentary)
- Promotion of funding as 'fundamental public good'
- Relaxation of commercial imperative with set proportion of annual dividend reinvested in 'at risk' local content
- Formal review to consider ways to reduce broadcasters' gatekeeping role

### **Benefits of changes**

- More local product and greater variety to match NZ's cultural diversity
- Filling current void in at risk/quality areas generally
- Better informed New Zealanders with deepened sense of national cultural identity
- Equal footing of NZ programmes with those from elsewhere

### **Who pays? And why?**

- NZ taxpayers as beneficiaries. The role of NZOA is endorsed, and reinstatement of public licence fee recommended (Michael D. Higgins cited on importance of direct fee-payer ownership). The SOE commercialised model has 'allowed a situation to develop whereby ratings driven, low cost, low quality local programmes could not be defended as in the public interest.'
- A proportion of TVNZ dividend should also be applied to local content production, with the further benefit that private producers will be encouraged to produce programming of comparable quality.
- Private broadcasters should also be required to invest in local content through profit plough-back or quotas.

### **Future developments in broadcasting and their impact on local content provision**

- *Digital television* will provide opportunities for serving a diverse audience. But, without guarantees for local content, digitalisation will result in swamping by global product.
- *Globalisation* will lead to increased concentration of media ownership and hence cultural homogeneity. This adds to importance of local content provisions.

- Fear that *sale or partial sale* of TVNZ will proceed, making NZ the only country with no publicly owned television network operating in the public good.

### **Implications of future developments for government policy**

A complete review of the role of publicly owned television in NZ is essential. 'Piecemeal tinkering with quotas or other mechanisms cannot result in the correctly balanced range of complementary mechanisms required to achieve desired outcomes.'

### **What combination of measures to secure local content in future?**

WIFT affirms the value of using a combination of measures:

- A *taxpayer licence fee system* (preferably NZOA collection model). It will be necessary to establish policies as to which broadcasters are eligible for local content funding to help achieve quotas.
- A *limited advertising regime* for the public broadcaster.
- Contributions to local content production by private broadcasters.

### **Outcomes of such measures**

- Fulfillment of the proper role of a publicly funded network
- The production of 'programmes reflecting diversity and quality in the public interest'
- The production of 'flagship programming' for NZ and overseas audiences
- A viable film and commercials industry (for which it is 'acknowledged internationally that a strong television production industry is the cornerstone') and associated economic spin-offs.

### **Who would pay and why?**

A combination of taxpayer, government, and private sector. 'We would suggest that the cultural health of this nation is as important a consideration as its mental and physical health – none is in particularly good shape, and the three are interdependent.'

WIFT recommends that culture be removed from international trade agreements as has been enacted by many trading partners.

## ***ARTISTS' ROUND TABLE***

### **Suggested changes to present model**

- Government should set up an advisory committee for the development of public service broadcasting policy, with input (but not necessarily formal representation) from NZOA, Ministry for Culture and Heritage, TVNZ, private broadcasters eligible for NZOA funding, and SPADA.
- Establish a government owned television broadcaster with a cultural, not profit oriented, charter.

### **Benefits of changes**

The committee would provide a stronger link between government and industry, and government policy would be strengthened. Research and cultural indicators could be developed to judge the success or failure and adequacy of government's cultural investment. It could also advise government on levels of funding for NZOA.

A culturally-focused, government-owned broadcaster would enable programming which was rich in cultural value.

### **Who pays? And why?**

Government should fund the committee. The cost of the reduction in the profits of the state broadcaster would be offset by the cultural gains to the nation.

### **Future developments in broadcasting and their impact on local content provision**

Limited population may restrict increase in channels in NZ. The key is flexibility and the advisory committee can help government. It may be that narrow casting will play a more important role in television, but overseas experience indicates that there are still only a few dominant channels that have the majority of the audience.

### **What combination of measures to secure local content in future?**

*For television:* as above.

*For radio:* the current system with a minimum quota (10% minimum). Retention of the committee recently set up by government to advance NZ music.

### **Who would pay and why?**

As above. Government should carry out the quota audit. It would be very cheap and simple.

## ***THE CHURCHES BROADCASTING COMMISSION***

‘The current public broadcasting system is flawed. It has neither the freedom, the assets, nor the resources for it to function effectively to serve the people or its purpose.’

### **Suggested changes to present model**

- Future funding should come from two sources:
  - (a) *Either* continuation of public broadcasting fee, *or* a fenced, inflation-proof amount from the consolidated fund equivalent to the full amount presently collected by NZOA
  - (b) An *annual levy* imposed on all commercial broadcasters
- Legislation under which public broadcasters operate needs to be *overhauled*. Systems of public broadcasting in similar countries such as Norway, Finland, and Ireland could be applied with success in NZ, so formal study should be made. (Some excellent groundwork is laid in a study commissioned by NZOA and headed by Paul Norris.)
- Implement a *quota system*, with provisos:
  - A full and adequate regulatory system to ensure adherence
  - Annual review at minimum
  - Financial reward for meeting quotas be on a quid pro quo basis
- The present financial responsibilities of NZOA should be delegated to a *separate official body* which would also make annual recommendations to government about the amount of money which should be made available to NZOA.
- TVNZ should be subject to a public broadcasting *charter* in the same way as RNZ.
- TVNZ as an SOE should be *disbanded*, with TV1 set up as semi-public channel and TV2 privatised.

## ***CHILDREN'S TELEVISION FOUNDATION***

The CTF disputes the present funder-provider model because it enables broadcasters to act as gatekeepers, preventing many children's programme initiatives from being funded by NZOA on the grounds that they are not viable commercially.

### **Suggested changes to present model**

A *charter for TVNZ* should require it to produce, commission, and broadcast children's programming.

Children's production should be specified as:

- First run children's drama (with gender/minority requirements)
- Educational production (broadly defined)
- Entertainment featuring NZ community and environment
- Te reo programming

### **Benefits of changes**

Benefits to children, particularly minority groups.

### **Who pays? And why?**

The state and, to a lesser extent, a fee on licence to broadcast

### **Future developments in broadcasting and their impact on local content provision**

Digital television will provide a whole host of new channels, but without regulations, children will not be well served.

### **What combination of measures to secure local content in future?**

Affirms measures taken in other countries

- USA requires each licence holder to broadcast a certain number of hours of children's *educational* television per week.
- Australia requires first run children's drama with specific gender and diversity requirements.

## ***GREEN RIBBON TRUST***

‘Currently the limited range of local content is as serious an issue as the amount of local content.’

### **Suggested changes to present model**

- One way of limiting the ‘gatekeeper’ role of the broadcaster would be to place decision-making responsibility over which stories and programmes receive funding in the hands of a *panel* of broadcaster and NZOA representatives. If funding is granted, then the broadcaster should be *compelled* to broadcast the programme, provided the finished product meets the criteria of broadcasting standards.
- Secondly, broadcasters could be required to commit to a stated level and range of local content in keeping with the objectives of NZOA, and to a specified amount of expenditure on NZ programmes, perhaps based on a percentage of advertising revenue. In return the state broadcaster could be expected to *pay less of its net profit as a dividend* to the government.

### **Benefits of changes**

- Increase the diversity of local programme content currently seen on the main channels, which would have the spin-off of increasing tolerance and understanding among New Zealanders.
- The state broadcaster would have an increase in the amount of money available for making local programmes.

### **Future developments in broadcasting and their impact on local content provision**

- Many smaller, cheaper video cameras are becoming available at the leading edge of the home video camera market that are of such good quality that they can cross, and at times already have crossed, over to commercial broadcast use. It could make programme making accessible and less expensive to a wider range of people.
- There is also a trend, with the opening of the UHF band, for smaller niche TV stations which offer an opening to minority interests. However, they are not accessible to all and do not diminish the state broadcaster’s role in providing a diverse range of content to all New Zealanders.

### **What combination of measures to secure local content in future?**

The single most effective measure would be *quotas*. But they would need to be introduced along with a quality control points system similar to Australia. To ensure fairness, they would need to be imposed across the board on all channels above a certain level of viewership numbers.

The most cost effective way to introduce a quota would be to retain the public broadcasting fee rather than competing with other commitments of the public purse. Broadcasters may also have to pay for what they play, through a percentage of their

revenue being earmarked directly for local content other than news and current affairs, which pays for itself anyway.