

## **SECTION A**

### *NEW ZEALAND'S BROADCASTING MODEL*

The New Zealand model for fostering local content in broadcasting is characterised by the following features:

NZ On Air is funded to foster local content that will meet a range of statutory objectives; Maori programming is supported by Te Mangai Paho from NZ On Air and Vote Communications funding.

The Crown maintains an ownership interest in a radio company and a television company. Only the former has a remit setting out the kinds of content it must broadcast.

The Crown allocates frequencies on a commercial basis to radio and television services, but reserves some frequencies for non-commercial purposes. It does not otherwise regulate the use of frequencies to foster local content.

Advantages claimed for the current model include the following:

It allows for contestability, by making funding available to a range of broadcasters. It thus promotes competition in quality and price.

It allocates public funding in a transparent way.

It does not require prescriptive regulation (although government has opted to give Radio New Zealand a detailed statutory remit)

It focuses solely on funding the types of programming desired to achieve specified social and cultural objectives, without depending on an extensive infrastructure or bureaucracy.

The following criticisms have been made of the current model:

It has been argued that the model allows broadcasters to be "gatekeepers". That is, they may decline to broadcast programmes that would meet NZ On Air's statutory objectives – even when fully funded by NZ On Air – if to broadcast such programmes would conflict with their own commercial needs and objectives.

It is also argued that the dependence of commercial radio and free to air television on advertising gives advertisers a greater influence over content than NZ On Air can achieve. The predominant influence of advertisers, it is claimed, results in a tendency towards conservative, mass audience programming.

It is asserted that NZ On Air is inadequately funded. An increase in funding would produce an increase in some kinds of programming. A funding increase alone, however, may not make certain desired kinds of programming viable, where such programming involves an opportunity cost for the broadcaster.

**SECTION A**  
**QUESTIONS**

**Assume that the essential features of the present funder-provider model and regulatory regime are to be preserved. Within these arrangements, what changes could be made to increase the levels and range of local content in broadcasting?**

**What benefits would these changes produce?**

**Who should bear the costs of these changes, and why?**

**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?**

**Survey on Local Content**  
**Deadline: 15 November 1999**

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**Responses can be sent to:** FAX (04) 499-4490 *or* EMAIL [responses@mch.govt.nz](mailto:responses@mch.govt.nz) *or*  
MAIL TO Acting Chief Executive, Ministry for Culture and Heritage, PO Box 5364, Wellington

## **SECTION B**

### *OTHER MODELS*

Other countries use various policy tools to ensure that certain kinds of content are present in their broadcasting systems. These have been usefully compared in ten countries by the recent survey commissioned by NZ On Air, *Local Content and Diversity* (with reference to television, but discussing wider broadcasting structures and policies). In the briefest terms these tools could be summarised as:

Ownership of broadcasting services by the state on behalf of the public to provide various forms of content, including local content

The giving of charters or statutory functions to a public broadcaster to indicate broadly the kinds of content it should provide

Regulation – attaching conditions to broadcast licences; requiring specific quotas to be met; controlling types of ownership.

Making funding available – directly to public broadcasters or through funding agencies – for the production of content.

These forms of intervention may of course be used in combination.

Governments also use a variety of means to fund certain types of local content:

By a licence fee paid by the audience, usually allocated to a public broadcaster and/or funding body

By direct government grant to a public broadcaster and/or funding body

From a public broadcaster's advertising revenue or other commercial activity

By cross-subsidisation from commercial broadcasting.

Various advantages and disadvantages of these types of intervention can be noted. State ownership of a public service broadcaster (television and radio) is common in other developed countries. Requiring such broadcasters to fulfil a statutory remit or charter is a favoured means of ensuring certain desired types of local content. Yet such a remit, often expressed in very broad terms, is no guarantee of either quantity or quality without commensurate funding and performance expectations. It can also be observed that ownership of broadcasting services involves governments in a significant financial commitment and risk. It requires resources - for technological developments as well as the direct funding of content – that might be applied to funding other broadcasters' content, or other government purposes.

Regulating for local content – through quotas or broadcast licence conditions – can, by treating all licensees equally, be seen as an even-handed means of promoting local content. It has the effect of enforcing a certain quantity of local content. Its impact on quality and

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variety of content is dependent on the sources of funding and income available to broadcasters.

Quotas have been advocated vigorously – and opposed with equal vigour – by some sections of the New Zealand broadcasting industry. In favour of quotas, it has been argued that they can be accommodated by broadcasters and have served in other countries to develop local industries and their export capacity. As applied in other countries, quotas may be merely quantitative, and therefore, as they have been termed, a “blunt instrument”. Or, as in Australia, they may be varied according to genre and format, at the cost of some administrative complexity. They impose a cost that must be met either by the government as a funder, or by the broadcaster through its advertising or other commercial revenue. (In other words, the citizen pays, as a taxpayer, or as a consumer.)

Aside from these pros and cons of quotas, it should be noted that the specific commitments made on audio-visual services by New Zealand under the General Agreement on Trade in Services bind the provision of market access and national treatment to overseas suppliers of broadcasting services. The introduction of New Zealand content for broadcast transmissions would be inconsistent with these obligations. Were quotas to be introduced, they would be open to challenge by other GATS members through the WTO dispute settlement system. These commitments aside, our bilateral obligations under CER would require that the benefit of any New Zealand quota be extended to Australian programmes and programme producers.

Finally, in considering the range of alternative policies practised internationally, it is useful to bear in mind certain facts. New Zealand has a small population. Its broadcasting industry consequently faces diseconomies of scale in comparison with many other countries. Any form of intervention in favour of local content produces various benefits, while imposing costs that must be borne by one party or another.

**SECTION B  
QUESTIONS**

**Assume that substantial changes can be made to the New Zealand broadcasting regime. 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? What outcomes would your preferred combination of measures achieve?**

**Who should bear the cost of such measures, and why?**

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