Strong Public Media Business Case

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Executive Summary

Strategic Case

Strategic Context

Why public media entities matter

1. New Zealanders need a trusted source of information for and about them. All communities in New Zealand need confidence that:

- There are sources they can go to, free from Government influence
- The media environment is held to account and therefore credible
- Public media reflects New Zealanders' increasingly diverse audience needs.

2. Public media in New Zealand have an important contribution to make in this space as they have a mandate to provide access to content reflecting the country's diverse mix of languages, experiences, and communities. Public and private media support the ability of citizens to participate in an informed democracy. Public media can also help New Zealanders interpret international events and their impact on the nation.

3. Strong and well-resourced public media arrangements will mean future generations continue to have access to reliable and trusted content that engages, informs, educates, enlightens and entertains them, including stories about Aotearoa which reflect the languages and experiences of all New Zealanders and people living here.

4. The Government is committed to ensuring public media is fit for the future and able to thrive amid the changing media landscape. It also has an obligation to uphold the principles of partnership, participation and protection in accordance with the Treaty of Waitangi.

The case for change

Why must the existing public media arrangements change?

Public media is under pressure

5. New Zealand's media sector is ailing. The availability of content from international platforms has increased audience choice and changed when and how they access material. This increased competition has significantly reduced the share of revenue (advertising, subscriptions, and sponsorship) available.

6. The current mandates, objectives and funding arrangements of the Broadcasting Commission (NZ On Air), Radio New Zealand (RNZ) and Television New Zealand (TVNZ) are not aligned. The legal framework and charters restrict their ability to deliver on public media outcomes, respond collectively to the disruption, and ultimately to engage New Zealanders with a range of trusted, relevant, culturally specific content.

This requires a response

7. A thriving public media sector is one that is sustainably funded (either publicly, commercially or a combination of the two) and supported to effectively respond to rapidly changing audience behaviour. It has to produce and deliver local content and news all New Zealanders value and trust.

8. Audience expectations are for accessible, relevant and quality content. Under the current TVNZ and RNZ business models and significant funding pressures, this will require additional investment by the Crown.

9. An uplift in public funding alone would not achieve the required outcome due to the existing models being unable to deliver efficiently and effectively given duplication of

funding i.e. twice the investment in resources and infrastructure. The entities' business models are also different.

10. New Zealanders need a public media sector that is fit-for-purpose for the 21st century with modern operating models that can more readily, and cohesively, adapt to change. This will also reduce the longer-term impact on sector capability and optimise the Government's return on investment.

11. Many young adults believe there is no locally produced content for people like them and are therefore under-served[1]. Asian New Zealanders are the ethnic group most under-served by current public media content[2]. This is due to a combination of platform usage (as mentioned above), a lack of New Zealand Asian producers, directors and writers and, as a result, little content where they see themselves reflected.

12. Pasifika New Zealanders are also relatively under-served by traditional media (including public media), one indication of which is their higher usage of online platforms. Pasifika adults are among the most likely to feel there are few programmes available for their culture[3].

13. Pasifika and Asian people living in New Zealand appear not to be engaging with public media. Online video is the most popular media for these audiences, reaching 77% of Pasifika and 86% of Asian New Zealanders each day[4].

14. Māori are generally better served by public media content than Asian or Pasifika New Zealanders, but still not as well served as Pākehā[5]. Māori have the strongest affinity towards New Zealand made content.

The time to act is reducing at pace

15. This is the right time to assess the future sustainability of public media business models because New Zealanders still trust our media and our public media in particular. The continuing appeal of RNZ's and TVNZ's existing services provides a strong basis upon which to build a future for New Zealand's public media.

16. At the same time, however, the national demographic is changing. Many more of us, soon to be one in four, will be aged over 65. Even with the halt imposed by COVID-19, projections are that minority ethnic and religious communities will constitute a much larger proportion of the New Zealand population over coming decades[6]. New Zealand audiences are attracted to international online media services (both advertising-based video on demand (AVoD) and subscription video on demand (SVoD)), and the time local audiences give to these is also increasing.

17. The rapidly changing environment in which TVNZ and RNZ are operating means that the time to act is reducing. The current arrangements and constrained ability to respond collectively are limiting the Crown's ability to implement more effective and efficient ways to deliver quality public media services and to optimise value for audiences.

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[1] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11

[2] NZ On Air 'Where Are The Audiences? 2020' report, published July 2020, p.26-27

[3] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11

[4] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.29

[5] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11

[6] Royal Society: The New New Zealand: Facing demographic disruption, https://www.royalsociety.org.nz/fellows-and-members/forum/forum/the-new-new-zealand-facing-demographic-disruption/

Problem statements

18. The problems the proposed investment will need to address are:

- **Delivering relevant content about New Zealanders to New Zealanders** – Public media have a key role in ensuring NZers have access to content that meets their diverse needs, that media content is more inclusive and reflects a multi-cultural NZ that has a bi-cultural foundation. Public media models are constrained in their ability to adapt to meet diverse needs, meaning future generations access to relevant, reliable and trusted New Zealand content that engages, informs, educates, enlightens and entertains them is at risk.
- **Accessing independent and trusted sources of news and information** - With so much choice in content, it is difficult to know where to go for accurate content that reflects New Zealand. A weak public media with diminishing influence can cause people to look to other, less regulated, and verifiable sources for information[7].
- **Ailing media and inefficient public media sector** – Increasing influence and the sheer volume of international content, a constrained financial environment, rapid technology shifts and changing consumer preferences, have put domestic media models under pressure internationally. This pressure is unsustainable. An uplift in public funding alone, without structural change, would not provide the intended effect due to the existing models being unable to deliver efficiently and effectively, given duplication of funding i.e. twice the investment in resources, and infrastructure, and different platforms and operations.
- **Fragmented funding and mandates lead to duplication of resources, constraining the Crown's ability to optimise investment** – The need to compete with international providers and transition to on-demand online services with the current fragmented public media models, has resulted in public media responding in a largely individualised and unconnected manner.

Investment Objectives

Table 1: Summarises the three investment objectives for the Strong Public Media initiative.

Investment Objective One	Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in Aotearoa NZ *(Content serves purpose, supply-side)*
Investment Objective Two	NZers (15-24-year-olds, by 2036) access and consume public media *(Audience reach, demand-side)*
Investment Objective Three	Delivery of content and services by future mainstream public media is efficient and effective and earns the trust and confidence of New Zealanders. *(Efficiency, future service-focused)*

[7] W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.127

Benefits

19. The below benefits have been agreed with the key stakeholders in the Benefits Workshop conducted on 27/04/2021.

Table 2: Analysis of potential benefits.

Benefits	KPIs	Measures
An increased sense of national identity and culture	KPI 1: Sense of inclusion KPI 2: NZers valuing local content and trust local public media	Number of NZers who access NZ-made content because they are about people like themselves % of NZers who access NZ content because it reflects and informs their view of our national identity
NZers and people living in NZ are more engaged and better-informed	KPI 1: Participation in civics attributable to public media KPI 2: Content delivered to under-served audiences	% of NZers who think it's important to have free access to publicly funded content Number of NZers who agree public media content informs them about important issues, promotes informed debate and provides fair and balanced information
Content is delivered effectively and efficiently to NZers and those living in NZ	KPI 1: Duplication of effort KPI 2: Audience reach	Costs resulting from duplication of effort and inefficiencies Daily audience reach of public media content across all platforms incl. third party distribution (free to air, AVoD, SVoD) for all NZers 15+

Economic Case

20. The economic case explores the options to deliver strong public media for the benefit of all New Zealanders. The case traverses a broader range of options than that outlined in the Strengthening Public Media: Report Back Cabinet paper. This means the options development process is not confined to the option set out in the Cabinet paper but takes into account its thinking.

21. Each choice within an option dimension was assessed against critical success factors and investment objectives, in order to develop a long list of options for analysis.

Options development

22. Critical success factors (CSFs) are the attributes essential for successful delivery of the project.

Table 3: Critical success factors.

Critical Success Factor	How well the option:
Strategic fit	Meets the agreed Investment Objectives, related business needs and requirements, and fits with other strategy programmes and projects.
Affordability	Can be met from likely current and future Crown and commercial funding, is cognisant of funding constraints and the need for financial sustainability.
Achievability	Can be delivered within the operating environment and resource supplied by entities in a specified time frame.
Editorial independence is maintained	Protects the ability of public media to uphold an independent voice: the legal and funding framework is the lens in which this occurs.
Public media arrangements support a healthy media eco-system	Complements other forms and providers of media. Recognise the roles and requirements of private and public media and where they intersect through appropriate legislation.
Putting audiences first	Reaches and engages the currently served and under-served audiences

23. The Business Case considered a broad range of options as part of a long list. Each long-list option choice was assessed against the critical success factors and filtered down to a short-list of six options described in Table 4 below.

Table 4: Short-list options.

	Option	Summary
A	**Status Quo**	Status Quo maintains the current framework for the in-scope public media. Each entity will operate under existing law and continue as separate stand-alone entities. This means existing shortfalls in service delivery, particularly in terms of servicing under-represented audiences, are likely to continue. The status quo reflects a media sector under pressure. Non-Crown revenues via linear advertising are signalled to fall at a greater rate than public media entities are able to find offsetting revenue via alternative sources, such as digital advertising. To acknowledge this revenue decline and reduce the burden on the Crown as shareholders, the entities will seek to trim expenditure and cut content costs. However, under the existing arrangements a gap in funding is estimated to emerge from 2025/26 and is anticipated to be met by the Crown as shareholder.
B	**MVP**	MVP is the bare minimum to achieve the intent of change. Minimal disruption to the entities is managed by keeping them separate, though TVNZ becomes a not-for-profit entity and there are few constraints on generating non-Crown revenue. A shared back-office is developed, but separate front offices are retained, while increased capability is sought to deliver stronger public media. A free platform-agnostic service is developed and maintained alongside linear transmission.
C	**Fully Integrated Entity**	The Fully Integrated Entity Option is a new single legislative entity with a clearly defined public media mandate and purpose, with core functions similar to overseas public media entities. It provides public media services across a variety of platforms and puts public media objectives before commercial imperatives: the legislation will control this quite tightly. The entity has a mixed funding model, with revenue derived primarily from the Crown, but also from controlled commercial revenue. The new entity will operate as a not-for-profit, with statutory provisions for operational independence. NZ On Air will continue to provide contestable funding for public media content. Operating under a single entity means combining resources where necessary, while maintaining the current mix of in-house and outsourced arrangements to contribute fairly into the media sector. A platform-agnostic service, with scope for subscription channels, is part of the option.
D	**Maximum Flexibility**	Maximum Flexibility is intended to structure the SPM arrangements with the most scope for flexibility and adaptability. While a shared back-office will be developed, there will be a high degree of outsourcing for content and talent, relying on a vibrant and healthy media sector. The entities will develop a contract manager model, and although they will remain not-for-profit, will have the freedom to pursue non-Crown revenue largely where they see fit, and to exploit third-party platforms. Flexibility will flow through to operations. Implementation will be quick, risking the audience experience.
E	**Streamlined for the Future**	Streamlined for the Future combines TVNZ and RNZ under one not-for-profit entity and introduces a new entity with fresh branding for the platform-agnostic service. Similar commerciality settings to Status Quo are maintained, and there are limited constraints on seeking non-Crown revenue. The degree of change is expected to be comprehensive but executed over as short a timeframe as practicable to minimise uncertainty. Audiences will see limited changes from a service perspective, though there will be consolidation of back-office resources and a greater degree of outsourcing. There is no change in the current operational independence settings.
G	**Efficient Not-For-Profit Entity**	Option G is getting to where the audiences are. The Efficient Not-For-Profit Entity subsumes TVNZ and RNZ. The entity will aim for efficiency, with services tailored for appropriate audiences and content. The Strong Public Media Entity will operate as flexibly as possible, rationalising functions where commonality exists – locations and studios, for example. The entity will oversee distribution in a platform-agnostic fashion. Subscription options and third-party distribution channels will be considered. The degree of change will be comprehensive. The model is focused on using a range of tools to achieve the audience outcomes and is expected to optimise efficiency and improve the ability of public media to service under-engaged and under-served audiences. Any savings arising from efficiency are expected to be invested in bolstering the sector to build system-wide capability. The entity will work collaboratively and flexibly with other media entities

Option evaluation process

24. At a facilitated Benefits Workshop held on 27 April 2021, stakeholders from MCH and The Treasury reviewed and scored the short-listed options against the Investment Objectives, Benefits, and Risks identified in relation to investment objectives to determine a preferred way forward.

25. The short-listed options were tested against three non-monetary benefits identified in the Strategic Case.

- An increased sense of national identity and culture
- NZers and people living in NZ are more engaged and better-informed
- Content is delivered effectively and efficiently to NZers and those living in NZ

26. Each option was assessed as to how well it provided a benefit or dis-benefit compared to the Status Quo.

27. In addition to the short-listed options, a counterfactual option was developed. The Counterfactual reflects what would most likely occur over time to the in-scope entities with targeted intervention – different to the Status Quo, which reflects a point in time. The Counterfactual provides a likely 'future state' if Cabinet decided not to proceed with the Preferred Option, and also includes future public media funding to strengthen the sector. This was used as a comparator for testing the public value of the preferred option.

28. A costing exercise was undertaken to determine incremental costs above the Status Quo for each option. Key costs included in the analysis are entity establishment costs, system/technology implementation and platform maintenance. Cost savings for options with shared offices or facilities were also included. For certain dimensions such as Constraints on non-Crown revenue and Content Production, any potential cost savings are expected to be re-deployed within public media rather than extracted from the public media ecosystem. How the entities decide to re-deploy the funds is an operational decision and therefore out of scope for the costing exercise.

The preferred option

29. The preferred option is Option G, an efficient, not-for-profit entity, which becomes less reliant on non-Crown revenue. Option G met the investment objectives to the greatest extent and provided the most benefit, although it also had a higher risk profile. Due to the similarities between the costs for all options, the benefits ended up being the deciding factor in selecting a preferred option, leading to Option G as the clear winner.

30. Option G's focus is to target specific audiences with multiple services. As the name suggests, the goal is to operate as efficiently as possible while still achieving the investment objectives of servicing under-represented and under-served audiences. Option G only requires one Board of Directors, resulting in some on-going saving of board costs. The option also assumes a slightly larger saving in FTE than the other options, as there is the option to share all appropriate back-office systems and facilities. As the differential in costs is minor between the options, the costs were not the determining factor in identifying the preferred option.

31. Figure **1** captures the choices within each dimension of the options framework for the Preferred Option.

Figure 1: Preferred Option within the dimensions framework

Option choices	Status Quo	Do Minimum	Do More		Do Maximum
1. Entities and Services	**1.1** Two entities, two brands for services RNZ TVNZ	**1.2** Three entities with an overlay RNZ TVNZ Platform-agnostic distribution Three brands for services	**1.3** Two entities One for TVNZ/RNZ One for platform-agnostic distribution Three brands for services	**1.4** One entity Multiple branded services anchored around different audiences and content on platform-agnostic basis	**1.5** One entity One brand for services
2. Constraints in non-Crown Revenue	**2.1** Across the system, a mixed funding model. Few constraints on TVNZ, more on RNZ	**2.2** No constraints on generating non-Crown revenue	**2.3** Some constraints on potential sources of revenue	**2.4** More constraints on potential sources of revenues	**2.5** No ability to generate non-Crown revenues from any potential non-Crown revenue sources
3. Operating Model – Shared Resources	**3.1** Existing operations – two discrete delivery entities	**3.2** Create a shared service for back-office	**3.3** Do min + Plus: more combinations from other operations e.g. pooling news media function and training		**3.4** Plus: co-location/shared facilities and direction to build strategic, system-wide capability
4. Operating Model – Content Production	**4.1** Existing service delivery – maintain the balance of in-source/outsource arrangements	**4.2** Encourage more in house – increasing capability /capacity to deliver SPM objectives	**4.3** More outsourcing to deliver SPM objectives – keep talent	**4.4** Outsource appropriate services so industry growth is maximised	**4.5** Outsource services – All key services, the entity commissions and manages contracts for services – NZ On Air consolidated within entity
5. Operating Model – Distribution	**5.1** Existing mix of linear and digital services (free to view) – multiple platforms, multiple channels and frequencies	**5.2** Linear service to meet public accessibility requirements, platform-agnostic distribution	**5.3** Plus subscription channels		
6. Commerciality	**6.1** One entity is commercial, for profit One entity is not-for-profit	**6.2** Non-commercial focus and not-for-profit	**6.3** Semi-commercial, not-for-profit	**6.4** Commercial, not- for-profit	**6.5** Commercial, plus returning a dividend plus cost of capital
7. Phasing	**7.1** BAU	**7.2** Phased change minimal scale Prioritised by criticality	**7.3** Full scale short time frame (3-5 years to completion)		**7.4** Full scale long time frame with phasing (10 years to completion).
8. Independence	**8.1** TVNZ – high degree of independence RNZ - high degree of independence				**8.2** Oversight from monitoring agency

Commercial Case

32. The Commercial Case details the commercial implications of the strong public media investment, lists services needing to be procured during the Strong Public Media Entity's establishment phase (by June 2023), and describes a procurement plan and the commercial risks surrounding the investment.

Operating assumptions for the preferred option

33. The Strong Public Media Entity's focus will be to target specific audiences with multiple services. The goal will be to operate as efficiently as possible while still achieving the investment objectives of servicing under-engaged and under-served audiences. It will:

- Aim for efficiency, with multiple branded services anchored around different audiences and content
    - Retain existing brands and services which New Zealanders enjoy and trust
    - Develop new brands and services to reach other audiences
- Operate as flexibly as possible, rationalising functions where commonality exists – locations and studios, for example
    - Shared infrastructure
    - Combined news operations
- The Strong Public Media Entity will leverage existing TVNZ systems as far as possible as TVNZ has already invested in its technology. In addition to this, the establishment programme will need experienced business change advisors (Establishment partners), to support the establishment and successful transition to day 1 operations. The Establishment Partner(s) will conduct technical due diligence, integration planning and implementation of data and technology assets (internal and customer facing) to enable integration of legacy entities.
- Outsource appropriate services so industry growth is maximised
- Be semi-commercial, not-for-profit
- Oversee distribution in a platform-agnostic fashion; meaning audience will have the ability to access content directly via the Strong Public Media Entity's brands, its shared infrastructure and third-party platforms
- Invest any savings arising from efficiency in bolstering the sector to build system-wide capability. This is either done by:
    - Direct investment by the Strong Public Media Entity into sector-wide capability development
    - Return any surplus to the crown to re-invest in public media outcomes
- Work collaboratively and flexibly with other media entities.

Mixed Funding Model

34. The establishment of the Strong Public Media Entity and eventual disestablishment of the legacy entities will result in a continuation of the current mixed funding model. It is assumed the Strong Public Media Entity:

- Is semi-commercial and receives revenue through:
    - Direct Crown funding for operations and public interest content via a funding arrangement with specific KPIs in place to achieve public media outcomes
    - Viable commercial revenue generating options to top up Crown revenue
- s9(2)(f)(iv) [redacted]

- Existing public good services that are constrained from attracting non-Crown revenue will remain Crown-funded
- New services will be open to attracting non-Crown revenue other than where there are existing rules/regulations
- Funding and revenue earned will primarily be invested in public media outcomes
- Will retain any surplus up to a point to be determined, beyond which it will be returned to the Crown and may (or may not) be directed back towards public media outcomes.

Commercial Rights

35. The establishment of the Strong Public Media Entity and eventual disestablishment of the two legacy entities may require the Strong Public Media Entity to renegotiate commercial rights. This could be an extensive task and will require immediate focus from an expert team to manage risk and relationships. It is proposed to mitigate this risk with appropriate transition provisions in legislation.

Commerciality

36. The Strong Public Media Entity will collaborate and compete with other public and private media. This will mean working collectively with third parties to support the achievement of public media outcomes. Content made by, for, about New Zealanders and distributed to New Zealanders is encouraged regardless of whether this is delivered by the Strong Public Media Entity or private media. The key commercial considerations are that:

    - The Strong Public Media Entity will operate on a semi-commercial basis
    - The Strong Public Media Entity is an Autonomous Crown Entity (ACE) or a Crown Entity Company supported by commercial revenue not a commercial entity supported by government
    - NZ content where the Strong Public Media Entity has content rights will be made available without additional charge at least on first broadcast
    - Public media assets including talent and facilities will be made available to the sector on a reasonable cost-recovery basis to support and grow the public media eco-system
    - The approach to developing new services will be cognisant of what already exists so as not to directly compete and instead to support or complement the wider independent production sector to deliver services that meet the needs of under-served or under-engaged audiences. The entity will therefore combine in-house and outsourced services. But in pursuing an appropriate trade-off between these two options, the entity will aim to help sustain and grow the capacity of the wider production sector.

Financial Case

37. Two key issues underpin the financial case for the Strong Public Media entity. The new entity is forecast to require an increasing level of Crown funding. The need for Crown funding is driven by two key components – declining commercial revenue (approximately s9(2)(b)(ii)[redacted]) and cost inflation (approximately 2% p.a.).

38. How the decline in commercial revenues is dealt with ties into the second issue, which is moving the entity from being largely dependent on non-Crown revenue initially, to one operating on a more evenly mixed model. This will drive a change in operating stance for the entity to take a 'public media first' position and provides certainty in sustainable funding.

39. Funding sustainability is dealt with by increasing the proportion of Crown funding, and also how that funding is allocated across the sector. s9(2)(f)(iv) [redacted]

s9(2)(f)(iv) [redacted]

Scope of the funding requirements

40. Additional Crown funding is required to support the anticipated decline in commercial revenue due to shifting market dynamics and changes to competitive circumstances, in addition to funding required under the Status Quo.

41. The funding covers the following costs:

- Costs to establish the Strong Public Media Entity subsuming TVNZ and RNZ, including the costs of the establishment board, transition and integration.
- Content costs to increase the focus on public media objectives and moving to a semi-commercial model.

Financial Costing Approach and Timing

42. The financial model outlines the funding required to deliver the Preferred Option. The model is based on TVNZ, RNZ and NZ On Air's latest financial statements, available financial forecasts, and Status Quo assumptions going forward. Implementation costs for the Preferred Option overlay the status quo and account for the cost difference between the two.

43. Whole-of-life costing is based on a forecast period of 30 years, consisting of a forecast implementation and integration period of three years, and an operational period of 27 years. This reflects a generation of the life of public media arrangements, rather than the lifecycles of the many technologies used to deliver public media.

Capital and Operating Costs - Required Funding

44. As outlined in the strategic case and Cabinet Paper[8] the local media sector has experienced increased competition from global digital platforms and changes in audience behaviour, which have impacted their financial sustainability.

45. Without further funding, TVNZ, RNZ and NZ On Air cannot individually or collectively deliver on public media objectives while maintaining existing audiences and commercial revenue streams.

46. Table 5 below summarises the total incremental investment of the Preferred Option over the Status Quo required for both capital and operating costs on an annual basis over the period to FY2026/27, and in total over the 30 years modelled.

[8] August 2019 Strengthening Public Media: Report Back Cabinet meeting paper p.3-4 section 19 and 21

Table 5: Capital and operating costs and existing revenue of the preferred option (the Strong Public Media Entity).

NZ($m)	2021/22	s9(2)(f)(iv) [redacted]
Capital expenditure:		
Status Quo	(12.7)	
Preferred Option Capex[9]	0.0	
Total Capital Expenditure	(12.7)	
Operating expenditure:		
Status Quo	(387.0)	
Preferred Option Opex:		
One-off entity establishment	(14.6)	
Ongoing entity[10]	0.0	
Content production	0.0	
Reinvestment into Sector	0.0	
Cost Synergies	0.0	
Contingency		
Total Preferred Option	**(14.6)**	
Total Operating Expenditure	**(401.6)**	

47. To cover the expenditure, funding sources over time assumes new Crown baseline commences from FY2023/24, which starts moving the entity towards a 'public media first' stance and operating surpluses are likely to begin.

Table 6: Preferred Option Funding Sources

	2021/22	s9(2)(f)(iv) [redacted]
Funded by:		
RNZ Funding via NZ On Air	42.6	
TVNZ Funding via NZ On Air	2.2	
RNZ & TVNZ – Other Govt Funding	6.2	
Total Baseline Funding	**51.0**	
Establishment and integration Crown funding	14.6	
Crown funding s9(2)(f)(iv) [redacted]	0.0	
Total Crown Funding	**65.6**	
Non-Crown funding	s9(2)(f)(iv) [redacted]	
Total funding		

[9] Excludes programming content rights which are included in the operational funding, on the basis they have a useful life of approximately one year

[10] Includes ongoing technology costs

48. s9(2)(f)(iv) [redacted]

Figure 2: Costs and Funding profile for 15 years

s9(2)(f)(iv) [redacted]

49. The Ministry for Culture and Heritage, or another nominated Agency will require new funding to assist with the establishment of the preferred option, in addition to funding to provide interim media system monitoring.

Table 7: Financial implications for MCH or other Agency.

s9(2)(f)(iv) [redacted]

Affordability and Funding Sources

50. The Preferred Option pursues a mixed funding model, where the Strong Public Media Entity is semi-commercial and not-for-profit.

51. The business case assumes existing funding sources change, with existing current Crown revenues increasing and adjusted for inflation to offset increases in expenditure. Non-Crown revenues are assumed to decline as advertising market share is lost on the basis of increased competition.

52. s9(2)(f)(iv) [redacted]

53. The financial model assumes a request for funding from the Crown will be successful.

Table 8: Breakdown of requested funding and sources of funds.

NZ($m)	2021/22
Total Crown Funding	65.6
less RNZ Funding from NZ On Air	*42.6*
less TVNZ Funding from NZ On Air	*2.2*
less RNZ and TVNZ Funding from Govt	*6.2*
s9(2)(f)(iv) [redacted]	
New Crown Funding Required	**14.6**
plus Surplus Revenue Earned	
Net Crown Impact	**14.6**

s9(2)(f)(iv) [redacted]

54. s9(2)(f)(iv) [redacted]

55. [redacted]

The total funding request from the Crown

56. s9(2)(f)(iv) [redacted]

57. [redacted]

58. [redacted]

59. [redacted]

60. [redacted]

Table 9: Total Public Media Crown Funding

s9(2)(f)(iv)

[redacted]

61. s9(2)(f)(iv) [redacted]

Management Case

Establishment Approach

62. There are three phases to the establishment approach to achieve end state.

- **Phase 1 – Interim Set up (July-Nov 2021):** Business Case and Policy recommendations to cabinet need to be progressed to final decisions. These are expected by October 2021. During this time a number of activities will need to continue in preparation for a final decision including Policy advice on remaining arrangements, ongoing Strong Public Media Communication and Stakeholder engagement, establishment phase governance design, etc.
- **Phase 2 Establishment and Transition (Nov 2021 - Jun 2023):** The establishment phase can commence following final cabinet decision in October 2021. This phase undertakes the planning, analysis, design and implementation activities required to establish and set up the Strong Public Media Entity for day one.
- **Phase 3 Stabilisation and integration (Jul 2023 – June 2024):** Undertake the activities required to stabilise the Strong Public Media Entity in its first year of operations and integrate the legacy entities. This phase starts once the Strong Public Media Entity is operational on 1st July 2023.

Establishment resource and governance

63. The Ministry will continue to support the Minister with on-going enabling infrastructure support for the strong public media work programme, including:

- Enabling the new arrangements and funding for public media
- Enabling the establishment unit with the required capability and capacity to resource the programme office, secretariat, policy, legal and procurement activities
- Reporting on Strong Public Media benefit realisation

64. An Establishment Board will be appointed by the Minister and will govern the establishment of the new public media entity and advise on how best to create and shape the Strong Public Media Entity and its operations.

Change management

Introduction

65. Effective change management will be critical to success. The change management approach will need to take into consideration the vastly different legal and operating principles of the two legacy entities and the steps to be taken to bring two very different cultures together.
66. The establishment and transition to the Strong Public Media Entity will be managed alongside business as usual delivery and needs to take appropriate steps to ensure delivery is not impacted by the change.
67. This is a multi-phased transformation and change management will need to be embedded through subsequent phases to enable ongoing performance, continuous improvement and ensure sustainability for the Strong Public Media Entity.
68. A detailed Change Management Plan will be developed in phase 2 by the Establishment Partner. This will be in-line with the proposed approach below.

Approach

69. Our proposed change management approach is to fully integrate change within the programme and implementation approach. Integrated change supports consistent delivery, drives measurable value and is flexible enough to adapt to the environment.

Business Case Introduction

Business Case Background

70. The media play a vital role in a healthy democracy by holding governments and the commercial sector to account, sharing the stories that are important to New Zealanders and reflecting the diverse faces of the nation. Public media have a key role in ensuring New Zealanders have access to content that meets their diverse needs, that media content is more inclusive and reflects a multicultural NZ that has a bi-cultural foundation. Public media comprises a range of services, both local and international, that provide news, information, and entertainment content delivered across television, radio and online on-demand platforms.

71. Changing audience behaviour and technological advances have rapidly transformed people's expectations of the media sector, creating a need for local media services to adapt and innovate in order to stay relevant to audiences. Increased competition from large international private media platforms and content providers, declining revenue shares, and changing audience behaviours has put media models around the world under pressure.

72. With so much choice in content it is difficult to know where to go for trusted sources of accurate information. These factors are challenging the viability of traditional media models and their ability to adapt to meet diverse needs.

73. The Crown supports public media services through funding public media content and platforms, through Crown ownership, and through regulation of the media sector.

74. The Government wants to support a vibrant, thriving media sector. This means helping New Zealand's public media to be well placed in a rapidly changing environment, so as to ensure future generations have access to quality content that engages, informs, educates, enlightens and entertains.

Strong Public Media Business Case

75. In January 2020, Cabinet invited the Minister for Broadcasting and Media to report back on completion of a detailed business case (DBC), to test the viability of establishing a Strong Public Media Entity with the following core features:

- It is a single legislative entity;
- It has a clearly defined public media mandate and purpose, with the core functions of a globally recognised public media entity;
- It provides public media services across a variety of platforms, some of which will be advertising-free;
- It has a mixed funding model, with revenue derived from Crown and non-Crown sources;
- It operates as a not-for-profit entity; and
- It has statutory provisions for editorial and operational independence.

76. It will also consider New Zealand on Air's continued role in providing contestable funding for public media content and services in a way that complements the Strong Public Media Entity and supports the wider media sector.

77. At the time COVID-19 impacted New Zealand, Cabinet agreed that work on the Strong Public Media initiative should pause to focus resources on more pressing needs. In

August 2020 as COVID-19 impacts eased, Cabinet agreed that the Strong Public Media work could resume[11].

78. The DBC provides an opportunity to evaluate key options and choices around the design of the Strong Public Media Entity, its operating model, and its relationship with the NZ on Air funding model. The business case explores design options to ensure the combination of Crown and non-Crown revenue does not compromise the ability of the Strong Public Media Entity to fulfil its public media mandate, particularly if non-Crown revenue declines.

79. The DBC assesses:

- The viability of establishing the Strong Public Media Entity or arrangements
- Whether the establishment of the Strong Public Media Entity or new arrangements will achieve the outcomes sought
- Implementation requirements
- Costs

Crown entities in scope for this business case

80. The Crown entities in scope for this work are Radio New Zealand (RNZ), Television New Zealand (TVNZ), New Zealand on Air (NZ On Air) and, to a partial extent, Freeview.

81. Freeview is a joint venture between public and private media. Optimisation of this platform for the future of public media is within scope.

82. While Māori Television Service (MTS), Iwi radio, the National Pacific Radio Trust (NPRT), Te Māngai Pāho (TMP), community media, private media and other distribution services are out of scope for the business case, their contributions to the broader public media sector are important. All public media entities will have a continued role in fulfilling the Government's objectives and optimising the Government's return on investment. To support public media entities in meeting these objectives, the approach and mechanisms for achieving greater collaboration and alignment between them will need to be identified.

[11] DEV-20-MIN-0169, released

Figure 3: Diagram depicting the interrelationship between in-scope and out of scope entities.

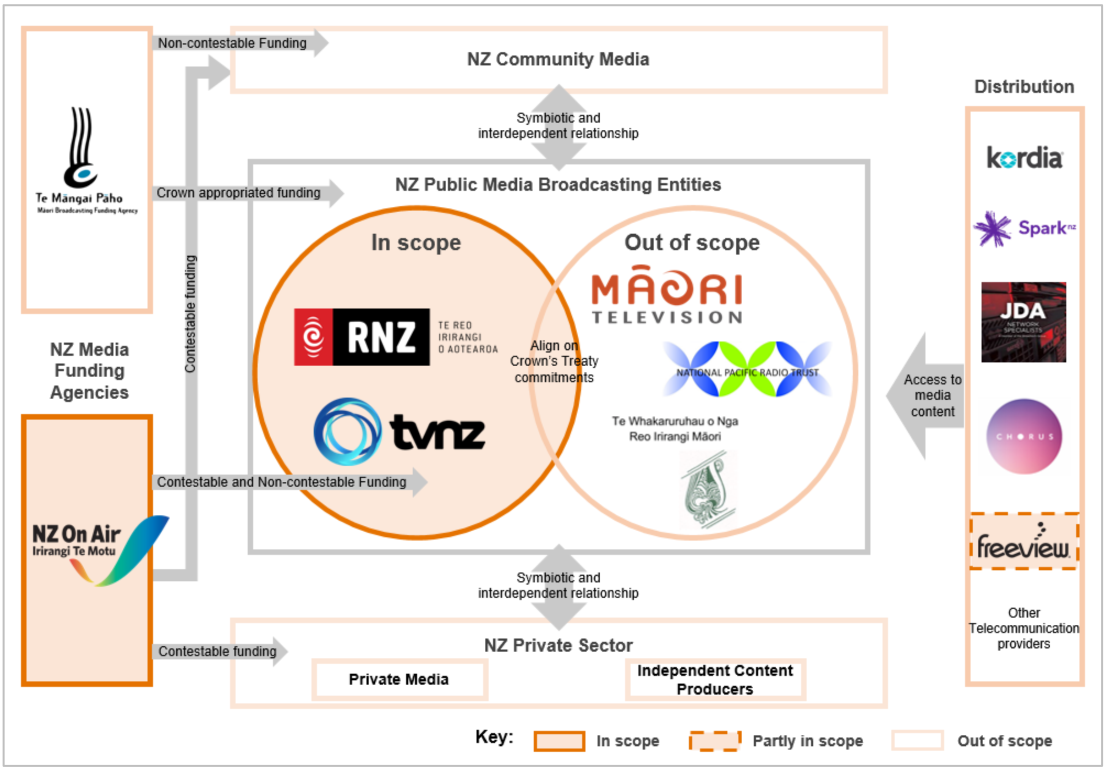


Table 10: High level summary of TVNZ, RNZ and New Zealand on Air profiles.

Public Media	tvnz	RNZ TE REO IRIRANGI O AOTEAROA	NZ On Air Irirangi Te Motu
Role and functions	• TVNZ's functions under its Act are not limited to commercial performance, and the Act imposes limited additional obligations regarding content and services. • Strives to deliver an adequate rate of return to shareholders. • Seeks to deliver audiences that are valued by advertisers.	• The role and purpose of RNZ delivers the Government's public media objectives through the medium of audio broadcasting, supplemented by some audio-visual content. • Collaborates in a limited way with Iwi Radio and the NPRT. • Has an emphasis on the importance of news and information in the RNZ charter.	• A funder of public media content. • Its legislated functions require it to promote programmes that reflect and develop New Zealand identity and culture which helps build social cohesion, inclusion and connection. • It has a specific additional responsibility to promote Māori language and Māori culture and to support content for women, youth, children, persons with disabilities and minority groups in the community.
Funding	• Commercial (95% through advertising) • Crown (contestable)	• Crown (non-contestable)	• Crown (non-contestable)
Key Owned distribution platforms	• TVNZ1 • TVNZ2 • TVNZ1 +1,TVNZ2 +1 • Duke • TVNZ OnDemand • ONENews.co.nz • HeiHei	• RNZ National • RNZ.co.nz • RNZ app • RNZ Concert • Parliament–live stream • RNZ Pacific	
Monitoring body	• The Treasury	• Ministry for Culture and Heritage (RNZ Pacific) • The Treasury	• Ministry for Culture and Heritage

Upholding the Treaty of Waitangi

Further enhancing the Crown's delivery on its article two responsibilities

83. The Strong Public Media Business Case Governance Group and the Māori Media Advisory Group have discussed aspects of current public media delivery to be articulated in the current problem framework from a Māori perspective. General agreement from these discussions was that while Māori Television and Iwi Radio are important and vital taonga for te reo and tikanga Māori it could be argued that the rest of the public media sector had abdicated their te tiriti responsibilities to those entities.

84. In its Te Reo Māori Report (Wai 11), the Waitangi Tribunal found that the Treaty of Waitangi was directed to ensuring a place for two peoples in New Zealand. The Tribunal found that the Māori language is an essential part of Māori culture and must be regarded as a taonga, a valued possession. The Tribunal questioned whether the principles and broad objectives of the Treaty of Waitangi could be achieved without a recognised place for the Māori language. The Tribunal found that the Crown is obliged by the Treaty to take active steps to protect the Māori language.

85. In December 1993 the Crown accepted that the principles of the Treaty of Waitangi impose a continuing obligation to take such steps as are reasonable to assist in the preservation of te reo Māori using both radio and television broadcasting.

86. The Māori Television Service is a key result of the policy developed for protecting and promoting te reo Māori on television. The establishment of the Māori Television Service in which te reo Māori me ngā tikanga Māori have a secure place and are recognised and actively promoted is intended to contribute to meeting the Crown's commitment to the protection and promotion of te reo Māori me ngā tikanga Māori through broadcasting. However, this does not minimise all other public media's responsibilities to acknowledge and support te reo Māori me nga tikanga Māori.

87. The new public media entity is required to commit to the continuation and further enhancement of the Crown's delivery on its article two responsibilities and to its role in delivering the governments goals of Maihi Karauna. It will play a positive role in advancing the understanding and pride among all New Zealanders and those living in New Zealand of te reo Māori and tikanga Māori, to showcase Māori perspective in all genres and celebrate the successes of Māori in balance with their challenges. In this way all New Zealanders gain a greater understanding of our indigenous peoples, their history, their stories – both past and present – thereby delivering, not only on the obligations inherent in the Treaty, but also on strong public media benefit one "An increased sense of national identity and culture" and benefit two "New Zealanders and people living in New Zealand are more engaged and better-informed".

Strategic Case

Strategic context

Public media models are under pressure

88. Increasing growth in international media has created more choice and opportunities for audiences to source media content from multiple sources. As a result local media are under pressure to chase the biggest audience and are facing declining revenues. This creates a risk for local audiences and future generations losing access to relevant, reliable and trusted New Zealand content that engages, informs, educates, enlightens and entertains.

Figure 4: Depicts the key issues in the current environment and why the public media model is under stress.

Delivering relevant content about NZers to NZers	Accessing independent and trusted sources of news and information	Ailing media and inefficient public media sector	Fragmented funding and mandates
Public media have a key role in ensuring NZers have access to content that meets their diverse needs, that media content is more inclusive and reflects a multi-cultural NZ that has a bi-cultural foundation. **Public media models are constrained in their ability to adapt to meet diverse needs,** meaning future generations' access to relevant, reliable and trusted New Zealand content that engages, informs, educates, enlightens and entertains them is at risk. **Some segments of our community are under-engaged or under-served by mainstream media** – The most obvious are young adults (15-24-year-olds)[12]. **The under-engaged audiences** have made a choice to change when and how they access content, largely through international online platforms[13]. **The under-served audiences** may not have been served historically. They are the result of a public media sector that has not adapted to the audience's need for relevant, quality, accessible content, reflecting their diverse languages, experiences, and interests. **The general audience** are current listeners, viewers and readers who are engaged and served, including existing Māori audiences.	**With so much choice in content it is difficult to know where to go for the trusted source of accurate content that reflects NZ.** **The wide range of media outlets internationally** contribute to reduced engagement with local media stories. **A weak public media with diminishing influence** can cause people to look to other, less regulated and verifiable sources for information, resulting in lower levels of trust and diminishes public media's role in holding government to account[14]. **In 2020, the value of public media as a trusted information source was brought to the fore**. The concepts of 'fake news' and 'disinformation' can undermine a strong public media - without this institution, deception can be spread, fragmenting society[15]. **In times of misinformation and disinformation, public media's role is fundamental.** Independent news is critical to political, social and economic development.	**Increasing influence and the sheer volume of international content, a constrained financial environment, rapid technology shifts and changing consumer preferences, has put media models under pressure internationally[16]. This pressure is un-sustainable.** **The availability of content from international online platforms** has increased audience choice and changed when and how they access media[17]. **This forces media to chase the largest form of viewer engagement and can result in local audiences missing out,** and local content lacking relevance and impacting local media and NZers' contribution to healthy democracies[18]. **Declining revenues and higher costs,** driven by expanding competition from online platforms mean existing public media models are under stress[19]. **An uplift in public funding alone, without structural change, would not provide the intended effect** due to the existing models being unable to deliver efficiently and effectively given duplication of funding, resources, and infrastructure, and different platforms and operations. **Media models are currently platform-centric,** rather than audience-centric.	**The need to compete with international providers and transition to on-demand online services with the current fragmented public media models, has resulted in public media responding in a largely individualised and unconnected manner.** **The legal frameworks are restrictive** and limit RNZ and TVNZ's ability to collectively respond and innovate. **This leads to duplication of resources**, constraining the Crown's ability to optimise investment. **They are driven by different mandates** and cultures. The lack of alignment contributes to under-served audiences continuing to miss out. **A decision not to address the current inflexibility and disjointed responses to media sector challenges** will result in a continued shortfall in delivering relevant, quality content that meets the needs and preferences of under-engaged and under-served audiences. **It also erodes public media's role** and place in a healthy democracy.

12 Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11

13 Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.33

14 W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.127

15 W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.135

16 Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.5

17 Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.14

18 Johan Farkas & Jannick Schou (2018) Fake News as a Floating Signifier: Hegemony, Antagonism and the Politics of Falsehood p.303

19 Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.60

The Government's outcomes for public media in New Zealand

89. In the January 2020 Cabinet paper and Minutes, the Government has stated the outcomes it wants from its investment in public media and is committed to supporting public and private media to achieve these.

Public media outcomes[20]:

- New Zealand audiences choose to access mainstream and targeted content and services that support their:
    - Needs and interests as people living in Aotearoa, and which in particular reflect the language and experiences of Māori and Pacific peoples, and other under-served audiences
    - Ability as New Zealanders to be informed and engaged members of our participative democracy and open civic society
    - Access to a range and diversity of content that they value and trust.
- Public media in New Zealand are:
    - Operationally and editorially independent
    - Securely and sustainably funded
    - Able to respond effectively to an evolving operating environment and relevant to changing consumer preferences, in particular younger audiences
    - Complementary to and collaborative with private media.
- Public media play an integral role in contributing to New Zealand being:
    - A connected, informed, cohesive, and independent nation
    - A healthy, participative democracy
    - Confident in, and aware of our unique identity, cultures, and languages.

90. These outcomes contribute to the Government's priorities of supporting healthier, safer, and more connected communities; building closer partnerships with Māori; valuing who we are as a country; and creating an international reputation we can be proud of.

Living Standards Framework

91. Higher living standards for all New Zealanders is the goal of many government investments, and the basis for effective central funding and policy decisions. New Zealand's public media, and wider media operations, already contribute to New Zealand's wellbeing domains – specifically, the domains of civic engagement and governance, cultural identity, social connections, knowledge and skills, and subjective wellbeing.

92. Additionally, public media and the wider media sector make a strong contribution to the infrastructure that underpins an open, market-based economy supporting local businesses and services through sponsorship, advertising, and promotions.

93. Strengthening public media in New Zealand will not only ensure these contributions continue in a rapidly changing environment, but also support growth in the nation's overall wellbeing.

94. See Appendix 1 for the Treasury's Living Standards Framework.

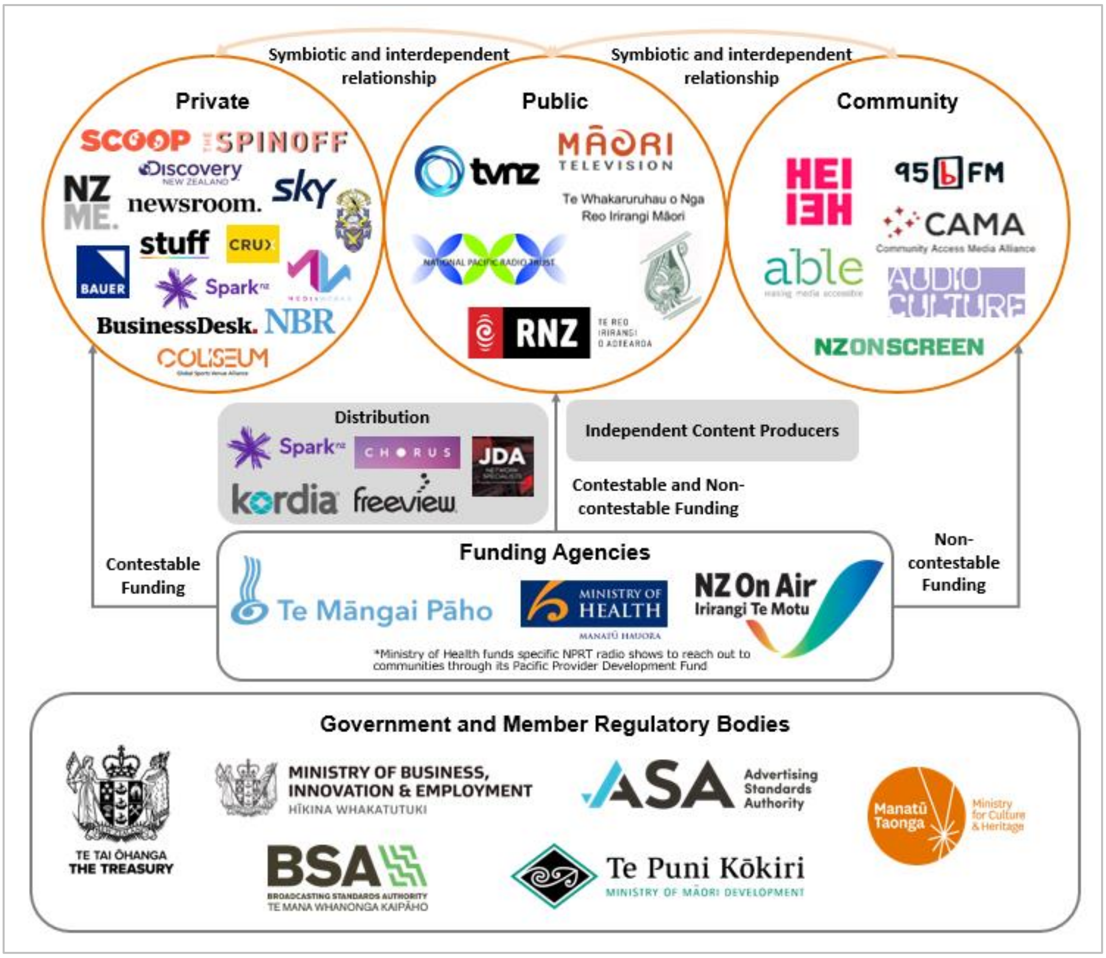
New Zealand broadcasting and media sector

95. Public and private media collectively have a role in delivering on the public media outcomes. The public media sector comprises five Crown-owned media entities, four Crown funding agencies, and a separate Crown-owned infrastructure provider. There are

[20] August 2019 Cabinet meeting - Strengthening Public Media: Report Back, p.5 and CAB-19-MIN-0398.02, released 7 February 2020

a number of independently owned private media organisations that deliver services to the market.

Figure 5: The following diagram provides a high-level illustrative view of New Zealand's broadcasting and media sector.



The Crown's role in the broadcasting and media system

96. Manatū Taonga, the Ministry for Culture and Heritage is the lead advisor to the Government on the broadcasting and media sector. The Ministry is accountable to the Minister for Broadcasting and Media and provides advice on legislation and policy to support the sector.

97. TVNZ and RNZ are Crown entity companies of which the Minister for Broadcasting and Media and the Minister of Finance are shareholding Ministers. The Ministers are supported by the Treasury and the Ministry for Culture and Heritage. Although MCH administers the entities' legislation, RNZ is monitored jointly by Treasury and MCH and TVNZ is monitored by Treasury alone. MCH monitors a number of other Crown entities including the Broadcasting Commission (NZ On Air), and the Broadcasting Standards Authority (BSA).

Public and private media have a symbiotic and interdependent relationship.

98. News media are commonly referred to as the fourth estate – alongside the executive, judiciary and legislature. It has an independent voice and a role in holding power to account. Public media has a particular role in being a source of trusted and impartial news and information.

99. The key role public media plays in contributing to a participative democracy is augmented by the additional and complementary role of private media.

100. Plurality – having a range of perspectives on issues – contributes to the vibrancy of the fourth estate and reflects the diversity of the community it serves.

101. Audiences are exercising an increased choice over how and where they access content, and both public and private media need to respond to these changes to compete for audiences. The Government recognises private media make a valuable contribution to public media outcomes by providing for a variety of audience needs, and a diversity of views and perspectives. Therefore, future arrangements for public media should ensure plurality in New Zealand media is maintained. Any new entity must operate in a way that is complementary to private media and recognise the role and contribution of the wider media sector[21].

Complementarity

102. Public media objectives are not just achieved by public media entities. Private media have material contributions to make, in the same way Māori media objectives are not just achieved by Māori media entities.

103. Public media also make an important contribution to building capability in key areas, which private media can benefit from, including production and journalism skills. Both contribute resources that would not be affordable if only paid for by public or private media alone – for example, content, studios and distribution platforms.

Why public media entities matter

104. New Zealanders need a trusted source of information for and about New Zealanders. All communities in New Zealand need confidence that:

- There are sources free from Government influence
- The media environment is held to account and therefore credible
- Public media reflects New Zealanders' bi-cultural and increasingly diverse audience needs.

105. Public media in New Zealand have an important contribution to make in this space as they have a unique mandate to provide access to content reflecting the country's diverse mix of languages, experiences, and communities. Public media is one of the tools leveraged to meet treaty obligations to actively protect, promote and revitalise Māori language and culture. Public media can also help New Zealanders interpret international events and their impact on the nation.

106. Independent news is critical to political, social and economic development. It exposes corruption, holds authorities to account, and provides a platform for debate. Reliable, timely information is important in making good economic decisions. Public media entities combat disinformation and 'fake news', ensuring societies remain healthy and prevent the decline of democratic institutions22. The importance of credible and independent media is reflected in the fact that all modern pluralistic democracies have some form of publicly funded media.

107. Public media make a unique contribution to the health and vibrancy of democratic societies. They support the ability of citizens to participate in an informed democracy. Public media provide a diverse range of entertainment, news and information for audiences and reflect the languages, experiences and communities of nations.

108. Strong and well-resourced public media arrangements will mean future generations continue to have access to reliable and trusted content that engages, informs, educates, enlightens and entertains them, including stories about Aotearoa which reflect the languages and experiences of all New Zealanders and people living here.

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[21] August 2019 Cabinet meeting - Strengthening Public Media: Report Back, p.6, section 32

[22] W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.122

109. Ensuring New Zealand audiences have access to the content they need is a key focus for the Government to support the media sector. A strong media sector (public and private) can enable more quality local content, creating more opportunities for New Zealanders to tell their stories.

110. The Government has a responsibility to New Zealanders to ensure the public media entities owned and funded by taxpayers are fit-for-purpose in the 21st Century. It also has an obligation to uphold the principles of partnership, participation and protection in accordance with the Treaty of Waitangi. The Government is committed to positioning public media to better respond to ongoing digital transformation, to deliver for audiences, to meet its Treaty obligations, and to thrive amid the changing operating environment.

New Zealand public media needs to cater to unique dimensions of the Treaty of Waitangi to meet the Government's obligations

111. Te reo is a taonga protected under Article 2 of the Treaty. The Crown is committed to upholding the authority Māori, iwi, hapu, whānau have over their taonga. While English is the most commonly spoken language in New Zealand, media are a key means of revitalising Māori language and culture. Public media is recognised by the Government as one of the tools by which it addresses its obligations to actively protect and promote the language. The Crown's continued investment in Māori and mainstream media including Māori Television, Television New Zealand and Radio New Zealand is fundamental to delivering on this commitment.

112. The content and services provided by both mainstream and Māori media need to reflect the language and experiences of Māori. Māori consume most media in greater numbers compared to all New Zealanders[23]. TV is the most popular, attracting 70% of Māori each day.

113. The Māori media sector provides a quantity of Māori language programming through the existence of institutions such as Te Māngai Pāho, which funds content for all platforms, Māori Television and iwi radio. The principal purpose of the Māori media sector is to promote te reo Māori and tikanga Māori. The Māori media sector is vital to achieving the goals set out in Maihi Karauna – the Crown's strategy for the revitalisation of te reo Māori, which calls for a heightened impact from broadcast and online content.

Problem definition

114. The Strengthening Public Media: Report Back Cabinet paper[24] had a clear problem definition. This has been updated below to reflect the current environment.

115. New Zealand media are increasingly unable to meet the needs and interests of New Zealand's dynamic and diverse population[25]. Some segments of our community are under-engaged or under-served by mainstream media – the most obvious are young adults (15-24-year-olds).

- Under-engaged audiences are those that have made a choice to change when and how they access content, largely through international online platforms.
- Under-served audiences are the result of a media sector that has not adapted to meet their needs for relevant, quality content, which reflects their diverse languages and experiences.

116. In 2020, the value of public media as a trusted information source was brought to the fore. A confluence of events, including the Covid-19 pandemic, the United States Presidential election and the United Kingdom's exit from the European Union saw citizens' opinions

[23] NZ On Air 'Where Are The Audiences? 2020' report, published July 2020, p.59

[24] August 2019 Strengthening Public Media: Report Back Cabinet meeting and CAB-19-MIN-0398.02, released 7 February 2020

[25] August 2019 Strengthening Public Media: Report Back Cabinet meeting paper p.5 section 24.1 (Note: evidence for this statement needs to be provided)

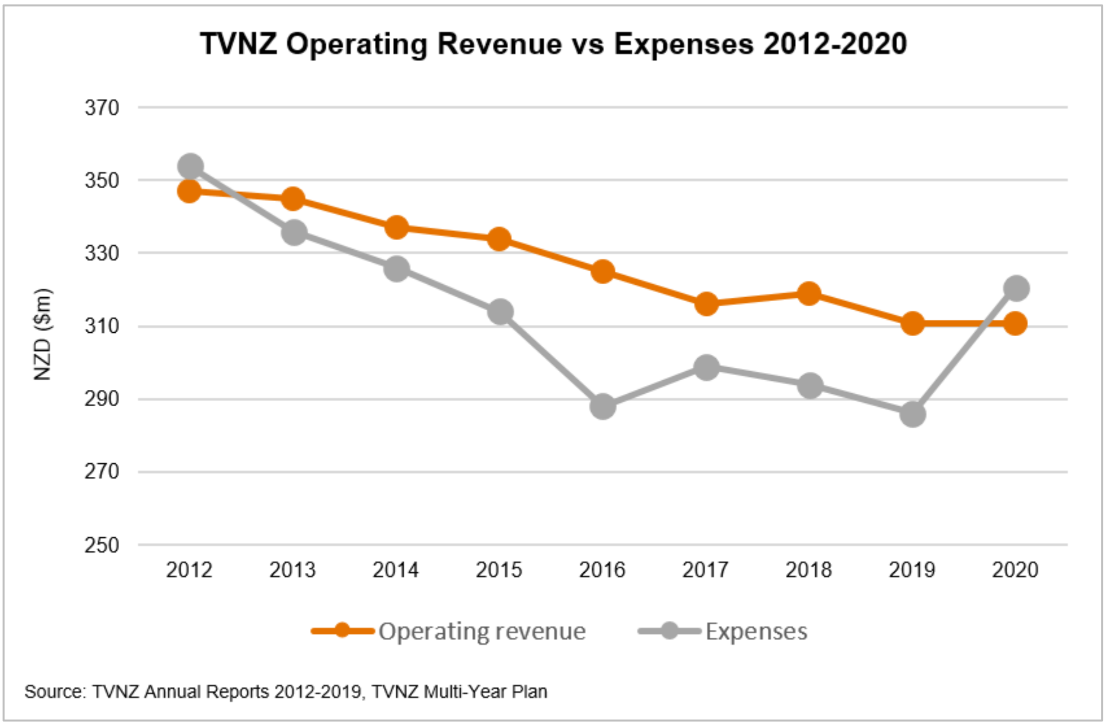
sharply divided. The concepts of 'fake news' and 'disinformation' can undermine a strong public media - without this institution, deception can be spread, fragmenting society[26].

117. The New Zealand media sector is ailing. The availability of content from international platforms has increased audience choice and changed when and how they access media content. This increased competition has significantly reduced the share of revenue (advertising, subscription, and sponsorship) available to New Zealand public media. The commercial incentive to appeal to the largest audience to drive advertising revenue can create sacrifices in content quality and undermine public media's contribution to a healthy democracy[27].

118. Prior to COVID-19, public media funding was diminishing in real terms. Further, public funding for New Zealand content has not kept pace with the cost of production. In 2019 the Government committed to a $7.5 million per annum top-up over two years for RNZ, adding to the base financial support of $35.35 million per annum.

119. While the Government has responded to the immediate need with a media sector support package, which included the continuation of the $7.5 million per annum additional funding, this package will not address any prolonged impact on traditional revenue streams[28].

Figure 6: Graph depicting TVNZ's declining operating revenue and expenses over time. As this is 95% commercial revenue it is having a significant impact.



120. The current public media system is inefficient. The current mandates, objectives and funding arrangements of NZ On Air, RNZ and TVNZ are not aligned and constrain their ability to respond collectively to digital disruption, and ultimately to engage, inform, educate, enlighten and entertain New Zealanders with a range of trusted and relevant, culturally specific content.

[26] W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.135

[27] Johan Farkas & Jannick Schou (2018) Fake News as a Floating Signifier: Hegemony, Antagonism and the Politics of Falsehood p.303

[28] Media sector support – Post Covid-19 relief (https://mch.govt.nz/mi/media-sector-support)

The changing audience environment

Sections of under-engaged and under-served audiences

121. There are several key audiences who are under-engaged with current public media content. When content is available it tends to be on platforms that are not used by the under-engaged audiences, at other times the content does not meet their preferences or is unavailable. A particularly under-engaged age group is young adults (15- to 24-year-olds). Very few under 25s use New Zealand public media. Instead, their preferences tend towards not owning traditional televisions, choosing online services (YouTube, Spotify and Netflix) and bypassing public media platforms all together[29]. RNZ National and Concert content reach only 3% and 1% of the 15-to 24-year-olds respectively, while TVNZ news reaches only 18% of this age group. In addition to their preference for online platforms over linear services, younger adults also have a distinct profile when it comes to their content preferences which is towards comedies and animated programmes.[30]

122. Many young adults believe there is no locally produced content for people like them and are therefore under-served[31]. Asian New Zealanders are the ethnic group most under-served by current public media content[32]. This is due to a combination of platform usage (as mentioned above), a lack of New Zealand Asian producers, directors and writers and, as a result, little content where they see themselves reflected.

123. Pasifika New Zealanders are also relatively underserved by traditional media (including public media), one indication of which is their higher usage of online platforms. Pasifika adults are among the most likely to feel there are few programmes available for their culture[33].

124. Pasifika and Asian people living in New Zealand appear not to be engaging with public media. Online video is the most popular media for these audiences, reaching 77% of Pasifika and 86% of Asian New Zealanders each day[34].

125. Māori are generally better served by public media content than Asian or Pasifika New Zealanders, but still not as well served as Pākehā[35]. They, Māori, have the strongest affinity towards New Zealand made content.

126. According to KANTAR New Zealand research, if New Zealanders aged 15-39 continue to consume media similarly as they grow older, public media will lose their relevance and their ability to communicate with New Zealanders. If New Zealand public media do not identify and implement new strategies, New Zealand will lose the benefits of local content and engaged citizens that current arrangements have supported for previous generations[36].

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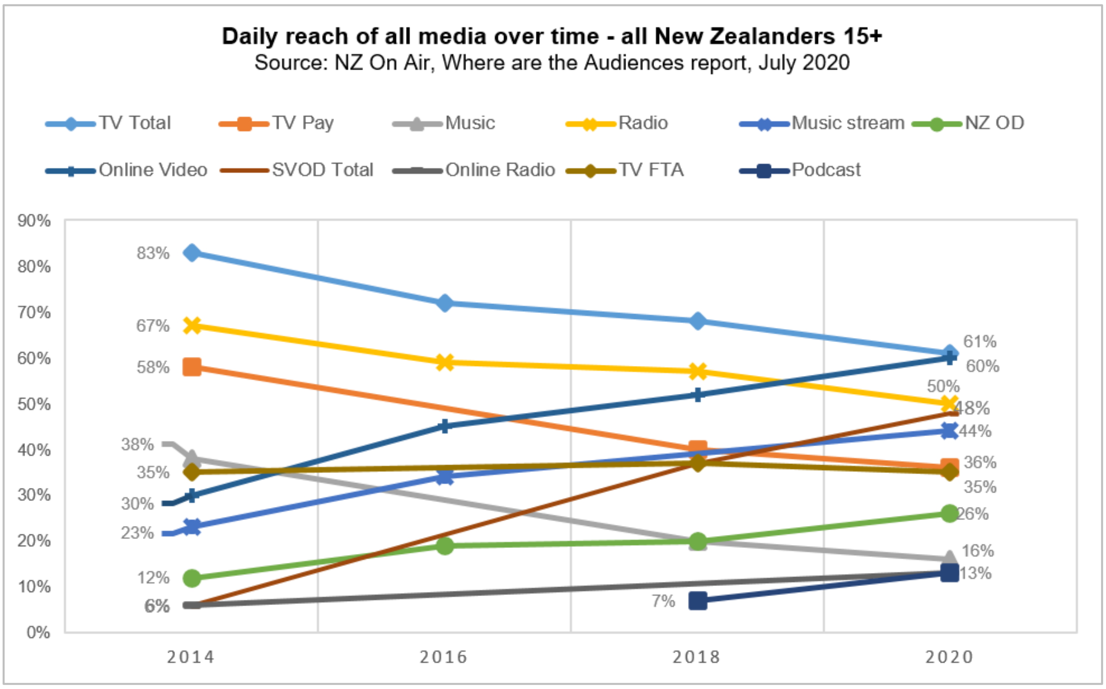
[29] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.33
[30] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.42
[31] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11
[32] NZ On Air 'Where Are The Audiences? 2020' report, published July 2020, p.26-27
[33] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11
[34] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.29
[35] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11
[36] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.33

Figure 7: Graph depicting the daily reach of media for 15-39-year olds.



127. While data indicates a clear shift from New Zealand public media to international online platforms, some of these platforms are also a source of New Zealand public media content, such as New Zealand music. Music streaming continues to grow in popularity, with a daily reach of 88% of New Zealanders aged 15-24[37].

Ailing media environment and inefficient public media sector

128. The current media model in New Zealand is under significant stress and may not be able to adequately inform and support the country's democracy. Public media entities in New Zealand and around the world are being forced to compete for audience attention and advertising revenue with large international social media and on-demand organisations. These international giants are propelled by highly skilled, fully resourced and capable data mining and technology teams and systems.

129. TVNZ is largely reliant on advertising revenue (95% of TVNZ revenue is advertising). A decline in revenue is being driven by increased competition from international online platforms[38], with commercial and government spend on advertising moving to international online platforms and away from New Zealand public media.

130. The New Zealand public media system is inefficient. The legal framework and charters are restrictive and limit RNZ and TVNZ's ability to collectively respond and innovate. This encourages a series of individualised and unconnected responses.

131. The current purpose of TVNZ, as defined in the Television New Zealand Act 2003 and expanded on in its Statement of Intent, effectively limits its ability to meet or prioritise public media goals. TVNZ's statutory functions are to be a successful national television and digital media company providing a range of content and services on a choice of delivery platforms and maintaining its commercial performance. While TVNZ currently invests approximately s9(2)(b)(ii) in NZ content, from its commercial revenues, the expectations placed on it by Government and a lack of direct funding, prevent it from playing a strong role in fulfilment of the public media goals.

132. Similarly, RNZ can only contribute in part to the goal of more quality New Zealand content, as it is not funded or equipped to produce and distribute a full range of video content. Not

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[37] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.27

[38] Estimated at $1.4b based on subscription revenues and pay-tv.

having a television-based service is a significant limiting factor to its ability to deliver the full range of public media goals.

133. TVNZ and RNZ are trusted providers that perform well against their current mandates but they are both under pressure. Both TVNZ and RNZ are struggling to respond to a rapidly changing media environment and both need more government support[39].

134. Crown support will be required to support TVNZ to deliver on public media objectives and invest in minority content with low commercial viability. RNZ, too, is facing funding pressures. It will need a considerable injection of both capital and operating funding over the next few years to expand its operations from a radio-focussed enterprise into a multi-media organisation providing high-quality content through a variety of services.

135. A further consideration is recent revelations of aggregating platforms influencing the quantity and type of news links appearing in consumer “feeds” by altering their algorithms. This also affects access to New Zealand media. The ability of an aggregator to exert influence as to what news appears to New Zealanders evidences the need for a trusted place or places to access news and current affairs content.

136. An uplift in public funding alone would not achieve the required outcome due to the existing models being unable to deliver efficiently and effectively given duplication of, resources and infrastructure; and different platforms and business models.

137. A decision not to address current inflexibility, inefficiency, and disjointed responses to media sector challenges will result in a continued shortfall in delivering relevant, quality content that meets the needs and preferences of under-engaged and under-served audiences. Delivering a range of trusted and relevant, culturally specific content is fundamental to public media’s ability to engage, inform, educate, enlighten and entertain New Zealanders.

Digital disruption and transformation have driven change internationally for public media

138. Digital disruption is playing an important role in reshaping media around the world, and New Zealand is also experiencing this change. Internationally, public media entities are experiencing an increasingly constrained financial environment, rapid technology shifts and changing consumer preferences.

139. The media New Zealanders and people living in New Zealand consume reflects the devices and platforms available to them. Eight in 10 New Zealanders have a smartphone, TV and/or laptop/PC. Access to Netflix is now as widespread as radio, and nearly one in two has a smart TV connected to the Internet. SKY TV is accessible to one in three New Zealanders, and one in four has a gaming console[40].

140. 2020 was the cross-over point where online platforms overtook New Zealand traditional media platforms in terms of engaging with the largest daily audiences in New Zealand[41].

141. Audience platform preference is driving change in commercial and government advertising revenue. New Zealand public media’s share of available revenue is reducing substantially due to increased competition from international online platforms. While advertising spend on these platforms is growing, advertising on New Zealand public media platforms is in steep decline. TVNZ’s revenue from advertising is decreasing and is forecast to continue to decline[42].

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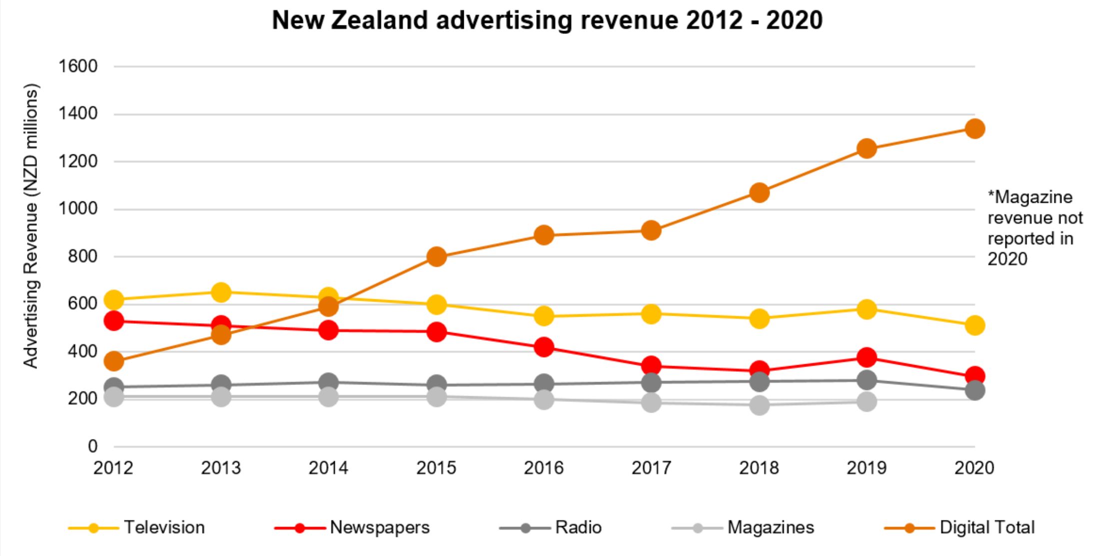
[39] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.55-56

[40] NZ On Air ‘Where Are The Audiences? 2020’ report, published July 2020, p.88

[41] NZ On Air ‘Where Are The Audiences? 2020’ report, published July 2020, p.11

[42] ASA media release: ASA Releases 2018 Advertising Turnover (https://www.asa.co.nz/2019/05/01/2018-advertising-turnover/)

Figure 8: Graph depicting the increased share of advertising revenue going to online platforms instead of linear public media platforms.



Source: ASA Advertising Turnover Report, 2018, 2017, 2016, 2015 and 2014 (Note: Digital Total includes TV Digital, Newspaper Digital, Radio Digital and Magazine Digital Advertising

Facebook, Amazon Prime Video, Apple, Netflix, Google and Spotify (FAANGS)

142. Large multi-national social media and on-demand organisations including Facebook, Amazon Prime Video, Apple, Netflix, Google and Spotify (FAANGS) are often referenced as a threat. In reality, the FAANGS need to be considered as an integral player in the media eco-system and having a role as part of the solution.

143. All FAANGS are not the same. Facebook and Google are "free" to the user (in exchange for personal information), paid for by third-party advertising, and leverage user-generated content in largely unregulated ways via algorithmic manipulation to drive engagement and interaction. Amazon Prime Video, Netflix, Spotify, Apple, and Disney Plus are multi-national internet-distributed services which provide curated content in return for a monthly subscription fee. While they do use algorithmic reinforcing models to drive engagement, it is more in the form of a recommendation engine than a filter.

144. Some of these multi-national providers may complement local public media entities and provide opportunities to collaborate. Others may continue to erode potential audiences and commercial revenues that would otherwise help to sustain NZ media, both public and private.

In 2020 the underlying issues were exacerbated and this has reduced the time for public media to adapt to 21st Century needs

145. There are four significant stressors brought to the forefront in 2020 for public media in New Zealand:

- The challenges public media face in keeping up with the digital age were exacerbated, thus accelerating the pace for change. In 2020 the COVID-19 lockdown saw more New Zealanders move to online platforms to view content that met their specific needs. People who were typically New Zealand public media users quickly became more technology-savvy, exploring what privately owned online platforms had to offer.
- The need for non-partisan, trusted public media content comes to the fore in times of emergency, societal and political discontent/disruption. A study of fake and 'real' news on Facebook during the 2016 US election showed that the top 20 fake stories drew more engagement than the top real news stories by a margin of 8.7–7.3 million, measured by shares, reactions and comments. Moreover, the fake stories gained

greater engagement in the final months before the election and engagement with real news declined[43].

- In times of misinformation and disinformation, public media's role is fundamental. Independent news is critical to political, social and economic development. 2020 saw an increased need for access to reliable information about New Zealand's health response, economic performance, government policies and actions. Despite the decline of linear TV overall, TVNZ 1's stability was driven by the 1pm daily Government updates, which became prime viewing for New Zealanders and people living in New Zealand[44].
- The increased demand for trusted content put additional pressure on public media to meet the accessibility needs of all New Zealanders. This highlighted capability gaps in the current public media model to provide the broader translation and disability services needed to support the delivery of a trusted news service.

146. The Government recognises the risk arising from the proliferation of inaccurate information intended to mislead audiences. In this context, a Strong Public Media Entity with statutory editorial independence is an important way to ensure access to an in-depth range of trusted and impartial news and high-quality journalism with a local perspective.

Short- and long- term interventions the Government is already undertaking or considering

147. There are a number of initiatives underway to strengthen New Zealand's media system in contributing to an informed democracy, as noted below. However, these alone cannot solve the range of issues the public media sector is facing.

Māori Media Sector Shift[45]

148. The Māori Media Shift began in 2018, to explore the most effective and efficient way of funding and producing te reo and tikanga Māori content, and structuring the Māori media sector, to achieve the best outcomes.

149. Although the Strong Public Media and Māori Media Shift programmes are looking at separate components of the public media system (mainstream public media and Māori public media respectively), decisions made on one component will impact on the other component. For example:

- The Strong Public Media business case will define the services that the new public media entity would provide. This requires consideration of the respective services to be provided by the Strong Public Media Entity and by Māori public media. The business case will also consider the scale, ownership and access arrangements of the digital infrastructure to support the Strong Public Media Entity.
- The purpose document (Charter) for the Strong Public Media Entity would define the purpose, objectives and functions of the new entity. The purpose document (Charter) will identify the requirement for a mainstream public media entity to support its obligations to Māori in recognition of the need to coordinate decisions to achieve a greater return on the government's investment in public media outcomes across the whole public media system, Cabinet directed [CAB-20-MIN-0004 refers]: that the business case should consider various matters including "the ability to implement the preferred approach in ways that are consistent with achieving the government's outcomes in relation to Māori media and Pacific audiences" and officials to work together to identify opportunities for collaboration and how shared outcomes can be best achieved between public and Māori media.

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[43] W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.133

[44] NZ On Air 'Where Are The Audiences? 2020' report, published July 2020

[45] Māori Media Sector – Shift Options, https://tpk.govt.nz/en/a-matou-kaupapa/te-ao-maori/maori-media

Public Interest Journalism Fund[46]

150. Earlier this year, the government announced the $55 million package over three years to support public interest journalism that otherwise might be at risk of not being produced.

151. The focus of the fund is to provide transitional support to media organisations as the sector evolves in a way that ensures the longer-term sustainability of New Zealand's media. The fund will preserve and enhance public interest journalism that will otherwise be at risk or lost due to the impact of COVID-19 on newsrooms. It will support the production of journalistic content that is critical to an open, progressive democracy, and to protect jobs at a local, regional and national level.

152. The fund is open to applications from content producers and platforms/publishers with a track record in public interest journalism and a demonstrated means to distribute that journalism to the intended audiences.

153. It is a short-term measure that will supplement any longer-term changes the government makes in relation to public media, such as establishing a new public media entity.

Review of content regulation[47]

154. The Minister of Internal Affairs is undertaking a review of the media content regulatory system, to be led by the Department of Internal Affairs, with support from the Ministry of Culture and Heritage.

155. The objectives of the review are to:

- minimise the risk of harm to individuals, society and institutions from media content
- protect and enhance important democratic freedoms, including freedom of expression and freedom of the press
- ensure that the regulatory system has the flexibility to address new and emerging harms and be adaptive to changes in how people engage with media content.
- reduce complexities in the system that regulated entities and consumers face.

156. A review of content regulation is important as the current regime was established before the widespread use of the internet and needs updating to reflect changes in how New Zealanders access and consume media content.

157. The review is independent of the Strong Public Media programme. Any future regulatory regime would apply to the Strong Public Media Entity as well as other providers of media content.

Sustainable media system strategic framework (including issues relating to digital intermediaries)[48]

158. The viability of the media sector (both public and private) is under threat, driven by technology and changes to the way audiences engage with information. The government therefore agreed in August 2020, to a work programme to provide advice on options to support the media sector to transition to long-term sustainability. A current focus is a review of the current state of public interest journalism in New Zealand, and consideration of options to support its long-term sustainability.

159. Creating the Strong Public Media Entity through the Strong Public Media programme is just one component of what is needed to transition to a sustainable media system.

160. This work will explore a range of other interventions, such as changes to financial and regulatory settings, that could sustain media agencies and sectors.

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[46] Journalism Fund, https://mch.govt.nz/media-sector-support/journalism-fund, Updated March 2021

[47] Briefing to the incoming Minister for Broadcasting and Media, November 2020

[48] mch.govt.nz/sites/default/files/projects/COVID-19-response-building-a-sustainable-and-viable-media-sector-5-August-2020.pdf

The case for change

Why must the existing public media arrangements change?

Public media is under pressure

161. New Zealand's media sector is ailing. The availability of content from international platforms has increased audience choice and changed when and how they access material. This increased competition has significantly reduced the share of revenue (advertising, subscriptions and sponsorship) available.

162. The current mandates, objectives and funding arrangements of NZ On Air, RNZ and TVNZ are not aligned. This constrains their ability to respond collectively to the disruption, and ultimately to engage New Zealanders with a range of trusted, relevant, culturally specific content

163. The status quo will have increasingly limited ability to deliver on the Government's public media objectives. If public media do not identify and implement new strategies, New Zealand will lose the benefits of local content and engaged citizens.

This requires a response

164. A thriving public media sector is one that is sustainably funded (either publicly, commercially or a combination of the two) and supported to effectively respond to rapidly changing audience behaviour. It has to produce and deliver local content and news all New Zealanders value and trust.

165. Audience expectations are for accessible, relevant and quality content. Under the current TVNZ and RNZ business models and significant funding pressures, this will require additional investment by the Crown.

166. An uplift in public funding alone would not achieve the required outcome due to the existing models being unable to deliver efficiently and effectively given duplication of funding i.e. twice the investment in resources and infrastructure. Their business models are also different.

167. Total government spending across the NZ media and broadcasting sector in the 2021 year will be more than $300 million.

168. New Zealanders need a public media sector that is fit-for-purpose for the 21st Century with modern operating models that can more readily, and cohesively, adapt to change. This will also reduce the longer-term impact on sector capability and optimise the Government's return on investment.

The time to act is reducing at pace

169. This is the right time to assess the future sustainability of public media business models because New Zealanders still trust our media and our public media in particular. Our public media are still providing widely consumed New Zealand content and RNZ and TVNZ continue to attract and retain good audiences. The continuing appeal of RNZ's and TVNZ's existing services provides a strong basis upon which to build a future for New Zealand's public media.

170. At the same time, however, the national demographic is changing. Many more of us, soon to be one in four, will be aged over 65. Even with the halt imposed by COVID-19, projections are that minority ethnic and religious communities will constitute a much larger proportion of the New Zealand population over coming decades[49]. New Zealand audiences are evidently attracted to international online media services (both AVoD and SVoD), and the time that minority ethnic audiences give to these is also increasing.

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[49] Royal Society: The New New Zealand: Facing demographic disruption, https://www.royalsociety.org.nz/fellows-and-members/forum/forum/the-new-new-zealand-facing-demographic-disruption/

171. The rapidly changing environment in which TVNZ and RNZ are operating, means that the time to act is reducing at pace. The current arrangements and constrained ability to respond collectively are limiting the Crown's ability to implement more effective and efficient ways to deliver quality public media services and to optimise value for audiences.

Problem statements

172. The problems the proposed investment will need to address are:

- **Delivering relevant content about New Zealanders to New Zealanders** – Public media have a key role in ensuring NZers have access to content that meets their diverse needs, that media content is more inclusive and reflects a multi-cultural NZ that has a bi-cultural foundation. Public media models are constrained in their ability to adapt to meet diverse needs, meaning future generations access to relevant, reliable and trusted New Zealand content that engages, informs, educates, enlightens and entertains them is at risk.
- **Accessing independent and trusted sources of news and information** – With so much choice in content it is difficult to know where to go for trusted sources of content reflecting New Zealand. A weak public media with diminishing influence can cause people to look to other, less regulated and verifiable sources for information[50].
- **Ailing media and inefficient public media sector** – Increasing influence and the sheer volume of international content, a constrained financial environment, rapid technology shifts and changing consumer preferences, has put media models under pressure internationally. This pressure is unsustainable. An uplift in public funding alone, without structural change, would not provide the intended effect due to the existing models being unable to deliver efficiently and effectively given duplication of funding i.e. twice the investment in resources, and infrastructure, and different platforms and operations.
- **Fragmented funding and mandates lead to duplication of resources, constraining the Crown's ability to optimise investment** – The need to compete with international providers and transition to on-demand online services with the current fragmented public media models, has resulted in public media responding in a largely individualised and unconnected manner.

173. See Appendix 2 for the Investment Logic Map.

[50] W Lance Bennett & Steven Livingston (2018) The disinformation order: Disruptive communication and the decline of democratic institutions p.127

Main Benefits

The below benefits have been agreed with the key stakeholders in the Benefits Workshop conducted on 27/04/2021.

Table 11: Analysis of potential benefits.

Benefits	KPIs	Measures
An increased sense of national identity and culture	KPI 1: Sense of inclusion KPI 2: NZers valuing local content and trust local public media	Number of NZers who access NZ-made content because they are about people like themselves % of NZers who access NZ content because it reflects and informs their view of our national identity
NZers and people living in NZ are more engaged and better-informed	KPI 1: Participation in civics attributable to public media KPI 2: Content delivered to under-served audiences	% of NZers who think it's important to have free access to publicly funded content Number of NZers who agree public media content informs them about important issues, promotes informed debate and provides fair and balanced information
Content is delivered effectively and efficiently to NZers and those living in NZ	KPI 1: Duplication of effort KPI 2: Audience reach	Costs resulting from duplication of effort and inefficiencies Daily audience reach of public media content across all platforms incl. third party distribution (free to air, AVoD, SVoD) for all NZers 15+

174. These benefits are further categorised by beneficiary, monetary vs quantitative vs qualitative in the Economic Case along with other options for consideration.

Investment objectives, existing arrangements, and business needs

Table 12: Investment objectives, existing arrangements, and business needs.

Investment Objective One	**Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in Aotearoa NZ** *(Content serves purpose, supply-side)*
Problem statement	**Ailing media and inefficient public media sector**
Existing arrangements	• The availability of content from international online platforms has increased audience choice and changed when and how they access media content. • A steep decline in revenue is being driven by increased competition from international online platforms, with commercial and government spend on advertising moving to online platforms and away from traditional media. • Further, public funding for New Zealand content has not kept pace with the cost of production. • Media models are currently platform-centric, rather than audience-centric.
Problem Statement	**Accessing independent and trusted sources of news and information**
Existing arrangements	• Some viewers who watch overseas content believe that local content is not as high quality[51]. • A weak public media with diminishing influence can cause people to look to other, less regulated and verifiable sources for information, resulting in lower levels of trust and diminishes public media's role in holding government to account.

[51] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.50

	• The high volume of quality international English language content from other nations reduces demand for and/or engagement with high-quality local content.
Business Needs	There is a need to invest in relevant and quality local content on accessible platforms for all NZers, and those who live in Aotearoa NZ, which are fit for the rapidly transforming digital age.
Investment Objective Two	**NZers (15-24-year-olds, by 2036) access and consume public media** *(Audience reach, demand-side)*
Problem statement	**Delivering relevant content about NZers to NZers**
Existing arrangements	• The most obvious under-engaged group is young adults (15-24-year-olds). The reason appears to be more about the platforms the content is on, rather than the content itself. • In terms of ethnic diversity, Asian New Zealanders are most under-served by current public media content. There is a lack of New Zealand Asian producers, directors, and writers and, as a result, there is little content where they see themselves reflected. • Pasifika New Zealanders are also relatively under-served. Pasifika adults are among the most likely to feel there are few programmes available for their culture[52]. • There are currently barriers to access for many audience groups that either constrain their ability to access content or make it impossible to do so. These include limits on subtitles or sign language on mainstream content. There is also constrained ability to provide subtitles in other languages on mainstream public media content. For example, there is no requirement, and therefore no consistency in, providing subtitles for life support services.
Business Needs	There is a need to focus on the currently under-served segments of our community (young adults, and Māori, Pasifika and Asian New Zealanders), including providing suitable solutions for people with hearing and sight loss, and for speakers of other languages.
Investment Objective Three	**Delivery of content and services by future mainstream public media is efficient and effective and earns the trust and confidence of New Zealanders.** *(Efficiency, future service-focused)*
Problem statement	**Fragmented funding and mandates lead to duplication of resources, constraining the Crown's ability to optimise investment meaning future generations' access to relevant, reliable and trusted New Zealand content is at risk.**
Existing arrangements	• Today, TVNZ and RNZ's structural arrangements are defined independently of each other. They are driven by different mandates and cultures. The lack of alignment contributes to under-served audiences continuing to miss out. Further, entity priorities and language preference differ. • The legal frameworks are restrictive and limit RNZ and TVNZ's ability to collectively respond and innovate. • Public media broadcasters have responded to the need to transition from their legacy roles (television and radio) to providers of multi-media services in a largely individual and unconnected manner. • RNZ and NZ On Air had largely static funding for close to a decade until the 2019 increases. This has constrained their ability to respond to changes in their operating environments. • This is the right time to assess the future sustainability of public media business models because New Zealanders still trust our media and our public media in particular.

[52] Strong Public Media Audience Data Analysis, report prepared by KANTAR New Zealand, March 2021, p.11

	• Training pathways: NZ public media are important providers of training for many practical and technical skills largely because private media don't have the kind of financial strength required to carry trainees & apprentices, and for a long time public media has performed this critical role.
Business Needs	There is a need to provide a legislative framework which is coherent, adaptable and fit for a 21st Century environment. This means reducing the constraints on public media entities to adapt and respond to the continually changing audience needs and expectations and a rapidly evolving technology environment. There is a need to protect the broader sector against market failure, providing training pathways, accessibility and availability of critical capability and resources required to operate a successful media sector in NZ. Funding needs to be streamlined and targeted, to ensure the most efficient means of delivering to public media objectives. There is a need to protect the value and trust in local media content.

Business scope and key service requirements

Table 13: Potential business scope and key service requirements:

Service Requirements #	Scope Assessment			
	Minimum Scope	**Intermediate Scope**	**Maximum Scope**	**Out of Scope**
Value-for-money resources that are available to support the operation of an effective public media system	• Fully commissioned quality resources to support production and distribution of content	• Mix of commissioned and fully integrated set of resources to support production and distribution of content	• Fully integrated set of resources is available to support production and distribution of content	Resources for: • Broadcasters and media entities that are out of scope
Sustainable and resilient operating model for public media	• Integration of back-office services	• Back-office integration and some targeted investment in high-impact public media initiatives	• All people, and services are integrated including R&D, learning and development, and investment in new technologies	• Vocational training
Public media delivered to audiences in a platform agnostic way that is appropriate/ relevant based on audience preference	• Content distributed through mix of linear and online outlets	• Targeted Investment in content and platforms	• Full platform offering with a focus on future of on-demand	• Providing open entry platforms for content
Balance of public media components that are funded commercially or by the Crown	• Core set of programming funded by the public	• Some content specifically publicly funded while other content is	• Programming that can be funded from any source	• Quantum of funding

Service Requirements #	Scope Assessment			
	Minimum Scope	Intermediate Scope	Maximum Scope	Out of Scope
		commercially funded		
Currently under-served, unserved and under-engaged audiences engage with public media	• Understanding the "why" behind under-served, unserved and under-engaged viewing habits • Limited audience research	• Targeting high impact segments/audiences	• Investment in content, distribution, and promotion to engage with under-served, un-served and under-engaged audiences	• Targeted investment in audience research and engagement for out of scope broadcasters and media entities • Deliberately targeting overseas NZers
Editorial and operational independence of public media	• Legislation/ Charter set clear expectations for need for independence of public media	• Independent Editorial Board, independent governance • Deliberately ensure editorial independence is maintained	• Statutory reporting on editorial independence • Investigation Board for perceived breaches of independence	• Monitoring editorial independence of out of scope broadcasters and media entities

Stakeholders

175. A set of stakeholders with an interest have been identified. A detailed stakeholder engagement strategy and engagement and communications plan will be developed in the establishment phase.

Table 14: List of stakeholders with an interest in the expected outcomes, or who can influence the investment proposal.

1	Ministers
1.1	Minister of Finance
1.2	Minister for Broadcasting and Media
1.3	Minister of Communications
2	Governance Groups and Boards
2.1	Māori Media Advisory Group
3	Public Media Stakeholders
3.1	Māori Television
3.2	National Pacific Radio Trust
3.3	Radio New Zealand
3.4	Television New Zealand
3.5	New Zealand On Air
3.6	Te Māngai Pāho
3.7	Community Broadcasting (CAMA)
3.8	New Zealand Film Commission
4	Private Media Stakeholders
4.1	Advertisers

4.2	Content producers
4.3	FAANGS (Facebook, Amazon Prime Video, Apple, Netflix, Google and Spotify)
4.4	Private media entities
4.5	Screen Production and Development Association (SPADA)
5	**Government Stakeholders**
5.1	Commerce Commission
5.2	Department of Internal Affairs – Office of Ethnic Communities
5.3	Department of Prime Minister and Cabinet
5.4	Government Chief Digital Officer
5.5	Ministry for Culture and Heritage
5.6	Ministry of Business Innovation and Employment
5.7	Ministry of Foreign Affairs and Trade
5.8	Ministry for Pacific Peoples
5.9	Public Service Commission
5.10	Te Puni Kōkiri
5.11	The Treasury
5.12	Ministry of Social Development – Youth Affairs
6	**Public stakeholders**
6.1	Engaged audiences
6.2	New Zealand Children's Screen Trust
6.3	Under-served and under-engaged audiences
6.4	General public

Main risks

176. Six high risks are identified, the mitigation strategies are further defined in the following cases as we explore the economic, commercial, financial, and management cases. The net risks are highlighted in red below. See appendix 13 for calculation of net risks.

Table 15: Initial risk analysis.

#	Main Risks	s9(2)(g)(i) [redacted]	Comments and Risk Management Strategies	Residual Risk
SC5	Increased focus on meeting needs of un-served, under-served and under-engaged audiences may result in unintended consequences for existing served audiences	[redacted]	Baseline operational funding to protect core public media services, with additional targeted funding to reach under-served and under-engaged audiences with KPIs measured to ensure funding across all public media content is optimised to meet the needs of New Zealand audiences	s9(2)(f)(iv) [redacted]
SC2	Inability to successfully align the legacy organisations around the future model	[redacted]	Selection of the leadership of the Strong Public Media Entity. Shaping the culture of the Strong Public Media Entity from the start to improve chance of success.	Change management capability and capacity is embedded through the Establishment phase. Success is reliant on change leadership and culture and behaviours established within the new entity and monitored for continuous improvement and performance
SC1	Continued erosion of commercial and non-Crown revenues leaving the Crown to pick up the shortfall	[redacted]	The Strong Public Media Entity will be an Autonomous Crown Entity (ACE) or a Crown Entity Company supported by commercial revenue not a commercial entity supported by government. It is assumed the Strong Public Media Entity is semi-commercial and receives revenue via: • Direct Crown funding for operations and public interest content via an agreement • Viable commercial revenue generating options to top-up Crown revenue	s9(2)(f)(iv) [redacted]
SC4	Poor performance by the public media system despite the	[redacted]	Provide adequate Crown funding in the form of an annual funding agreement which will provide the mechanism for	Requires capability and capacity within MCH to

#	Main Risks	s9(2)(g)(i)	Comments and Risk Management Strategies	Residual Risk
	right model being selected	[redacted]	incentivising the achievement of public media outcomes and sets the foundation for monitoring delivery on outcomes.	incentivise and monitor sector performance
SC6	Lack of alignment on media sector strategy across public and private may cause planned benefits to be unrealised		Partly addressed by the establishment of the Strong Public Media entity, the funding and the monitoring arrangements.	Requires capability and capacity within MCH to develop and monitor the sector strategy and interventions
SC3	Transfer of assets to future model and new operating arrangements could constrain ability of the Strong Public Media Entity to operate in way that is complementary to private media		The legislation and purpose of the entity and the proposed funding model changes will define operating principles including collaboration and competition to ensure it isn't competing for NZ On Air funding with private media.	

Key constraints and dependencies

177. The proposal is subject to the following constraints and dependencies. These dependencies will be carefully monitored during the project.

Table 16: Key constraints and dependencies.

Constraints	Notes
Commerce Act 1986[53]	Any option should comply with prohibitions against anticompetitive acquisitions (section 47) and anticompetitive arrangements (sections 27, 30 and 36) in the Commerce Act 1986 and meet the Government's requirement to be complementary to private media. While the Government could legislate to exempt the establishment of the Strong Public Media Entity, it should not be the first step of resolution. Depending on the nature of the arrangements, this issue may be a 'high hurdle' to overcome rather than a constraint.
Telecommunications Act	The Strong Public Media Entity may be bound by the Telecommunications Act and be alert to any proposed dimension of the proposal that might be at odds with it.
Capacity of the system to embrace change	The funding pressures due to COVID-19 limits the capacity of the public media system to embrace change.
Specialised capability	Due to border closure, there is a limited market available for some of the highly specialised roles and services needed by the proposed solution.
Complementary to private media	The Strong Public Media Entity will have a clearly defined charter including obligations to work collaboratively and be complementary with private media where appropriate.
Dependencies	**Notes and Management Strategies**
External dependencies outside the project environment	
Dependency on legislation	It is likely any changes to current arrangements will require legislative change.
Dependency on secure and stable Crown funding	A dependency for the Strong Public Media Entity is on an increased and stable supply of Crown funding to support public media outcomes.
Māori Media Sector Shift	Separate to the Strong Public Media programme, the Minister for Māori Development is leading work to shape the future of Māori broadcasting and support a capable and sustainable Māori broadcasting sector. The BCG has considered this parallel stream and has met with the Māori media advisory group to discuss its work and timeframes. While there is a relationship between the two pieces of work, and the preferred option should support improved media outcomes for Māori and provide greater access to infrastructure and resources for Māori media, the Strong Public Media programme is not dependent on any outcomes or decisions from the Māori media shift.

[53] Commerce Act 1986, s. 67

Economic Case

Introduction

178. The economic case explores the options to deliver strong public media for the benefit of all New Zealanders. The case traverses a broader range of options than that outlined in the Strengthening Public Media: Report Back Cabinet paper. This means the options development process is not confined to those set out in the Cabinet paper but takes into account its thinking.

179. The options considered include the Status Quo which represents the current settings with minimum intervention from Government to sustain New Zealand's public media, alongside the Counterfactual option. The Counterfactual option considers additional interventions overlayed on the existing arrangements of the current entities, for example RNZ executing their strategic plan and additional public media funding via NZ On Air contestable funding pools.

180. The eight option dimensions have been developed against a wide range of alternative future states. Each choice within adimension was assessed against critical success factors and investment objectives, in order to develop a long list for analysis. Following long-list assessment, five options, in addition to the Status Quo, were taken forward for short-listing assessment.

Critical Success Factors

181. Critical success factors are the attributes essential for successful delivery of the project. Each option choice was assessed against the critical success factors, which are described below:

Table 17: Critical success factors.

Critical Success Factor	How well the option:
Strategic fit	Meets the agreed Investment Objectives, related business needs and requirements, and fits with other strategy programmes and projects.
Affordability	Can be met from likely current and future Crown and commercial funding, is cognisant of funding constraints and the need for financial sustainability.
Achievability	Can be delivered within the operating environment and resource supplied by entities in a specified time frame.
Editorial independence is maintained	Protects the ability of public media to uphold an independent voice: the legal and funding framework is the lens in which this occurs.
Public media arrangements support a healthy media eco-system	Complements other forms and providers of media. Recognise the roles and requirements of private and public media and where they intersect through appropriate legislation.
Putting audiences first	Reaches and engages the currently served and under-served audiences

Long List Options

182. In January 2020 Cabinet invited the Minister for Broadcasting and Communications to report back on the options for strong public media following completion of a detailed business case. The options presented in the Cabinet paper were used as a basis to develop a refreshed options framework, reflecting the updated strategic context and investment objectives. The framework allowed for the consideration of the options shared with Cabinet, in addition to a wider range of options.

183. Each of these options were developed on the following dimensions:

- Entities and services
- Constraints in non-Crown revenue
- Operating model – shared resources
- Operating model – production
- Operating model – distribution
- Commerciality
- Phasing
- Independence

184. The range of dimensions, and the definition of each, is outlined in Table 18 below:

Table 18: Dimensions.

Dimension	Description
1. Entities and services	Explores the consolidation and retention of existing entities and services, and the establishment of new ones
2. Constraints in non-Crown revenue	Considers the mix and flexibility of Crown and commercial funding
3. Operating model – shared resources	The level of integration of operations to deliver future arrangements; for example, shared services, back-office, co-location or combine services where it makes sense – minimise duplication; maximise capability
4. Operating model – content production	Considers choices for in-house/outsourcing services arrangements
5. Operating model – distribution	Considers the mix of traditional linear delivery and digital platforms, subscription services and 3rd party distribution
6. Commerciality	Considers the commercial and profit focus of the entity
7. Phasing	How long it will take to reach the future arrangements, prioritisation of effort and the approach
8. Independence	The level of oversight over operations

185. The range of choices within each dimension is outlined in Table 19 below.

Table 19: Range of choices within each dimension.

Option choices	Status Quo	Do Minimum	Do More		Do Maximum
1. Entities and Services	**1.1** Two entities, two brands for services RNZ TVNZ	**1.2** Three entities with an overlay RNZ TVNZ Platform-agnostic distribution Three brands for services	**1.3** Two entities One for TVNZ/RNZ One for platform-agnostic distribution Three brands for services	**1.4** One entity Multiple branded services anchored around different audiences and content on platform-agnostic basis	**1.5** One entity One brand for services
2. Constraints in non-Crown Revenue	**2.1** Across the system, a mixed funding model. Few constraints on TVNZ, more on RNZ	**2.2** No constraints on generating non-Crown revenue	**2.3** Some constraints on potential sources of revenue	**2.4** More constraints on potential sources of revenues	**2.5** No ability to generate non-Crown revenues from any potential non-Crown revenue sources
3. Operating Model – Shared Resources	**3.1** Existing operations – two discrete delivery entities	**3.2** Create a shared service for back-office	**3.3** Do min + Plus: more combinations from other operations e.g. pooling news media function and training		**3.4** Plus: co-location/shared facilities and direction to build strategic, system-wide capability
4. Operating Model – Content Production	**4.1** Existing service delivery – maintain the balance of in-source/outsource arrangements	**4.2** Encourage more in house – increasing capability /capacity to deliver SPM objectives	**4.3** More outsourcing to deliver SPM objectives – keep talent	**4.4** Outsource appropriate services so industry growth is maximised	**4.5** Outsource services – All key services, the entity commissions and manages contracts for services – NZ On Air consolidated within entity
5. Operating Model – Distribution	**5.1** Existing mix of linear and digital services (free to view) – multiple platforms, multiple channels and frequencies	**5.2** Linear service to meet public accessibility requirements, platform-agnostic distribution	**5.3** Plus subscription channels		
6. Commerciality	**6.1** One entity is commercial, for profit One entity is not-for-profit	**6.2** Non-commercial focus and not-for-profit	**6.3** Semi-commercial, not-for-profit	**6.4** Commercial, not- for-profit	**6.5** Commercial, plus returning a dividend plus cost of capital
7. Phasing	**7.1** BAU	**7.2** Phased change minimal scale Prioritised by criticality	**7.3** Full scale short time frame (3-5 years to completion)		**7.4** Full scale long time frame with phasing (10 years to completion).
8. Independence	**8.1** TVNZ – high degree of independence RNZ - high degree of independence				**8.2** Oversight from monitoring agency

186. The eight dimensions each have several choices, which are discussed below.

(1) Entities and services

187. This dimension considers the shape of the entities and services under which New Zealand's public media will operate. Today, both RNZ and TVNZ are separate Crown Entity Companies. They operate under quite different models, respectively governed by the Radio New Zealand Act 1995 and the Television New Zealand Act 2003. While RNZ is a non-commercial public media provider, TVNZ is required to operate on a commercial basis. NZ On Air operates as an independent funding agency, providing contestable funding through a platform-neutral fund, the NZ Media Fund. The current legislative framework will remain in place for NZ On Air, an Autonomous Crown Entity, unless changes are required to give effect to the selected option.

188. While entities drive the future corporate structure of the public media, the presence and prominence of services will affect how the entities engage with their audiences, as well as the implementation process in terms of branding requirements.

(1.1) Two entities, two brands for services (RNZ and TVNZ)

189. The status quo option is to retain TVNZ, RNZ and NZ On Air with their current mandates.

Advantages	Disadvantages
• **Ability to pursue separate strategies which may target different audiences, or provide different means to reach audiences.** • **Maintains plurality of voices and media viewpoints.** • **Retains RNZ and TVNZ branded services, which have value.** • **Limits impact on users/consumers of existing public media.** • **Certainty for staff and continuity of business**	• Fragmented mandates and duplication of processes continue. Resource to improve digital reach is decentralised, meaning quality of the user experience is compromised. • Existing entities will require significant investment to maintain status quo, potentially involving duplication, as competition from local and global competitors' increases. • There is limited flexibility to respond to a dynamic environment, where traditional media's share of "eyeballs and ears" is being eroded.
Conclusion**: The Status Quo is considered to be unsustainable, as competition and costs increase.**	

(1.2) Three entities with an overlay, three brands for services (RNZ, TVNZ, Platform-agnostic distribution)

190. A single entity is established to run platform-agnostic distribution outside of TVNZ/RNZ. This independent entity is intended to encourage use beyond core public media, supporting greater sector-wide usage and providing scale. This could be public, private, or a mix.

Advantages	Disadvantages
• **Establishment of an entity which provides a platform agnostic distribution for public media to reach a wider audience, and to better target audiences.** • **Avoids difficulties combining different institutional cultures.** • **Retains RNZ and TVNZ branded services, which have value.** • **Limits impact on users/consumers of existing public media.** • **Certainty for staff ad continuity of business**	• Adds another entity, possibly resulting in greater fragmentation of the public media ecosystem. • Likely to increase cost base unless efficiencies can be identified or platform-agnostic distribution is funded from existing resources. • May not give any system-level benefits
Conclusion**: This is seen as a 'do minimum' option, where the establishment of the platform-agnostic distribution entity provides a potential mechanism to address issues with audience access and reach, but public media remains fragmented. There is limited impact on the wider sector, although the platform-agnostic distribution entity may provide a means for smaller entities to engage with a wider audience.**	

(1.3) Two entities (RNZ/TVNZ, platform-agnostic distribution), three brands for services

191. A single entity is established, subsuming TVNZ and RNZ, while maintaining these as separately branded services. An entity is established to run the platform-agnostic distribution outside of TVNZ/RNZ. This independent entity is intended to encourage use beyond core public media, supporting greater sector-wide usage, and providing scale to this platform. This could be public, private, or a mix.

Advantages	Disadvantages
• **A combined public media entity ensures TVNZ and RNZ can be managed as part of a public media portfolio, enabling alignment of objectives, reducing fragmentation, and increasing efficiency.** • **Retains RNZ and TVNZ branded services, which have value.** • **Limits impact on users/consumers of existing public media, as well as reducing challenges around differing cultures of RNZ/TVNZ.** • **Assets considered part of one pool, incentivising integration beyond just corporate functions.** • **Enhanced public benefit of platform-agnostic distribution.** • **This may improve the ability to compete with larger entities.**	• Differences in culture between TVNZ and RNZ will require careful management and understanding how best to combine the two may provide a structural and/or management challenge. • Starting as a new entity may be more difficult than pulling together two existing ones.
Conclusion**: Retaining existing services will require careful management to optimise outcomes. A combined entity improves the ability to manage public media collectively, improving efficiency and reducing fragmentation. There is limited impact on the wider sector, although the platform-agnostic distribution entity may provide a means for smaller entities to engage with a wider audience.**	

(1.4) One entity, multiple brands for services

192. A single entity is established, <u>subsuming TVNZ and RNZ</u>, maintaining these as separate brands and creating new ones, anchored around different audiences and content. The entity will run platform-agnostic distribution and encourage use outside of the core public media, supporting greater sector-wide usage, and providing scale.

Advantages	Disadvantages
• **A combined public media entity ensures TVNZ and RNZ can be managed as part of a public media portfolio, enabling alignment of objectives, reducing fragmentation, and increasing efficiency.** • **Reduces need for replication of parts of the business (e.g. one Board, one ELT), freeing up resources for other areas.** • **Retains RNZ and TVNZ brands, which have value. Limits impact on users/consumers of existing public media, as well as reducing challenges around differing cultures of RNZ/TVNZ.** • **The entity is encouraged to develop additional brands tailored to target audiences and content.** • **Provides scale for investment and reduced fragmentation.**	• Increased challenges managing TVNZ/RNZ cultures, as one may dominate the other, impacting on factors such as staff engagement. • A single entity, creating critical mass, may have a larger influence on New Zealand's media system. • May result in staff disruption.
Conclusion**: Retaining existing branded services will require careful management to optimise outcomes. A combined entity improves the ability to manage in-scope public media collectively, improving efficiency and reducing fragmentation.**	

(1.5) One entity, one brand for services

193. A single entity established, subsuming TVNZ and RNZ under a single brand. Platform-agnostic distribution sits within the combined entity, providing some additional scale.

<table>
<tr><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>A combined public media entity ensures TVNZ and RNZ can be managed as part of a public media portfolio, enabling alignment of objectives, reducing fragmentation, and increasing efficiency.
Reduces need for replication of parts of the business (e.g. one Board, one ELT), freeing up resources for other areas.</td><td>Increases challenges managing TVNZ/RNZ cultures, as one may dominate the other, impacting on factors such as staff engagement.
Eliminates existing brands, which might have implications for ability to segment the market, maintain staff engagement, and user experience. Impacts on the value of existing brands.
There is reduced choice for audiences, possibly impacting media plurality.
A single entity may have a larger influence on New Zealand's media system, which could be detrimental to private media.</td></tr>
<tr><td colspan="2">Conclusion: Potentially the most financially efficient option, but creates large challenges in terms of combining two very different organisational cultures. The impact of a larger entity on the wider media system will need to be tested.</td></tr>
</table>

(2) Constraints in non-Crown revenue

194. The nature of funding arrangements and sources are within the scope of this business case, as well as understanding how this dynamic may change if non-Crown funding falls. However, the identification of quantum of funding is limited to any additional funding required to meet the investment objectives of strong public media. The ILM workshop identified funding arrangements are an issue – both entities (i.e. RNZ and TVNZ) need funding for infrastructure; the fragmentation and duplication present in the current public media system result in increased funding requirements.

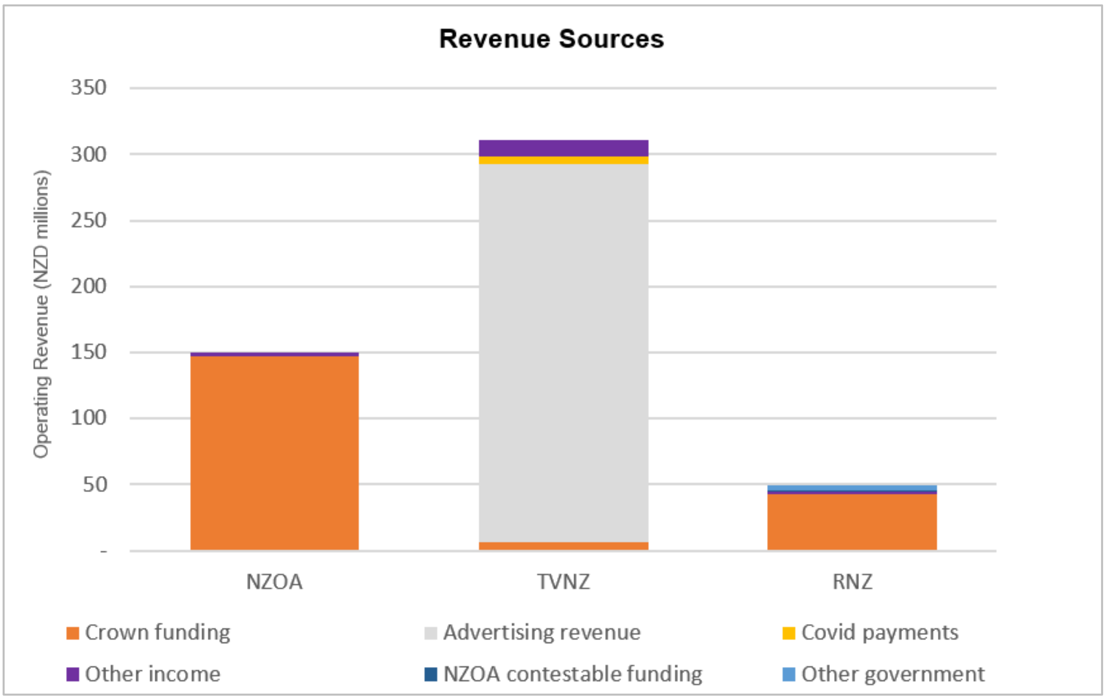
195. The Cabinet Paper noted a non-profit, mixed funding model should form part of the preferred option; a mixed funding model reduces Crown funding requirements and the subsequent burden on taxpayers. A model where content is not available to the public free of direct cost is unlikely to be seen to support the strong public media objectives.

196. Constraints in non-Crown revenue explores the ability of the future arrangements to utilise and access funding outside money received from the Crown.

(2.1) Across the system, a mixed funding model

197. The status quo option is to maintain current legislation/mandates and the current mixed funding model, with TVNZ funded on a commercial basis, and RNZ Crown-funded from NZ On Air. The system accommodates a mixed funding model via two entities. **Figure *9*** below shows revenue sources across these entities in FY20.

Figure 9: Revenue Sources for TVNZ, RNZ and NZ On Air.



198. The primary means of Government funding for New Zealand public media is NZ On Air. Its revenue was $149.8m in FY20, used to fund a mix of scripted, factual, platform, music and industry development activities. The Government has pledged a further $55m for a Journalism Fund over the next three years to fund public interest news and journalism. This funding is intended to protect public interest journalism at risk due to the impact of COVID-19 on newsrooms, providing for a transition between the short-term COVID relief provided to the media sector, and the longer-term work to support its sustainability.

199. The current mix of Crown and commercial funding involves TVNZ receiving its funding from commercial revenues. Revenue totalled $310.8m in FY20, with $6.6m of contestable funding received from a combination of NZ On Air and Te Māngai Pāho (TMP), and the remainder received from commercial funding. RNZ is funded primarily from the Crown; FY20 revenue totalled $49.6m, largely delivered through NZ On Air.

Advantages	Disadvantages
• **The use of competitive funding supports independent production, and competition for innovation in relation to content.** • **Ability to focus funding and make conscious decisions regarding investment on platforms and content.** • **Ability to guarantee funding for non-commercial platforms and outputs, including meeting the needs of minority or niche groups.** • **Commercial funding effectively subsidises costs to provide media, and also is an important service in its own right to the economy, providing companies the ability to advertise their wares to large audiences.**	• The current funding framework is restrictive in some areas – e.g. limitations on commercial funding for RNZ product, and results in replication of funding across platforms. • Some funding dedicated to non-commercial output may achieve greater penetration or outcomes if opened up to competition. • Commercial focus for TVNZ could result in focus on “mainstream” programming, rather than niche products for less commercially important groups • Commercial funding is under threat due to the impact of a flight of advertising revenue to the FAANGS and changing media consumption patterns.
Conclusion: **The existing framework is effective, but limits flexibility in some areas, where a more permissive framework could be more efficient.**	

(2.2) No constraints on generating non-Crown revenue

200. In order to maximise flexibility and minimise the cost to the Crown, the public media entity or arrangements could fully open to opportunities to pursue non-Crown revenue.

Advantages	Disadvantages
• **Would go some way to levelling the playing field for media entities in New Zealand – although not fully so if the public media entity was not-for-profit.** • **Would maximise focus on mass appeal and maximum efficiency in order to maximise profit potential.**	• Unlikely to support public media objectives, especially if some funded content is not available in some form of free-to-air format. • The New Zealand market is relatively small and its ability to support a robust media, particularly one that meets the needs of a wide range of audiences, is limited. • May result in loss of local entities as they are bought out by better-capitalised foreign entities or struggle to generate commercial returns in the small New Zealand market. • Likely to result in poorer user outcomes, particularly for audiences currently consuming non-commercial public media. • More expensive content, such as local scripted content, may not be commercially viable, with the loss of some types of local programming likely.
Conclusion: **This option would not appear to meet any of the objectives of the Strong Public Media programme, and the likely commercial outcomes remain uncertain. This choice was discounted.**	

(2.3) Some constraints on potential sources of revenue

201. Some constraints would require a clear view on the values the entity or arrangements would need to adhere to, in order to uphold public media objectives. The arrangements offer relatively unconstrained revenue generating opportunities. Currently, while both RNZ and TVNZ operate differently – with TVNZ being the more commercial – TVNZ still delivers to those objectives. TVNZ's functions under its Act are not limited to commercial performance, and the Act imposes limited additional obligations regarding content and services.

Advantages	Disadvantages
• **Reduces potential public cost to fund media, as alternative funding sources are generated.** • **Improves focus on audience demand and mass-appeal to maximise commercial outcomes.** • **May drive innovation, efficiency and cost sharing.** • **Some constraints still mean limitations on commercial funding if desired – e.g. ad-free holiday programming or free podcasts are still permitted, just not required.**	• Risks loss of media platforms or voices – increased focus on commercial outcomes may limit efforts to reach niche markets. • Unlikely to support public media objectives if not carefully managed: balancing generating sufficient commercial income from mass-market programming with meeting needs of niche or under-served audiences will be challenging. • Small NZ market means that local content lacks the scale of audience to support large amounts of local media.
Conclusion: **This option remains consistent with the mixed funding model envisaged in the Cabinet Paper. Limiting constraints means that options remain to generate income which subsidise the cost of public media production without greatly impacting on public media objectives or user experience. There is scope under both existing and more permissive regimes to choose to produce content with little or no commercialisation to meet public media objectives.**	

(2.4) More constraints on potential sources of revenue

202. The Crown could increase its funding through a more constrained framework. This would limit the ability to commercialise content.

Advantages	Disadvantages
• **Improves focus on public media objectives, including meeting the needs of under-represented audience segments.** • **Encourages telling of local stories and local voices, and may support taking risks on product that may not be commercially viable.**	• Limits ability to access and generate non-Crown revenue and may therefore increase public media costs for the Crown, or result in sacrifice of quality to save costs. • May increase focus on smaller markets at the expense of current consumers of linear or mass media. There is no guarantee that groups currently not consuming public media would do so if they were targeted. • Public media content is often more expensive – local scripted and news content is more expensive than imported formats, especially due to the economies of scale present in overseas markets and lacking in New Zealand. • Limits ability to be flexible and closes off some options to generate income. May result in economically sub-optimal decisions being made. • Small NZ market means local content lacks the scale of audience to support large amounts of local media.
Conclusion: **While largely consistent with the mixed funding model with limitations on commercial content envisaged in the Cabinet Paper, a more constrained regime closes off options to generate income which subsidises the cost of public media production without greatly impacting on objectives or user experience. There is scope under both existing and more permissive regimes to choose to produce content with little or no commercialisation, so this approach adds little value.**	

(2.5) No ability to generate non-Crown revenues from any potential non-Crown revenue sources

203. A full Crown funding model is required if the arrangements are set with no ability for the arrangements to pursue non-Crown revenue.

204. The Crown could increase the ability to meet proposed public media objectives by increasing (or fully) funding to service under-represented audiences. Funding from NZ On Air (or another mechanism) could be used to specifically fund non-commercial programming on platforms to reach the under-served. Increasing Crown funding would recognise the commercial appetite for these programmes may be less, and the difference should be funded from Crown sources.

Advantages	Disadvantages
• **Targeted Crown funding improves the ability of the Government to ensure public media provides representation to under-served groups.** • **Entities may be able to increase focus on production and quality output rather than pursing non-Crown revenue opportunities.** • **May improve the ability to support local journalism and current affairs via targeted funding.** • **Would provide a boost for other entities, as commercial funding previously received by TVNZ would largely be gained by them.**	• May result in reduced trust in public media – seen as “Government-controlled” or biased in favour of the hand that feeds it. • Increases costs in the order of $250m+ per annum to meet existing funding requirements; this cost may increase over time. Some of this would effectively be a transfer of value from the taxpayer to other media. • Ability of NZ to compete with FAANGS in the long-run remains uncertain – could end up throwing good money after bad. • Lack of commercial funding could result in reduced focus on efficiency and the needs (or preferences) of the audience, resulting in sub-optimal decision-making. • Trying to meet needs of a wide range of niche audiences/trying to be everything to everybody could result in increased speed to the pivot point where existing audiences seek platforms that better suit their interests.

Advantages	Disadvantages
	• Public funds could be used to meet the cost of acquiring content which is not representative of NZ, or of the quality of programming desired. • Limits ability of the private sector to advertise goods and services to target audiences currently reached through television programming. • Could result in a market imbalance, with fewer avenues for advertisers.
Conclusion: **This option would result in significantly greater cost to the Crown, with uncertain benefits. There is little evidence to suggest greater trust in the fully publicly funded RNZ compared to the commercially funded TVNZ, so there is limited evidence of materially more trust in a fully publicly funded public media. This choice was discounted.**	

(3) Operating model – shared resources

205. Operating model options consider the "what" in terms of potential coverage of the investment proposal and the contribution into the media sector. Potential choices are driven by business needs, service requirements, and the scale of organisational change needed to improve service capabilities. In 2020, TVNZ had 680 FTE, and permanent personnel expenses close to $50m, noting another $16m was spent on casual, contractor consultancy and other staff costs per year. RNZ's current FTE count is 293 FTE, with personnel expenses around $30m.

(3.1) Existing operations

206. The two entities currently run separate operations across multiple locations domestically. TVNZ also maintains a presence in key overseas markets, including Australia, the United Kingdom and the United States.

Advantages	Disadvantages
• **Two distinct service providers.** • **Encourages and maintains plurality.**	• Fragmentation and duplication of resources, driven by fragmented mandates. • Costs are likely to be higher than those incurred through a rationalisation of operations.
Conclusion**: The current model goes some way to maintaining a healthy media ecosystem but may be more costly, and duplicative, than the alternatives.**	

Main benefits

Table 20: Analysis of potential benefits.

Benefits	KPIs	Measure(s)	Direct or Indirect?
An increased sense of national identity and culture	KPI 1: Sense of inclusion KPI 2: NZers valuing local content and trust local public media	Number of NZers who access NZ-made content because they are about people like themselves % of NZers who access NZ content because it reflects and informs their view of our national identity	Indirect
NZers and people living in NZ are more engaged and better-informed	KPI 1: Participation in civics attributable to public media KPI 2: Content delivered to under-served audiences	% of NZers who think it's important to have free access to publicly funded content Number of NZers who agree public media content informs them about important issues, promotes informed debate and provides fair and balanced information	Direct
Content is delivered effectively and efficiently to NZers and those living in NZ	KPI 1: Duplication of effort KPI 2: Audience reach	Costs resulting from duplication of effort and inefficiencies Daily audience reach of public media content across all platforms incl. third party distribution (free to air, AVod, SVoD) for all NZers 15+	Direct

207. These benefits are further categorised by beneficiary, monetary vs quantitative vs qualitative in the Economic Case along with other options for consideration.

(3.2) Create a shared service for back-office functions

208. Realise economies of scale through the elimination of duplication across back-office functions such as finance, HR, marketing, IT, facilities, legal services and contracts.

<table>
<tr><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Headcount / staff cost savings across duplicated roles.
Savings in other overheads such IT systems, licences, property costs.
Opportunity to identify and incorporate process improvements or implement new systems and solutions across both entities.</td><td>Additional one-off transition costs of either new systems or migrating information to a chosen existing system.
Unwinding current arrangements may be costly, and there may be the added complication of negative publicity around potential job losses.
Shared services sound great in theory but can be difficult to implement. There could be a spectrum of how services are shared: from a single entity through to a shared services agreement</td></tr>
<tr><td colspan="2">Conclusion: Shared services is a possibility, as it delivers to critical success factors. The degree of shared services would depend on the overall structure of a new entity, as it would naturally create incentives for consolidation. We have assumed no FTE savings from a shared back-office, although some duplicate executive roles are consolidated and there are IT cost savings from shared administrative platforms. There is general consensus between TVNZ and RNZ that some services could be shared; however, the extent to which back-office services are shared will be an operational decision for the new entity.</td></tr>
</table>

(3.3) Plus more combinations from other operations, and training

209. This choice pushes towards further realisation of economies of scale by including front office and front-of-camera functions to the scope of resource sharing, like pooling news media resources. It also introduces the concept of taking on a role of 'giving back' to the wider media sector by investing in capability building in discrete areas. This could be, for example, cadetships for journalists, who could then take their skills to other private or public media entities.

Advantages	Disadvantages
• **Consolidation of news operations resources reduces duplication across radio and TV content, freeing up resources for delivery of more public media content, including investigative and regional journalism.** • **Proof of concept of combining radio talkback with TV; i.e. TV3 / Magic Talk's the AM Show.** • **Cadetships or other paid training could build capability in the sector**	• Lack of diversity of voice / opinion across radio and TV, undermining media plurality in a small country • Can be an awkward and difficult format to manage, and may compromise the audience experience. • Training may duplicate or compete with existing programmes.
Conclusion**: While this choice ticks the right boxes from a narrow efficiency perspective, the consolidation of news operations may have an impact on media plurality. Targeted forms of training or capability building could enhance, and be complementary to, the wider media sector.**	

(3.4) Plus co-location/shared facilities, and direction to build strategic, system-wide capability

210. This choice considers what further benefit, efficiencies or economies of scale may be achieved through the co-location or sharing of facilities such as production, post-production and playout facilities. TVNZ and RNZ currently separately own or lease, offices, studios, editing equipment, and playout facilities. TVNZ is located in Auckland, Wellington, Christchurch, Hamilton, and Dunedin, while RNZ has studios and offices in Auckland, Wellington, Hamilton, New Plymouth, Hawkes Bay, Nelson, Christchurch and Dunedin. It also further develops the concept of capability building, with the entity having a specific mandate to use to use its critical mass to enhance and influence the sector nation-wide – potentially through alliances or partnerships with other organisations. The Governance Group expects some synergies to be realised.

Advantages	Disadvantages
• **Under a single entity model co-location would break down silos and integrate the cultures of TVNZ and RNZ, helping to transform them to a future focused digital public media entity.** • **Enhance collaboration across the television, radio and digital networks.** • **May result in more efficient space utilisation and rationalisation of surplus space.** • **Potential to realise the value of assets.** • **Using critical mass to build sector-wide strength and assist other parts of the system may bolster its health and vibrancy**	• Little commonality between the types of production spaces – with many facilities purpose-built to support one type of content, i.e. small soundproof radio studios vs larger double height television studios to accommodate cameras, crew, lighting. • Investment in new shared facilities may prove to be costly. • Rationalising space and selling off assets may be perceived as public media 'exiting' certain parts of the country, particularly the regions. • Co-locating services and closing offices may weaken the resilience to deliver news services of the quality people experience now. • Taking a 'sector wide' strategic capability building role may be seen as encroaching or over-influencing the health and direction of the system.
Conclusion**: This type of consolidation may be realised naturally over time, depending the structure of a new entity. Quite separately from the physical infrastructure, creating a new culture and 'way of working' – as opposed to merging two distinct entities – would likely take considerable time and effort. Taking a sector-supporting role to benefit both public and private and media could be complementary.**	

(4) Operating model – content production

211. Globally, public news services are tending towards more outsourced content and skills[54] – moving away from the heavily in-sourced model of the 20th Century. While out-sourcing can promote competition and foster talent, it can also be seen as cynical cost-cutting of state-funded media.

[54] The Irish Times – Kids' TV not the only item on RTE outsourcing agenda (https://www.irishtimes.com/business/media-and-marketing/kids-tv-not-the-only-item-on-rt%C3%A9-outsourcing-agenda-1.2885338)

(4.1) Existing service delivery

212. The current industry structure could be retained, with NZ On Air funding local provision, and TVNZ and RNZ responsible for delivering content.

Advantages	Disadvantages
• **Retains current cost base.** • **Provides a mix of approaches based on the natures of TVNZ and RNZ and their respective delivery models.** • **Particularly for television, a vibrant and competitive media eco-system is encouraged.**	• Delivery remains fragmented and cost bases are fixed, restricting the ability to invest above BAU requirements. • RNZ remains reliant on public funding, while TVNZ's long-term performance may require more public funding in the future, as margins are eroded.
Conclusion: **The current mix of in-sourcing and out-sourcing may not be the most efficient, but it may also go some way to encouraging a healthy media sector with competition among multiple players. The eco-system of production houses and skilled specialists benefit from TVNZ's commissioning of content.**	

(4.2) Increasing in-house capability

213. This choice moves the current in- and out-sourcing mix to one where more in-sourcing is encouraged, in order to deliver SPM investment objectives. It would not go so far as to mandate in-sourcing, but would seek to put the right incentives in place to encourage a new entity, or set of arrangements, to build up the talent and content-development base. Ultimately, the decisions around in- and out-sourcing are ones for the business, so there may be limited ways in which the business case could influence this choice.

Advantages	Disadvantages
• **Could encourage entity/arrangements to be a mainstay of talent.**	• In a small country with limited resources and talent, out-sourcing is a collaborative model that works. Sucking that talent into one entity could be a step backwards and 'inwards'. • There is evidence in-sourcing can narrow the diversity of content and people. Ireland's RTÉ, for example, has a commissioning quota in order to bolster the independent production sector. • This choice may also impact the role of NZ On Air and its mandate to fund NZ-made productions.
Conclusion: **Pulling back from the current mixed model to one favouring greater in-sourcing is unlikely to meet efficiency and effectiveness objectives, and may have perverse consequences by hollowing out, rather than supporting, a healthy public media eco-system.**	

(4.3) More outsourcing – keep capability

214. This choice takes the current blended model and moves towards a greater degree of outsourcing. There would be a greater degree of flexibility to outsource in order to deliver content.

Advantages	Disadvantages
• **This choice would likely realise efficiencies and cost-savings.** • **A greater degree of outsourcing may increasingly foster collaboration and competition.**	• A higher degree of outsourcing may impact the control the public media entity or arrangements has over programming.
Conclusion: **Increasing the outsourced component of public media entities is a common trend world-wide, and it may be a natural progression for any new entity/arrangements. Keeping a baseload of talent in-house would go some way to ensuring the entity or arrangements did not move too closely towards a 'publisher-broadcaster' like UK's Channel 4.**	

(4.4) Outsource appropriate services – NZ On Air remains

215. While NZ On Air would remain as is, the entity would outsource all appropriate services, procured on an as-needed basis to maximise industry growth.

Advantages	Disadvantages
• **A core team of people managing and commissioning programming could drive greater control of content.** • **Would reduce the entity's exposure to COVID-related staffing and production costs incurred through lock-downs or travel bans.** • **From a long-term perspective, it allows the entity to reduce its exposure to market downturns and changes in the operating environment.** • **Streamlined and efficient if managed in the context of NZ On Air's existing role.**	• This could further open up the public media entity or arrangements to market influences outside its control.
Conclusion: **This choice would outsource more, but make some key choices around what content and skills would be retained in-house. The degree of flexibility it would allow could see it deliver to investment objectives.**	

(4.5) Outsource all key services – NZ On Air consolidated within entity

216. This choice moves more towards a publisher-broadcaster model, with total commissioning of content.

Advantages	Disadvantages
• **Would bring NZ On Air into the entity, reducing the duplication of commissioning agencies**	• May require a different skill-set, or more of one skill-set, in terms of commissioning content and managing contracts. • May expose the entity or arrangements to a shortage of talent or skills in the market, if its own people are not nurtured and fostered. • The outsourcing of news and current affairs may be a bridge too far for a public media entity or arrangements. • Could reduce ability to serve as 'lifeline' media during emergencies, disasters or significant world events. • Consolidating NZ On Air within the entity may impact its current relationships with other funded entities.
Conclusion: **While attractive from a cost perspective, this choice may undermine public media objectives due to complete reliance on third parties to deliver aspects of public media, like news, which many audiences would assume to be produced by the entity itself.**	

(5) Operating model - distribution

217. This dimension considers the mix of media platforms, including traditional linear, platform-agnostic distribution, subscription and third-party distribution channels as a means of making public media more accessible, while also improving audience experience and considering the evolving ways that audiences consume media.

(5.1) Existing mix of linear and digital services

218. TVNZ and RNZ already use a range of platforms to publish and distribute their video, audio, and written content, from traditional on-air to online digital platforms. Under this option TVNZ would continue to provide a mix of linear and Video On Demand (VOD) services, with an expected transition towards further VOD over time. Likewise, RNZ would continue linear radio, along with existing podcast and streaming services. Each entity focuses on its audience, service, and technology, with platforms remaining fragmented.

Advantages	Disadvantages
• **Utilises existing frameworks and technological capabilities and preferences, with known and quantified support requirements (including funding and technology).** • **Allows TVNZ and RNZ to build services and develop platforms that meet their differing needs, and minimises execution risk.** • **May enable more agile delivery and innovation as two or more platforms compete for ideas and market share, or to better meet the needs of their audiences.**	• Limits ability to develop synergies including audience crossover between TVNZ and RNZ. Also excludes other content providers which may be able to access agnostic/neutral platforms. • Risks resulting in under-scale operations unable to compete with global media players and lacking best-in-class technology. • Replicates hardware, software, management, governance and operations etc. across several platforms. • Retains or even compounds existing trends of audiences being well-served, or under-served. • Will require significant new investment to maintain existing services if audiences and advertisers continue to shift away from linear services, and these could become (more) sub-economic. There is significant minimum fixed investment in distribution hardware that will need to be met regardless of audience or income.
Conclusion: **The existing mix of linear and digital services is not meeting the changing preferences how NZ's diverse audiences choose to consume media. As such, NZ's public media is diluted by the rising global media influence.**	

(5.2) Linear service to meet public accessibility requirements, and platform-agnostic distribution

219. This choice shifts the focus further towards digital platforms while retaining a linear service to meet public media requirements – and this may be more or less what entities provide today. The big change is the development of platform agnostic distribution to aggregate and disseminate content to audiences. This choice increases the distribution of content across third party platforms including Facebook, Amazon Prime Video, Apple, Netflix, Google, and Spotify (FAANGS) to further engage a diverse range of audiences.

Advantages	Disadvantages
• Retains existing linear services, reducing the risk of alienation of consumers and meeting public services requirements. • Increases focus on digital delivery, strengthening ability to service under-served audiences, and be more future-focused. • Platform-agnostic distribution will enable more agile delivery and innovation to better meet the audience needs. • Platform-agnostic distribution enables NZ to compete on a global scale. Collaborative investment will overcome investment hurdles of individual entities, support ongoing investment in new technology, and enhance our media eco-system. • It may also reduce duplication of multiple digital platforms across NZ media entities. • Platform-agnostic distribution will enable more agile delivery and innovation to better meet the audience needs. Examples may include artificial intelligence that recommends content tailored to the audience member based on content they previously watched.	• If audiences and advertisers continue to drift away from linear services, these could become (more) sub-economic, as there is a significant minimum fixed investment in distribution hardware that will need to be met regardless of audience or income. • Improved digital focus may not change audience behaviour or result in greater engagement from underserved audiences. • Additional investment in platform-agnostic distribution will be required. • May result in confusion with TVNZ's OnDemand, and RNZ and other collaborators' online offerings. This could increase duplication of digital platforms across NZ media entities if sector wide buy-in is not obtained. • Some NZ-made and publicly funded content may end up behind a paywall. • Depending on nature of agreements, may limit the ability to distribute some content free to air or on other platforms, or outright loss of ownership rights.

• Increased potential audience size, and ability to tell NZ stories to the world. • Further allows audiences to consume content according to their preferences. • Provides access to platforms with "best in class" features, including coverage, security, scale etc. Tries to work alongside, rather than compete head-on against large global entities. • Potential for additional revenue generation to offset content creation costs assuming sale of some content.	
Conclusion: **The introduction of platform-agnostic distribution and retention of linear platforms balances current needs, but transitions further towards digital delivery to engage audiences. This recognises the global scale and popularity of global media entities with NZers and the further potential to distribute public media to audiences who are currently not engaging with existing platforms.**	

(5.3) Plus subscription channels

220. This dimension continues the focus on digital media platforms, expanding to offer subscription channels for distribution of content. This may mean advertising free channels, or live sport versus delayed free to air coverage.

221. This choice provides the following additional advantages and disadvantages

Advantages	Disadvantages
• **Provides diversified revenue opportunities, offsetting some of the decline from advertising revenues whilst not reducing free to air coverage.** • **Subscriptions channels further allow audiences to consume content according to their preferences, i.e. commercial free.**	• May not achieve scale to justify investment. • This may create a departure from public media intentions and identity. • This could have a large impact on attracting commercial revenue, as the entity would be going into competition with large global platforms.
Conclusion: **The addition of paid subscription channels introduces further consumption choices for audiences.**	

(6) Commerciality

222. This dimension considers the degree of commercial focus the public media entity will have, from being not-for-profit through to a fully commercial service that seeks to provide a return on capital in the form of dividends. An entity can seek to retain a commercial focus without necessarily being a for-profit entity, potentially resulting in commercial returns being reinvested in public media outcomes, rather than returned to shareholders as dividends.

223. Depending on the option, different services may have a different level of focus on commerciality – some audiences may be served, or some services may be provided, on a commercial basis, seeking to maximise (or at least optimise) revenue; while others may be provided on a non-commercial basis.

(6.1) One entity commercial-for-profit, one entity not-for-profit

224. Currently RNZ is not-for-profit, while TVNZ has a commercial stance. The mix would remain the same under this choice.

Advantages	Disadvantages
• **The different mandates are established for TVNZ and RNZ separately and allows content to be delivered to audiences efficiently and effectively.** • **Clear expectations about how entities generate revenue, by whatever means.**	• Different expectations around each entity operates may result in mis-aligned strategies.
Conclusion: **The current mix of commerciality is an established structure that does not appear to impact audience's trust and confidence in the entities.**	

(6.2) Non-commercial focus and not-for-profit

225. Both TVNZ and RNZ would have an increased focus on serving the needs of the wider public audience, including under-served audiences. The focus is on publicly funded content and production, and media would have little, if any, material commercial funding.

Advantages	Disadvantages
• **Enables public media to better meet public media objectives, providing coverage of interests for which there are missing or small markets. Public media attempts to supply topics of social benefit that are otherwise not provided by private media.** • **Ability to pursue new commercial-free and advertising model strategies allows flexibility while strengthening public media objectives.** • **Reduces competition for non-Crown revenue for commercial competitors.**	• Increasing focus on under-represented audiences may be at the expense of programming for existing mainstream audiences. • Reduced commercial funding means that government funding must be used to support public media, rather than utilising private sector support. Funding will need to be sufficient to support stronger public media objectives. • Can increase perception of reliance on government for funding, limiting editorial or operational independence.
Conclusion: **This meets the objectives of stronger public media, but at the cost of greater expense to the taxpayer. Without a commercial mindset, it may also call into question the ability to provide operational efficiency.**	

(6.3) Semi-Commercial, not-for-profit

226. Public media would take into account commercial requirements and realities and seek to operate in a semi-commercial manner. However, the objective is not necessarily to generate a return to shareholders, but instead to utilise commercial discipline to operate efficiently and maximise returns available to invest in stronger public media outputs and objectives. Commerciality may vary between different parts of the public media entity, with some having a commercial focus, while others provide services on a non-commercial basis.

Advantages	Disadvantages
• **Profits generated by public media entities can be retained or invested in further public media objectives.** • **Continues to subsidise public media with commercial revenue, reducing cost to the Crown and the public.**	• Public media competes with private media entities while not being required to achieve a return on investment. It is therefore not operating on a level playing field.
Conclusion**: This option moves public media entities towards a focus on maximising public media outcomes while retaining partial commercial funding to subsidise the cost of public media.**	

(6.4) Commercial, for-profit

227. This choice would increase the focus on commercial outcomes, with public media seeking to make a profit. This is likely to encourage a focus on maximising audiences and commercial revenues.

Advantages	Disadvantages
• **Continues to subsidise public media with commercial revenue, reducing cost to the Crown and the public.** • **Maintains focus on efficiency, potentially reducing the usage of public funds.** • **May generate sufficient profit to support further investment in public media or generate a return to the Crown.** • **Can result in public media being seen as more separate – and therefore independent – from the Crown.**	• Competes directly with commercial providers, potentially threatening commercial operators. • May increase risks of cost-cutting to improve profitability, at the expense of the capacity and capability of public media entities. • May see profit-maximisation not supporting reaching under-served or niche audiences.
Conclusion**: This option moves public media entities towards profit generation, which is not the intent outlined in the Cabinet paper. It is therefore not likely to support the outcomes sought by strengthening public media. This choice was discounted.**	

(6.5) Commercial, plus returning a dividend plus cost of capital

228. This choice involves the public media operating as a commercial entity, generating income from commercial sources rather than Crown funding.

Advantages	Disadvantages
• **Public media operates on the same basis as private media entities, ensuring a level playing field.** • **Continues to subsidise public media with commercial revenue, reducing cost to the Crown and the public.** • **Maintains focus on efficiency, potentially reducing the usage of public funds.** • **May generate sufficient profit to support further investment in public media or generate a return to the Crown.** • **Can result in public media being seen as more separate – and therefore independent – from the Crown.**	• More commercial advertising can be seen as compromised independence or integrity for certain categories of content. Commercial advertising may also disengage some audiences. • Competes directly with commercial providers, potentially threatening commercial operators. • May increase risks of cost-cutting to improve profitability, at the expense of the capacity and capability of public media entities. May also increase risk of financial issues arising if profits are paid out or the public media is under-capitalised. • Does not support the objectives of stronger public media, as profit-maximisation is unlikely to support reaching under-served or niche audiences.
Conclusion**: This option results in public media entities operating no differently than commercial entities. It therefore appears to ignore the outcomes sought by a programme of strengthening public media. This choice was discounted.**	

(7) Phasing

229. The phasing is the time frame for delivering all the choices for each dimension. This dimension considers dependencies, economies of scale, delivery of benefits and risk management in implementation. Time ranges for phasing are relative to the dimensions of the future arrangement.

230. The legislative timeframe is not considered in phasing.

(7.1) Business as usual (BAU)

231. Under the BAU phasing, current practices remain in place; TVNZ and RNZ focus on their own content needs and project timing for necessary and required platform updates. No implementation is required, as RNZ and TVNZ continue to execute established business plans.

Advantages	**Disadvantages**
• **TVNZ and RNZ have no major change in strategy and can focus on delivering current strategies.** • **Audiences and service providers are relatively unaffected by planned required change.**	• The degree of change possible with BAU would not strengthen the mainstream public media (and wider media eco-system). The fragmented strategies and platforms will also impact the ability to reach a more diverse audience overtime. • Delivery is being duplicated through the development of online platforms by TVNZ and RNZ. The separate funding will mean only small incremental step changes are able to be made and content is limited.
Conclusion**: The choice does not entail the disruption that can occur during implementation. However, the different strategies and processes remain.**	

(7.2) Phased change minimal scale, prioritised by criticality

232. This option would be a minimal change with phasing of operations and structural changes of based on criticality. The combination of option dimensions is limited to those that are a smaller scale of structural and operational change at the highest need basis.

233. This option provides the following additional advantages and disadvantages:

Advantages	Disadvantages
• **Most critical improvements can be made, albeit at a limited scale, quickly and without more complex structural and operational changes slowing progress. Platform-agnostic distribution could be prioritised over possible operations combinations and subsuming TVNZ and RNZ.** • **Phased small scale changes ensure the impact to audiences and service providers will be kept at a minimum.**	• By focusing only on critical items, the response becomes reactive. Fragmenting the process with criticality causes inefficiencies over time and pushes out the underlying issues only temporarily. • Implementing minimal scale will leave TVNZ and RNZ unable to evolve at pace with the changing operating environment and maintain audiences. • Defining criticality and prioritisation will be difficult to manage and will create distractions from the focus of the intended outcome.
Conclusion: **This piecemeal option was discounted.**	

(7.3) Full scale implementation, short time frame (three to five years to completion)

234. The implementation of the option will be full scale and at pace, recognising that what is considered a 'short' period is determined by the complexity of the option. The option implementation is expected to be completed within three to five years.

Advantages	Disadvantages
• **A short implementation increases focus on delivery and new distribution methods, rather than existing content and platforms.** • **Shorter time frames reduce risk of boredom at pace of change.** • **Brings forward anticipated benefits in delivering public media objectives.**	• High risk, the quantum of increases required to deliver the option in a short period of time will constrain resource capacity. • If the solution is rushed or does not deliver intended outcomes there is a risk that supplier and audience confidence is lost; once lost it can be hard to regain, which might undercut strength of public media going forward. • Risk that existing audiences consuming public media are disenfranchised by abrupt changes, and experience disruption in services. If implementation is not successful in attracting audiences, public media could be weakened.
Conclusion: **This is a pragmatic phasing approach, though not without risk. Expectations would need to be carefully managed.**	

(7.4) Full scale implementation, long timeframe (10 years to completion)

235. The implementation of the option will be full scale within a long range of time, acknowledging that what is considered a 'long period' is determined by the complexity of the option. It is likely the upper end of a long timeframe would be a decade.

Advantages	**Disadvantages**
• **Longer time range will reduce risk of disruption by implementing within supplier and provider capacity.** • **Brings forward anticipated benefits in delivering public media objectives ahead of status quo.**	• Investment requirements over an extended period can expose the option to a high degree of uncertainty in funding, and capacity to deliver. Uncertainty can undermine established practices. • Audience preferences and technology could evolve further over the long timeframe. • The anticipation for implementation will be set a higher level and may not meet expectations. • Reduces flexibility as full solution and its ability to change in the future.
Conclusion: **There is a risk the long timeframe may see uncertainty baked in for a number of years resulting in loss of audience share.**	

(8) Independence

(8.1) High degree of independence

236. RNZ and TVNZ respectively are governed by the Radio New Zealand Act 1995 and the Television New Zealand Act 2003, they each have high degrees of independence from Government enshrined in their legislation.

237. The Television New Zealand Act prevents Ministers from directing TVNZ regarding content, complaints, the gathering or presentation of news or current affairs or the Broadcasting standards. Similarly, under the Radio New Zealand Act 2005, Ministers may not direct RNZ regarding programming, complaints, the gathering or presentation of news or current affairs, or programming standards. Further, Directors of TVNZ or RNZ are not able to be removed for any reasons relating to the above.

Advantages	Disadvantages
• **Ability to flex and respond individually to changing operating environments** • **Ability to use Crown funding and commercially generated revenues with discretion** • **Crown can direct through a discrete set of well understood instruments** • **Supports level of trust and confidence in the integrity of the entity and the independence of the services**	• Only indirect mechanisms are available for addressing non-performance, such as removal of the Board by the Minister. This could apply in situations such as not delivering on future Charter objectives, for example.
Conclusion**: The current degrees of independence are consistent with expectations of a public media entity and support high levels of trust and confidence in the integrity of the entities**	

(8.2) Oversight from monitoring agency

238. Closer monitoring from the Government may see a more tightly scoped adherence to public media objectives, but may also see bureaucratic constraint rubbing up against the ability of the entity to respond to the challenges or opportunities in the operating environment. This may also be inconsistent with the expectations of a public media entity.

Advantages	Disadvantages
• **May allow the centre to direct with more certainty the outcomes it seeks** • **May drive closer adherence and measurement against public media objectives**	• May be muddled with 'editorial independence' and boundaries between that and operational independence could be blurred • May create the impression the entity or arrangement exists to serve the Government of the day.
Conclusion: **This choice may not best meet public media objectives and may not support the entity to earn the trust and confidence of New Zealanders.**	

Evaluation Criteria

239. Each dimension choice was assessed against the investment objectives and critical success factors, outlined below, which comprise the long-list assessment criteria. The short-list assessment criteria will also include benefits and risks, as outlined below.

Table 21: Evaluation criteria.

	Category	Description
Investment objectives	**1. Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in Aotearoa NZ**	Aligns with Government's vision for strong public media, and educates, informs and entertainments the New Zealand community (Living Standard Framework)
	2. NZers (15-24-year-olds, by 2036) access and consume public media	Drives a greater diversity of audience over time through enhanced access to public media Creates an environment that New Zealanders are more likely to engage (i.e. audience responsiveness)
	3. Delivery of content and services by future mainstream public media is efficient and effective and earns the trust and confidence of New Zealanders.	Delivers desired outcomes with least complexity and has the right quality and content
Critical success factors	**4. Strategic Fit**	Meets the agreed IOs, related business needs and requirements and fits with other strategy programmes and projects
	5. Affordability	Can be met from likely current and future Crown and commercial funding, and cognisant of funding constraints and need for sustainability
	6. Achievability	Can be delivered within the operating environment and resource supplied by entities in a specified time frame
	7. Editorial independence maintained	Protects the ability of public media to uphold an independent voice – the legal and funding framework is the lens in which this occurs
	8. Public media arrangements support a healthy ecosystem	Complements other forms and providers of media Mechanism in legislation – Recognise the roles and requirements of private and public media and where they intersect
	9. Putting audiences first	Reaches and engages the currently served and under-served audiences
Benefits	**10. An increased sense of national identity and culture**	Contributes and strengthens national stories and perspectives Increased social cohesion in understanding about alternative cultures in existence in NZ, driven by more than just content
	11. NZers and people living in NZ are more engaged and better informed	Expands the reach of content to NZers, and content reflects all communities, languages and experiences Broader accessibility and better user experience and more trust in local public media

	Category	Description
	12. Content is delivered effectively and efficiently to NZers and those living in NZ	Can evolve at pace with the operating environment and is relevant to changing consumer preferences
Risks	**13. Operational and performance risk**	The risk that operating costs vary from budget and that performance standards slip or that the entity's or entities' services cannot be provided.
	14. Technology risk	The risk that changes in technology result in the public media services being provided using sub-optimal technical solutions.
	15. Implementation risk	The risk that the implementation of the new arrangements fails to adhere to the terms of what is planned.
	16. Reputational risk	The risk that there will be an undermining of audience/media's perception of the entity's or entities' ability to fulfil business requirements – for example, adverse publicity concerning an operational or content quality problem.
	17. Procurement risk	The risk that can arise from the contractual arrangements between two parties – for example, the ability of the entity/ entities to procure talent, production and specialist skills.
	18. Funding risk	The risk that the availability of funding means expectations of the entity or entities cannot be fulfilled.

Long List Options Assessment

240. The summary of the assessment of dimension choices is in Appendix 4.

241. Based on this, eight long-listed options, including the Status Quo were developed. Apart from the Status Quo and Unified National Broadcaster, the options were developed based on their individual dimension choices each satisfying the critical success factors and delivering to the investment objectives.

242. The eight long-list options are described below:

Table 22: Description of long-list options.

	Option	Summary
A	**Status Quo**	Status Quo maintains the current framework for the in-scope public media. Each entity will operate under existing law, and continue as separate stand-alone entities. This means existing shortfalls in service delivery, particularly in terms of servicing under-represented audiences, are likely to continue. The status quo reflects a media sector under pressure. Non-Crown revenues via linear advertising are signalled to fall at a greater rate than public media entities are able to find offsetting revenue via alternative sources, such as digital advertising. To acknowledge this revenue decline and reduce the burden on the Crown as shareholders, the entities will seek to trim expenditure and cut content costs. However, under the existing arrangements a gap in funding is estimated to emerge from 2025/26 and is anticipated to be met by the Crown as shareholder.
B	**MVP**	MVP is the bare minimum to achieve the intent of change. Minimal disruption to the entities is managed by keeping them separate, though TVNZ becomes a not-for-profit entity and there are few constraints on generating non-Crown revenue. A shared back-office is developed, but separate front offices are retained, while increased capability is sought to deliver stronger public media. Platform-agnostic distribution is maintained alongside linear transmission.

	Option	Summary
C	**Fully Integrated Entity**	The Fully Integrated Entity Option is a new single legislative entity with a clearly defined public media mandate and purpose, with core functions similar to overseas public media entities. It provides public media services across a variety of platforms and puts public media objectives before commercial imperatives: the legislation will control this quite tightly. The entity has a mixed funding model, with revenue derived primarily from the Crown, but also from controlled commercial revenue. The entity will operate as a not-for-profit, with statutory provisions for operational independence. NZ On Air will continue to provide contestable funding for public media content. Operating under a single entity means combining resources where necessary, while maintaining the current mix of in-house and outsourced arrangements to contribute fairly into the media sector. Platform-agnostic distribution, with scope for subscription channels, is part of the option.
D	**Maximum Flexibility**	Maximum Flexibility is intended to structure the public media arrangements with the most scope for flexibility and adaptability. While a shared back-office will be developed, there will be a high degree of outsourcing for content and talent, relying on a vibrant and healthy media sector. The entities will develop a contract manager model, and although they will remain not-for-profit, will have the freedom to pursue non-Crown revenue largely where they see fit, and to exploit platform-agnostic distribution. Flexibility will flow through to operations. Implementation will be quick, risking the audience experience.
E	**Streamlined for the Future**	Streamlined for the Future combines TVNZ and RNZ under one not-for-profit entity and introduces a new entity to manage platform-agnostic distribution. Similar commerciality settings to Status Quo are maintained, and there are limited constraints on seeking non-Crown revenue. The degree of change is expected to be comprehensive but executed over as short a timeframe as practicable to minimise uncertainty. Audiences will see limited changes from a service perspective, though there will be consolidation of back-office resources and a greater degree of outsourcing. There is no change in the current operational independence settings.
F	**Connected Autonomy**	Connected Autonomy combines RNZ and TVNZ into one entity to improve consistency and efficiency in the sector – connected where it makes sense to but operating as separate branded services tailored to different audiences. Some content is expected to be ring-fenced as publicly funded, but there will be few constraints on seeking non-Crown revenue. Degree of change will be comprehensive and executed over a number of phases. Limited constraints on commercial revenue generation are expected to optimise efficiency and improve the ability of public media to service under-represented audiences. The combined entity will operate as a not-for-profit, but have a commercial focus, similar to TVNZ today.
G	**Efficient Not-For-Profit Entity**	Option G is getting to where the audiences are. The Efficient Not-For-Profit Entity subsumes TVNZ and RNZ. The entity will aim for efficiency, with services tailored for appropriate audiences and content. The entity will operate as flexibly as possible, rationalising functions where commonality exists – locations and studios, for example. The entity will oversee distribution in a platform-agnostic fashion. Subscription options and third-party distribution channels will be considered. The degree of change will be comprehensive. The model is focused on using a range of tools to achieve the audience outcomes and is expected to optimise efficiency and improve the ability of public media to service under-represented and under-served audiences. Any savings arising from efficiency are expected to be invested in bolstering the sector to build system-wide capability. The entity will work collaboratively and flexibly with other media entities.
H	**Unified National Broadcaster**	The Unified National Broadcaster creates a media behemoth, with facilities rationalised and shared to the extent practicable. In-house capability would be developed as part of a public media entity. In-sourcing is king: training, educating and nurturing talent, plus beefed-up production and content development, define this option. There will be fewer opportunities to pursue non-Crown revenue, and the entity would have limited operational independence. The entity would maximise the use of platform agnostic distribution to increase reach. The expanded development of publicly funded content would complement the wider media ecosystem.

243. The summary of options against dimensions is outlined below:

Figure 10: Summary of options against dimensions

A Status quo; B MVP; C Fully Integrated Entity; D Maximum Flexibility; E Streamlined for the Future; F Connected Autonomy; **Preferred Option:** G Efficient Not-For-Profit; H Unified National Broadcaster

Option choices	Status Quo	Do Minimum	Do More		Do Maximum
1. Entities and services	1.1 (A) Two entities, two branded services RNZ TVNZ	1.2 (D, B) Three entities with an overlay RNZ, TVNZ, Platform-agnostic distribution. Three brands for services	1.3 (E) Two entities One for TVNZ/RNZ One for platform-agnostic distribution Three branded services	1.4 (F, G) One entity Multiple branded services anchored around different audiences and content	1.5 (C, H) One entity One brand for services
2. Constraints in non-Crown revenue	2.1 (A) Across the system, a mixed funding model. Few constraints on TVNZ, more on RNZ	2.2 No constraints on generating non-Crown revenue	2.3 (G, D, B, F, E) Some constraints on potential sources of revenue	2.4 (C, H) More constraints on potential sources of revenues	2.5 No ability to generate non-Crown revenues from any potential non-Crown revenue source
3. Operating model –shared resources	3.1 (A) Existing operations – two discrete delivery entities	3.2 (D, B, E) Create a shared service for back office	3.3 (C, F) Do min + Plus: more combinations from other operations e.g. pooling news media function and training		3.4 (H, G) Plus: co-location/shared facilities and direction to build strategic, system-wide capability
4. Operating model – content production	4.1 (A, C) Existing service delivery – maintain the balance of in-source/outsource arrangements	4.2 (F, B, H) Encourage more in house – increasing capability /capacity to deliver SPM objectives	4.3 (E) More outsourcing to deliver SPM objectives – keep talent	4.4 (G) Outsource appropriate services so industry growth is maximised	4.5 (D) Outsource services: Plus NZonAir consolidated within entity
5. Operating model - distribution	5.1 (A) Existing mix of linear and digital services (free to view) – multiple platforms, multiple channels and frequencies	5.2 (E, B) MVP linear service to meet public accessibility requirements, platform-agnostic distribution	5.3 (F, C, D, G, H) Plus subscription channels		
6. Commerciality	6.1 (A) One entity commercial, one not-for-profit	6.2 (H) Non-commercial focus and not-for-profit	6.3 (E, D, B, C, F, G) Semi-commercial, not-for-profit	6.4 Commercial, for-profit	6.5 Commercial, plus returning a dividend and cost of capital
7. Phasing	7.1 (A) BAU	7.2 Phased change minimal scale. Prioritised by criticality	7.3 (E, D, G) Full scale, short time frame (3-5 years to completion)		7.4 (B, C, H, F) Full scale, long time frame with phasing (10 years to completion)
8. Independence	8.1 (E, F, A, B, D, C, G) TVNZ: high degree of independence RNZ: high degree of independence				8.3 (H) Oversight from monitoring agency

244. The table below summarises the long-list options evaluation.

Table 23: Long-list options evaluation.

LONG LIST OPTIONS:	A. Status Quo	B. MVP	C. Fully Integrated Entity	D. Maximum Flexibility	E. Streamlined for the Future	F. Connected Autonomy	G. Efficient Not-for-profit Entity	H. Unified National Broadcaster
Investment objectives								
Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in Aotearoa NZ	No	Partial	Yes	Yes	Yes	Partial	Yes	No
NZers (15-24-year-olds, by 2036) access and consume public media	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Delivery of content and services by future mainstream public media is efficient and effective and earns the trust and confidence of New Zealanders	Partial	Partial	Partial	Yes	Yes	Partial	Yes	Partial
Critical Success Factors								
Strategic fit	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Affordability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Achievability, supplier capacity and capability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Editorial independence is maintained	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public media arrangements support a healthy media eco system	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Putting audience first	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Summary	Carried Forward	Possible	Possible	Preferred	Preferred	Discounted	Possible	Discounted

Short Listed Options

245. In addition to the Status Quo, five options were taken forward to the short-list for further analysis and investigation:

- Minimum Viable Product
- Fully Integrated Entity
- Maximum Flexibility
- Streamlined for the Future
- Efficient Not-for-profit Entity.

246. The Unified National Broadcaster and Connected Autonomy options were not carried forward, as they failed to satisfy the critical success factors (CSFs) outlined above. The remaining short-list options are those considered:

- Likely to deliver the investment objectives and critical success factors
- Likely to deliver sufficient benefits and deliver public value (not just value-for-money)
- Likely to be realistic and achievable.

Economic Assessment of Short-Listed Options

247. At a facilitated Benefits Workshop held on 27 April 2021, stakeholders from MCH and The Treasury reviewed and scored the short-listed options against the Investment Objectives, Benefits, and Risks identified in relation to Stronger Public Media. The intent was to:

- Determine the preferred option likely to optimise the relative value; and
- Ensure decision-makers are well-informed about the implications and trade-offs of using economic resources, and are provided with a consistent basis for assessing and ranking competing options.

248. This analysis includes:

- Assessment of how well each option meets the investment objectives
- Assessment of any intangible benefits and costs
- Assessment of risk and uncertainty.

Costing

249. The Status Quo reflects the best estimates of activity and forecasts available from the in-scope entities. However, the financial forecasts reflect the pressures and anticipated changes reflected in the Strategic Case. The Status Quo assumes the Government will step in via shareholder capital injections to support the current entities alongside the expenditure reduction, to ensure the continuity of public media service.

250. These cost pressures and need for additional government intervention endure through the options analysis.

251. A costing exercise was undertaken to determine incremental costs above the Status Quo for each option. Key costs included in the analysis are entity establishment costs, system/technology implementation and platform maintenance. Cost savings for options with shared offices or facilities were also included. For certain dimensions such as Constraints on non-Crown revenue and Content Production, any potential cost savings are expected to be re-deployed within public media rather than extracted from the public media ecosystem. How the entities decide to re-deploy the funds is an operational decision and therefore out of scope for the costing exercise.

252. The whole-of-life costs are included in Table 27 below and assessed against the intangible benefits and risks to determine value for money. The whole-of-life costs do not differ across options, resulting in the preferred option being determined primarily by the results from the Benefits Workshop.

Assessment of Non-Monetary Benefits and Dis-Benefits

253. At the Benefits Workshop, the short-listed options were tested against a number of non-monetary benefits and key performance measures. Each option was assessed as to how well it provided a benefit or dis-benefit compared to the Status Quo. Benefits were classified into domains derived from the Living Standards Framework.

Benefits tested	The short-listed options were tested against the first three non-monetary benefits in the table below.
Additional benefits	Additional non-monetary benefits reflected in all options have been identified and described in the second half of the table.

Table 24: Non-monetary benefits.

Domain	Non-monetary benefit	Measure	Description
Cultural identity	An increased sense of national identity and culture	Number of NZers who access NZ-made content because they are about people like themselves (NZ On Air 'NZ's Identity, Culture and the Media – What's changed in 30 years?') Percentage of NZers who access NZ content because it reflects and informs their view of our national identity (NZ On Air 'Identity, Culture and the Media – Where are the Audiences?')	A stronger public media provides a greater sense of national identity. Media supports Māori audiences by providing te reo across multiple channels, and increased local content reflects the variety of cultures in NZ.
Civic engagement and governance	NZers and people living in NZ are more engaged and better-informed	Percentage of NZers who think it's important to have publicly funded content that is free to access (NZ On Air 'Public Awareness and Attitudes Survey') Number of NZers who agree public media informs them about important issues, promotes informed debate and provides fair and balanced information (RNZ 'Value Indices Research')	A stronger public media provides a more engaged and better-informed society through increased participation in civics attributed to public media. It also provides more diverse content that can be delivered to under-served audiences.

Domain	Non-monetary benefit	Measure	Description
Social connections	Content is delivered effectively and efficiently to NZers and those living in NZ	Decrease of costs resulting from duplication of effort and inefficiencies (Economic Case) Daily audience reach of public media content across all platforms incl. Third party distribution (free to air, AVoD, SVoD) for all NZers 15+ (NZ On Air 'NZ's Identity, Culture and the Media – Where are the Audiences?')	A stronger public media provides improved social connections by maximising audience reach through increased efficiency.
Subjective wellbeing	Public media reflects NZ's diverse society	Percentage of NZers who access NZ content because it reflects and informs their view of our national identity (NZ On Air 'NZ's Identity, Culture and the Media – Where are the Audiences?') Percentage of children who say they feel good when they access stories about NZ and see and hear children that look and speak like them (NZ On Air 'Children's Media Use Survey')	The representation of different cultures in popular media influences how the public view of that cultures and how an individual may view themselves. Increased diversity on screen helps to improve individual wellbeing.
Safety and security	Content provides a critical supply of information from stable sources of news	Increase in audience reach for news sites during Covid-19 (NZ On Air 'NZ's Identity, Culture and the Media – Where are the Audiences?')	The Covid-19 pandemic highlighted the desire for reliable, trusted news sources. A strong foundation from the pandemic indicates the potential for
Knowledge and skills	Audiences are able to learn about different cultures in New Zealand in an informative, yet entertaining way	Daily reach of all platforms for all NZers 15+ (NZ On Air 'NZ's Identity, Culture and the Media – Where are the Audiences?')	A stronger public media will portray different cultures in a way that improves public knowledge and provides informative messaging.

Non-monetary Dis-benefits

254. Several non-monetary dis-benefits based on the Living Standards Framework were also identified during the Benefits Workshop, which are outlined in Table 25 below:

Table 25: Non-monetary dis-benefits.

Domain	Dis-benefit
Civic engagement and governance	A new entity, subsuming existing ones, may contribute to a diminishing of media plurality in New Zealand. This could weaken all media's ability to contribute to a healthy democracy. Any changes to the current structures of the public media entities will likely require investment, resulting in less funding – in the short term – for public media content creation.
Knowledge and skills	The creation of a new entity could attract talent away from private media, and thus fail to deliver on the need for public media to complement the rest of the market.

255. Table 26 below presents the outcome of the Benefits Workshop. Each attendee scored each option against the Investment Objectives, Benefits and Risks, and moderated scores are shown on a continuum below. The preferred option was established after weighting the final scores according to the Investment Logic Map.

Benefits Workshop Results

Table 26: Benefits workshop results.

	Option A: Status Quo	Option B: MVP	Option C: Fully Integrated Entity	Option D: Maximum Flexibility	Option E: Streamlined for the Future	Option G: Efficient Not-for-profit Entity
Investment Objectives						
Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in Aotearoa NZ	Partially meets	Partially meets	Meets	Meets to a greater extent	Meets	Meets to the greatest extent
NZers (15-24-year-olds, by 2036) access and consume public media	Partially meets	Partially meets	Meets	Meets to a greater extent	Meets	Meets to a greater extent
Delivery of content and services by future mainstream public media is efficient and effective and earns the trust and confidence of New Zealanders.	Partially meets	Partially meets	Meets	Meets	Meets to a greater extent	Meets to the greatest extent
Benefits						
Increased sense of national identity and culture	Nil benefit	Slight benefit	Some benefit	Some benefit	Slight benefit	More benefit
NZers and people living in NZ are more engaged and better-informed	Nil benefit	Slight benefit	Some benefit	More benefit	Some benefit	More benefit
Content is delivered effectively and efficiently to NZers and those living in NZ	Nil benefit	Slight benefit	Some benefit	More benefit	Some benefit	Max benefit
Risks						
Operational and Performance Risk	No change	Some decrease	More decrease	No change	No change	More increase
Technology Risk	No change	Some decrease	No change	Some decrease	More decrease	More increase
Implementation Risk	No change	No change	More increase	Most increase	Some increase	Most increase
Reputational Risk	No change	Some increase	More increase	Most increase	More increase	More increase
Procurement Risk	No change	No change	No change	Some increase	Some increase	More increase
Funding Risk	No change	Some increase	Some increase	No change	Some increase	Some increase
Ranking (after weighting)	**6**	**5**	**4**	**2**	**3**	**1**

256. See appendix 5 and 6 for detailed results of the benefits workshop.

Counterfactual Option

257. The Counterfactual reflects what would most likely occur over time to the in-scope entities without targeted intervention – different to the Status Quo, which reflects a point in time.

258. The Counterfactual provides a likely 'future state' if Cabinet decided not to proceed with the Preferred Option, and also includes future public media funding to strengthen the sector alongside additional investment and funding for RNZ to execute their strategy.

259. This was used as a comparator for testing the public value of the preferred option.

260. The key assumptions within the Counterfactual, as compared to the Status Quo include:

- Recognition that TVNZ is already projecting investment of a combination of operating expenditure and capital expenditure of s9(2)(b)(ii) in video on-demand platform development. This will require ongoing maintenance costs in line with platform costs that were assumed. (This cost is incurred in all of the options beyond the Status Quo.)
- Because of this investment, it is able to deliver to public media objectives more effectively. With investment comes risk, particularly through implementation of the platform – effectively locking in a choice of distribution in a dynamic media environment.
- The Counterfactual also includes the s9(2)(b)(ii) public media content investment, administered by NZ On Air in order to better serve under engaged audiences.
- Under the Counterfactual, TVNZ would offset declining revenues by cutting content expenditure, and requiring shareholder support.
- To execute RNZ's strategy, additional costs for media hubs, multimedia production, online/on demand distribution platforms and website enhancements, personnel and targeted expenditure for increased content and services for underserved audiences (especially Māori, Pasifika and younger New Zealanders)

Identifying and Testing the Preferred Option

261. To identify the preferred option, results from the Benefits Workshop were analysed to understand how well each option contributed to the Treasury's Living Standard Framework wellbeing domains, and compared the whole-of-life costs of each option. Comparing intangible benefits against monetary costs required taking a holistic approach, which is common in cost-benefit analyses where the benefits and costs are not like-for-like.

262. Costs were classified as either transition or one-off costs; or ongoing operating costs which include a combination of operating and capital costs. Costs are whole-of-life costs estimated on a real cost basis (i.e. excluding inflation).

263. Primary benefits and costs are highlighted in Table 27 below:

Primary Benefits and Costs

Table 27: Costs and benefits.

	Option A: Status Quo	Option B: MVP	Option C: Fully Integrated Entity	Option D: Maximum Flexibility	Option E: Streamlined for the Future	Option G: Efficient Not-for-profit Entity	Counter-factual
Summary of Primary Benefits and Costs by Wellbeing Domain							
Benefits							
Cultural identity	Nil benefit	Slight benefit	Some benefit	Some benefit	Slight benefit	More benefit	Slight benefit
Civic engagement and governance	Nil benefit	Slight benefit	Some benefit	More benefit	Some benefit	More benefit	Slight benefit
Social connections	Nil benefit	Slight benefit	Some benefit	More benefit	Some benefit	Max benefit	Slight benefit
Subjective wellbeing	Nil benefit	Slight benefit	Some benefit	Some benefit	Slight benefit	More benefit	Slight benefit
Safety and security	Nil benefit	Slight benefit	Some benefit	More benefit	Some benefit	Max benefit	Slight benefit
Knowledge and skills	Nil benefit	Slight benefit	Some benefit	Some benefit	Slight benefit	More benefit	Slight benefit
Total Benefits*	**6**	**5**	**4**	**2**	**3**	**1**	**N/A**
s9(2)(g)(i) [redacted]							
Preferred Option	**6**	**5**	**4**	**2**	**3**	**1**	**N/A**

* The overall ranking for the benefits comes from the Benefits Workshop Results in Table 26.

264. Each option has very similar whole of life costs on the basis any interventions in any of the options are fully funded. As noted in

265. **Table 28** there are differences in operating outflows which are offset by increased inflows reflecting the fully funded nature of these flows. The one-off costs only relate to the interventions in a specific option.

266. Table **28** also assumes commercial revenue is pursued at current settings initially. Over time, the balance of commercial and public revenue will change, with commercial revenue declining.

267. The operating inflows assumes the ability for television (digital and linear) to maintain 100% of current commercial revenues at the outset, but with [redacted] decline in following years. Crown funding is front-loaded to establish a sustainable funding environment and to ensure the entity is set up to meet its enduring public media objectives.

268. The ongoing operating costs include a combination of underlying status quo costs, and ongoing interventions, like technology costs, and reinvestment of surplus back to the Crown.

269. [redacted]

Table 28: Ongoing operating cost breakdown.

s9(2)(f)(iv)

[redacted]

270. Table 29 shows the fully-funded net present cost of each option. A break-down of these costs relative to the status quo more clearly shows the cost differences between the options.

Table 29: Marginal net present cost compared to status quo.

s9(2)(f)(iv)

[redacted]

Sensitivity Analysis

271. Results from the Benefits Workshop were tested over four scenarios, these being:

a. Benefits weighted as per ILM

b. Benefits ILM weighting ignored i.e. all benefits weighted equally

c. ILM and Benefits given higher overall weighting than Risks. Benefits weighted as per ILM

d. ILM and Benefits given higher overall weighting than risks. Benefits weighted without ILM.

e. Risk given a significantly higher rating compared to investment objectives and benefits.

Under each scenario, the overall ranking did not change.

Table 30: Sensitivity analysis.

Scenario	Option A: Status Quo	Option B: MVP	Option C: Fully Integrated Entity	Option D: Maximum Flexibility	Option E: Streamlined for the Future	Option G: Efficient Not-for-profit Entity	Counter-factual
1. Benefits weighted as per ILM							
Rating	0.25	0.36	0.48	0.55	0.49	0.62	0.27
2. Benefits ILM weighting ignored i.e. all benefits weighted equally							
Rating	0.25	0.36	0.48	0.55	0.49	0.63	0.29
3. ILM and Benefits given higher overall weighting than Risks. Benefits weighted as per ILM							
Rating	0.20	0.33	0.49	0.59	0.50	0.69	0.22
4. ILM and Benefits given higher overall weighting than risks. Benefits weighted without ILM							
Rating	0.20	0.33	0.49	0.59	0.50	0.71	0.24
5. Risk given a significantly higher rating compared to investment objectives and benefits.							
Rating	0.25	0.25	0.50	0.67	0.58	0.92	0.25
Ranking	**6**	**5**	**4**	**2**	**3**	**1**	**N/A**

The Preferred Option

272. The preferred option is Option G, an efficient, not-for-profit entity, which becomes less reliant on non-Crown revenue. Option G met the investment objectives to the greatest extent and provided the most benefit, although it also had a higher risk profile. Due to the similarities between the costs for all options, the benefits ended up being the deciding factor in selecting a preferred option, leading to Option G as the clear winner.

273. Option G's focus is to target specific audiences with multiple services. As the name suggests, the goal is to operate as efficiently as possible while still achieving the investment objectives of servicing under-represented and under-served audiences. Option G only requires one Board of Directors, resulting in some on-going saving of board costs. The option also assumes a slightly larger saving in FTE than the other options, as there is the option to share all appropriate back-office systems and facilities. As the differential in costs is minor between the options, the costs were not the determining factor in identifying the preferred option.

274. The estimate of the whole-of-life costs includes an initial high-level estimate of the Status Quo costs, and implementation costs associated with each option.

Risks and Uncertainties

Table 31: Key risks and mitigations for preferred option.

Risk	Mitigation
Culture change hampers the entity's success	The creation of a new entity with multiple services, in addition to co-locating and sharing facilities, will require cultural change as the existing entities create a new organisation. This will need to be managed carefully, with a long-term, people-focused change management plan in place. It will draw extensively from strategies and lessons learned in other jurisdictions where similar entity creations have been undertaken.
Poor performance	The preferred option may fail to both deliver on public media objectives, and halt the erosion of commercial revenues. A comprehensive funding strategy and a commercial value offering to generate commercial and Crown revenue will be put in place. In addition, service standards for the Strong Public Media Entity will be set and monitored, backed up by adequate Crown funding.
Adverse impact on wider commercial sector	The entity may adversely impact the viability of the wider media sector and the advertising sector, depending on the implementation of any constraints in generating non-Crown revenue. Any legislation or regulations developed will need to be carefully through to ensure the entity's performance does not weaken the viability of the advertising sector.
Insufficient or inconsistent level of Crown funding provision to the proposed public media entity	The proposed Strong Public Media Entity must be provided with a secure and sufficient flow of Crown funding. First this funding will provide for the production of programmes that meet public media outcomes. Second this funding will ensure the sustainability of the proposed new entity (as NZ's foremost public broadcasting provider) in today's climate of increasing private media competition and declining advertising revenue.
Volatility of the dynamics with commercial revenues	The Strong Public Media Entity will be supported by additional baseline funding from Government.

Key Constraints, Dependencies and Assumptions

Table 32: Key constraints, dependencies and assumptions.

Constraint	Notes
Commerce Act 1986	The preferred option will need to comply with prohibitions against anticompetitive acquisitions (section 47) and anticompetitive arrangements (sections 27, 30 and 36) in the Commerce Act 1986 and meet the Government's requirement to be complementary to private media. This is a transitional constraint that will need to be managed before the entity is fully formed.
Telecommunications Act	The Strong Public Media Entity will be partially bound by the Telecommunications Act.
Broadcasting Act	The Broadcasting Act will need to be reviewed in order for it to be fit for purpose legislation insofar as the entity undertakes non-linear broadcasting. The Television New Zealand Act and Radio New Zealand Act will also be subject to change.
Capacity of the system to embrace change	The preferred option will require the public media system to change, with the formation of one entity with multiple services, and the co-location of staff and facilities. The speed at which change is able to be effected will constrain the ability of the new arrangement to realise benefits.
Resource availability	New Zealand's small media industry means procuring the right resourcing is a constraint for the preferred option. The entity also needs to support the vibrancy of the independent production sector. While this contributes to a healthy media sector, overseas productions located in New Zealand are attracting talent, and may constrain the entity's ability to procure appropriate services and content. In addition, core in-demand skills like technology implementation are in demand across a range of sectors.

Dependencies	Notes & Management Strategies
Dependency on legislation	The creation of the Strong Public Media Entity will require legislative change, and the entity's formation will be dependent on the legislative timetable.
System-wide monitoring entity	The Governance Group has indicated a preference for a media system-wide monitoring entity to be established. The detailed mandate, design and implementation of the monitoring entity will be considered outside this business case. As this business case is not the place to contemplate system-wide

Assumptions	Notes & Management Strategies
Operational decisions	The business case is focusing on putting the enabling framework in place for the creation of the Strong Public Media Entity. Operational decisions will be made by the entity itself given the requirement for operational independence.

Commercial Case

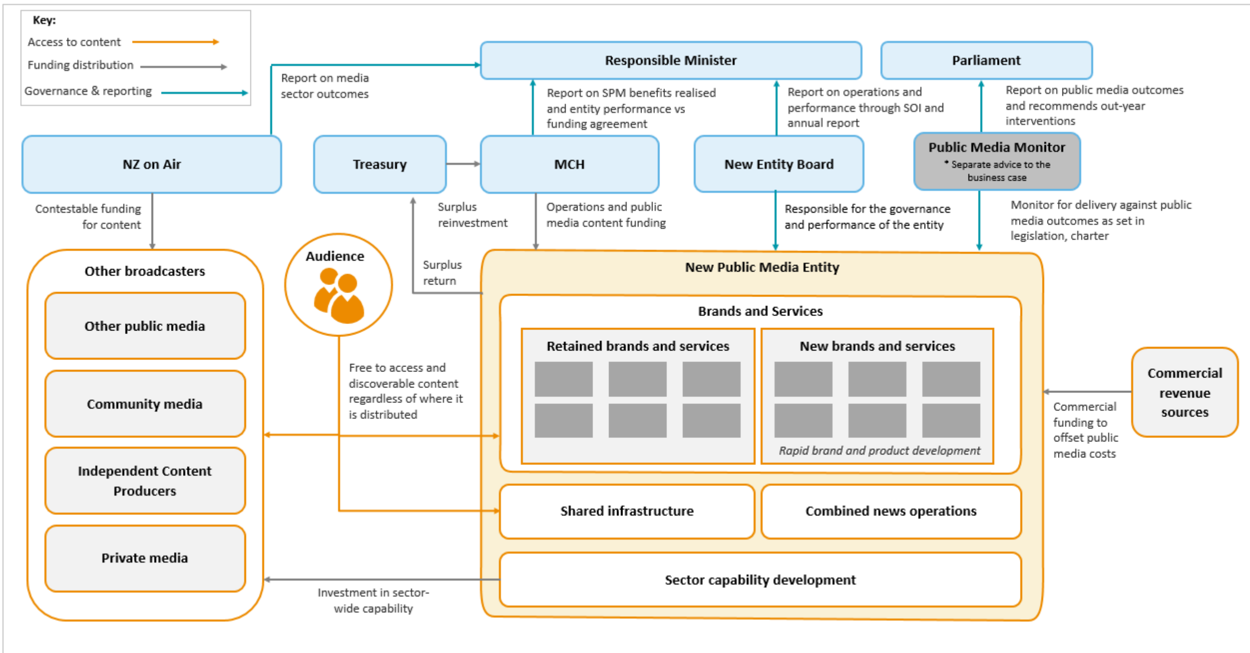
Introduction

275. The commercial case outlines the planned procurement activities for the preferred option and the commercial considerations and framework for continuing to engage with vendors in the market for the preferred option.

Visualising the Preferred Option

276. The Governance Group have developed a high level visual of the preferred option and how it would operate. This will be progressed through the development of the new purpose document (Charter) and may be subject to change.

Figure 11: Vision for the Strong Public Media Entity.



Operating assumptions

277. The new public media entity's focus will be to target specific audiences with multiple services. The goal will be to operate as efficiently as possible while still achieving the investment objectives of servicing under-engaged and under-served audiences. It will:

- Aim for efficiency, with multiple branded services anchored around different audiences and content
  - Retain existing brands and services which New Zealanders enjoy and trust
  - Develop new brands and services to reach other audiences
- Operate as flexibly as possible, rationalising functions where commonality exists – locations and studios, for example
  - Shared infrastructure
  - Combined news operations
- The Strong Public Media Entity will leverage existing TVNZ systems as far as possible as TVNZ has already invested in its technology. In addition to this, the Establishment Partner(s) will conduct technical due diligence, integration planning and

implementation of data and technology assets (internal and customer facing) for successful transition and integration of legacy entities.

- Outsource appropriate services so industry growth is maximised
- Be semi-commercial, not-for-profit
- Oversee distribution in a platform-agnostic fashion; meaning audience will have the ability to access content directly via the Strong Public Media Entity's brands, its shared infrastructure and third-party platforms
- Invest any savings arising from efficiency in bolstering the sector to build system-wide capability. This is either done by:
    - Direct investment by the Strong Public Media Entity into sector-wide capability development
    - Return any surplus to the crown to re-invest in public media outcomes
- Work collaboratively and flexibly with other media entities.
- s9(2)(f)(iv) [redacted] Consequential impact on NZ On Air will be outlined through separate policy advice.

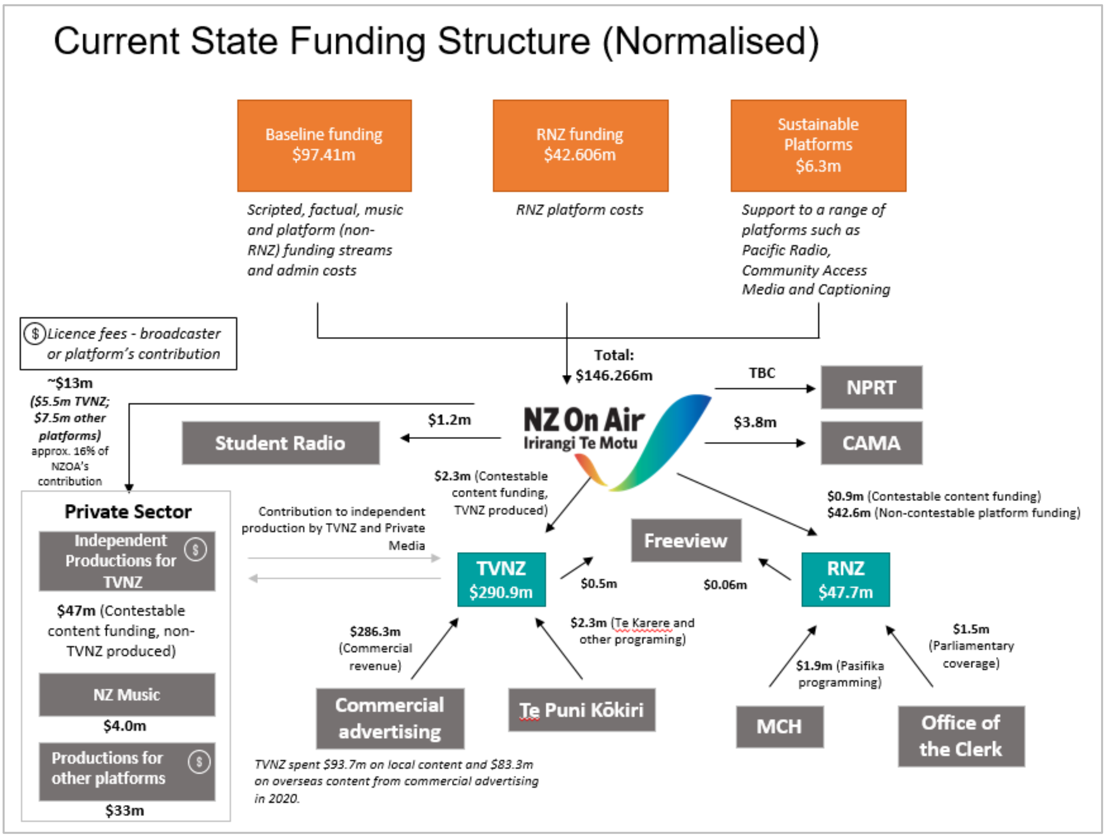
Commercial Implications

Impact of preferred option on funding flows

278. In 2020, TVNZ received $286.3m commercial funding from advertising revenue. It received $2.3m of programme funding from NZ On Air and TMP respectively for production and broadcast of specific programmes.

279. In 2020, RNZ received $42.6m non-contestable platform funding and $0.9m contestable content funding from NZ On Air. MCH provided $2.7m funding to support RNZ Pacific services (international) to the Pacific region. It received $1.5m from the Office of the Clerk for parliamentary coverage. While remaining commercial-free, a small proportion of RNZ's income is generated through third-party revenue such as rental on property lease and co-siting. The normalised view of the current state was reached in collaboration with NZ On Air to remove one-off, ring-fenced funding.

Figure 12: Current state funding flow (normalised).

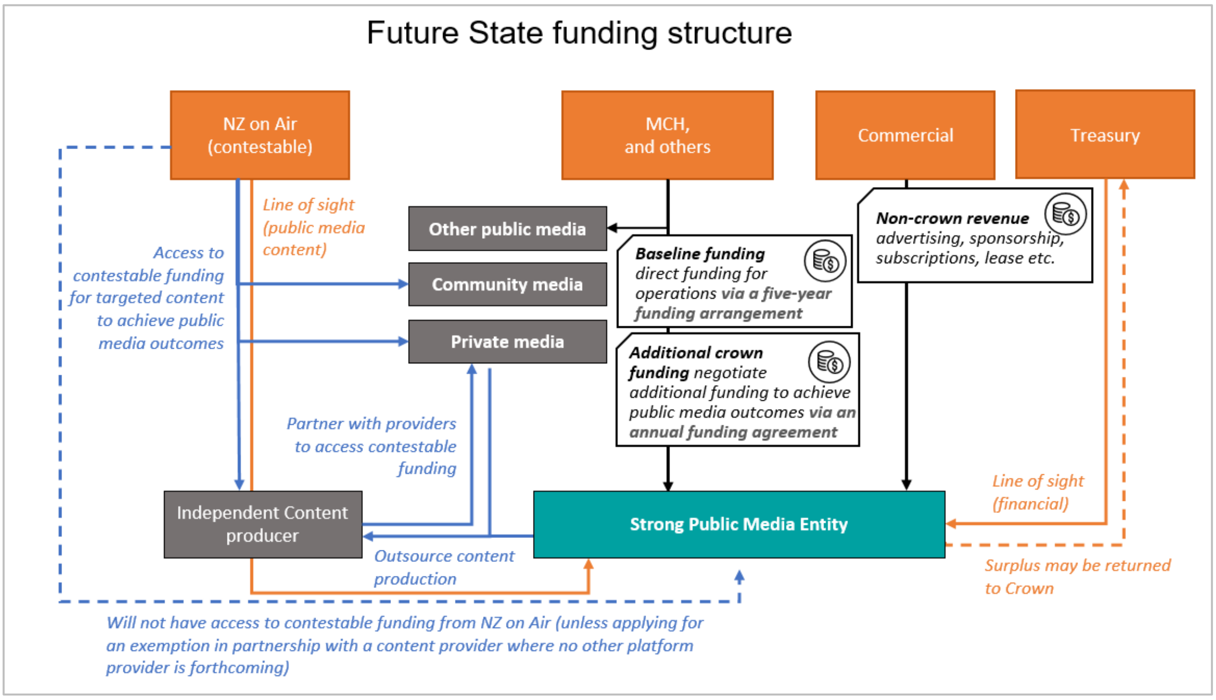


280. The future state funding flow shows the flow of money to the Strong Public Media Entity allowing it to receive non-Crown revenue and Crown funding to achieve public media outcomes.

281. It is assumed that the Strong Public Media Entity will:

- Receive direct Crown funding for operations and public interest content via a funding arrangement to ensure a sustainable public media entity that is resourced appropriately to deliver on public media outcomes
- s9(2)(f)(iv) [redacted]
- Retain advertising free constraints where they currently exist
- Have the flexibility to attract non-Crown revenue to introduce new services and where possible these services will enhance delivery of the public media outcomes and complement existing services offered elsewhere in the sector
- Partner with providers to produce targeted content and support the broader sector to deliver on public media outcomes.

Figure 13: Proposed future funding flow for the preferred option.



Funding and monitoring mechanisms

282. A semi-commercial not-for-profit crown entity will maintain operational independence from Government, while giving effect to Government outcomes for public media. This arrangement is reliant on robust funding and monitoring mechanisms to ensure success. These mechanisms will need to enable rather than hinder operations, while providing public confidence in the abilities of the Strong Public Media Entity to deliver on expectations and outcomes.

283. It is expected that the Strong Public Media Entity will be an Autonomous Crown Entity (ACE) or a Crown Entity Company. The provisions in the Crown Entities Act 2004 will provide a basis for the required mechanisms. These will be further refined and detailed in the policy recommendations to be developed through July and August 2021.

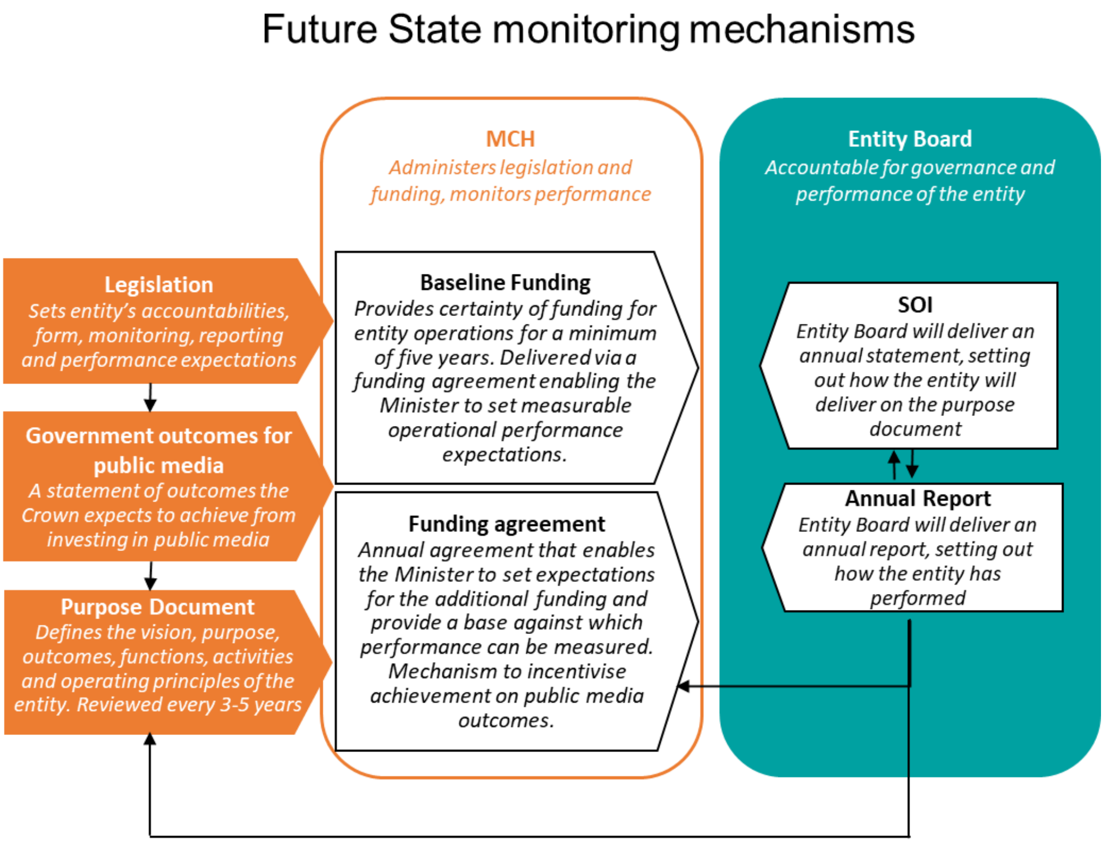
284. Policy recommendations aligning to the business case will be developed through September and incorporated into the cabinet paper for decisions. Any changes to the following assumptions will be updated in the cabinet paper along with any funding implications. Provisions for the additional ongoing operational costs for monitoring have been included in the financial case.

285. It is assumed that the funding and monitoring mechanisms for the Strong Public Media Entity will include:

- Certainty of baseline funding for a minimum of five years to enable business planning. This is currently proposed as a minimum of s9(2)(f)(iv) per annum to be reviewed every five years.
- Ability to negotiate additional crown funding as commercial revenues decline. This would be in the form of an annual funding agreement with the Crown. The funding agreement will provide the mechanism for incentivising the achievement of public media outcomes and sets the foundation for monitoring delivery on outcomes.
- Clearly defined purpose, objectives, operating principles and outcomes set out in the purpose document (Charter) and that there is at minimum a requirement that content produced and distributed by the Strong Public Media Entity delivers on the public and the Crowns expectations for public media.

- Mechanisms for NZ On Air to maintain line of sight across all public media content and measure audience access to content.
- A performance report provided at least annually from the Strong Public Media Entity that provides visibility of performance against expectations set in legislation.
- A mechanism for reporting on public expectations and level of satisfaction with the services provided and performance of the Strong Public Media Entity
- Strong Public Media Entity Board appointments are made that represent and reflect the needs and expectations of the NZ public for public media

Figure 14: Proposed funding and monitoring mechanisms



Key commercial considerations for the preferred option

Mixed funding model

286. The establishment of the Strong Public Media Entity and eventual disestablishment of the legacy entities will result in a continuation of the current mixed funding model. It is assumed the Strong Public Media Entity:

- Is semi-commercial and receives revenue through:
  - Direct Crown funding for operations and public interest content via a funding arrangement with specific KPIs in place to achieve public media outcomes
  - Viable commercial revenue generating options to top up Crown revenue
- s9(2)(f)(iv) [redacted]
- Existing public good services that are constrained from attracting non-Crown revenue will remain Crown-funded
- New services will be open to attracting non-Crown revenue other than where there are existing rules/regulations.
- Funding and revenue earned will primarily be invested in public media outcomes
- The intention for the Strong Public Media Entity is to use any surplus revenue to offset the need for public funding support.

Commercial rights

287. The establishment of the Strong Public Media Entity and eventual disestablishment of the two legacy entities may require the Strong Public Media Entity to renegotiate commercial rights, this will require:

- RNZ & TVNZ to initially be transferred under the Strong Public Media Entity as non-operating subsidiaries to maintain rights where possible with transitional provisions in place as needed until the eventual disestablishment on completion of full legal review and new contracts established
- An immediate focus from an expert team to manage risk and relationships
- A full assessment of the risks and how these will be addressed/managed to be conducted as part of the establishment phase
- An approach for managing risks of any upcoming assets or rights procured in the interim by the legacy entities i.e. those that could have a significant or long-standing impact on the Strong Public Media Entity that will require interim guidelines for any purchasing constraints or change of ownership clauses as required.

288. The associated risks are outlined in the commercial risks Table 36. Further information on the management approach is provided in the management case. It is proposed to mitigate this risk with appropriate transition provisions in legislation.

Key commercial implications of establishing the Strong Public Media Entity

Table 33: Commercial implications of establishing the Strong Public Media Entity.

Dimension of the preferred option	Commercial Implication
Entities and Services	The establishment of the Strong Public Media Entity and eventual disestablishment of legacy entities may result in the Strong Public Media Entity having to renegotiate contracts.
Constraints in non-Crown Revenue	Status quo will remain for the existing public good services that are constrained from attracting non-Crown revenue
Operating Model – Shared Resources	Once the Strong Public Media Entity is established it will look for opportunities to consolidate resources, back-office functions and facilities where it is cost effective to do so. This may result in: • some consolidation across shared services • extended licences for core systems i.e. ERP • decommissioning of legacy systems.
Operating Model – Content Production	The preferred option is based on balancing in-sourcing and out-sourcing appropriately, so industry vibrancy is maximised. The Strong Public Media Entity will maintain the status quo where it is able to re-negotiate contracts to achieve this.
Operating Model – Distribution	The Strong Public Media Entity will maintain the existing third-party distribution arrangements where it is able to re-negotiate contracts to achieve this. Expanding third-party distribution arrangements will change incrementally once the Strong Public Media Entity is operational, management is in place and a distribution strategy developed. Any investment in Crown-owned platforms will be a decision for the Strong Public Media Entity management as part of its strategy and is out of scope for this business case.
Commerciality	The Strong Public Media Entity will collaborate and compete with other public and private media. This will mean working collectively with third parties to support the achievement of public media outcomes. Content made by, for, about New Zealanders and distributed to New Zealanders is encouraged regardless of whether this is delivered by the Strong Public Media Entity or private media. The key commercial considerations are that: • The Strong Public Media Entity will operate on a semi-commercial basis • The Strong Public Media Entity is either an Autonomous Crown Entity (ACE) or a Crown Entity Company supported by commercial revenue not a commercial entity supported by government • NZ content where the Strong Public Media Entity has content rights will be made available without additional charge at least on first broadcast • Public media assets including talent and facilities will be made available to the sector on a reasonable cost-recovery basis to support and growth the public media eco-system • The approach to developing new services will be cognisant of what already exists so as not to directly compete and instead to support or complement the wider independent production sector to deliver services that meet the needs of under-served or under-engaged audiences. The entity will therefore combine in-house vs outsourced services. But in pursuing an appropriate trade-off between these two options, the entity will aim to help sustain and grow the capacity of the wider production sector.
Phasing	*No commercial implication*
Independence	*No commercial implication*

Market impacts of establishing the Strong Public Media Entity

Table 34: Market impacts of establishing the Strong Public Media Entity.

Who/what is impacted	Impact description	Mitigation
Other public and private media	The Strong Public Media Entity will collaborate and compete with other public and private media. This will mean working collectively with third parties to support the achievement of public media outcomes. Content made by, for, about New Zealanders and distributed to New Zealanders is encouraged regardless of whether this is delivered by the public media entity or private media.	Where a market exists the Strong Public Media Entity will outsource content development. Distribution strategy includes distribution via third parties. Public media outcomes reporting requires evidence of new entities proportion of investment on in-sourced services (incl. content and distribution) vs outsource services.
Content producers/ developers	**Existing contracts:** The establishment of the Strong Public Media Entity may have a commercial impact on content producers/developers who currently work with TVNZ/RNZ. **New contracts**: Direct content funding to the Strong Public Media Entity would mean that Content Producers applying to NZ On Air for access to the remaining pot of contestable funding could not do so with The Strong Public Media Entity as the first choice platform provider. Insource vs outsource: Direct content funding may result in an increase in content being produced in-house directly impacting the health and vibrancy of the sector	**Existing contracts**: Establish strategic procurement and legal advisory capability to assess contracts and develop a procurement and renegotiation approach, as required. **New contracts:** An exemption is proposed. At the discretion of NZ On Air, if no other provider is forthcoming under the contestable pool, for what is deemed a quality public media content idea, then NZ On Air may invite the Strong Public Media Entity to partner with the content provider. Insource vs outsource: The Strong Public Media Entity will appropriately balance in-source vs outsource services and will look to buy where a market exists and develop inhouse where there is no market
Audience	The preferred option delivers for more audiences, with more relevant content representative of NZ audiences available on more platforms	Funding arrangement and metrics to ensure public media content is reaching more under-served and under-engaged audiences
Talent	Talent sharing across the sector, with ability to work non-exclusively to the benefit of NZ audiences, establish mentoring and achieve sector growth and job satisfaction	Flexible working arrangements that support diverse needs and leveraging recent changes in vocational education that enable more flexible qualification pathways
Freeview	Establishment of the Strong Public Media Entity will require a change in RNZ & TVNZ shareholding arrangements for Freeview Future service and platform decision made by the Strong Public Media Entity has the potential to significantly impact the future viability of Freeview	RNZ & TVNZ to initially be transferred under the Strong Public Media Entity as non-operating subsidiaries New service and platforms decisions must be made with a view of the existing eco-system and where the public media entity can support growth and sustainability instead of create new
s9(2)(f)(iv) [redacted]		

Procurement strategy

Purchasing Agency

289. Manatū Taonga, The Ministry for Culture and Heritage is the sponsor for the strong public media work programme and will continue to support the Minister in the establishment of the Strong Public Media Entity.

290. The Ministry will support the stand up or delegate authority for procurement of an establishment board and establishment unit with accountability for delivering the establishment programme, including procuring resources and services to support the successful delivery of the programme.

   - The establishment board will be appointed by the Cabinet. The establishment board will govern the establishment of the new entity and advise on method for creating and shaping the public media entity and how it will operate.
   - The Ministry will focus on enabling the new arrangements for public media, including funding.

291. The establishment unit will ascertain available capability first, and then decide what needs to be sourced externally.

292. The establishment unit will be delegated decision-making rights for procuring services to support the successful establishment of the Strong Public Media Entity, within prescribed delegated authorities.

293. Any goods and service requirements for when the Strong Public Media Entity is operational will be procured in the normal course of business by the Strong Public Media Entity including any new services or assets as required to deliver on public media outcomes.

Tendering process

294. Procurement will be managed where possible through a secondary RFP process through shortlisting a selection of providers through existing AoG contracts where available.

295. Where there are no existing AoG contracts for services sought (i.e. technology and data). Manatū Taonga, will undertake procurement activities in accordance with the Government Procurement Rules.

Government procurement principles

296. The proposed approach will be guided by the Government Procurement Rules (including consideration of Broader Procurement Outcomes[55]) and Government Principles of Procurement and deliver on the broader outcomes in the following ways:

   - **Plan and manage for great results** – Develop clear requirements and ascertain what capability can be sourced internally or seconded to the establishment programme, what can be sourced from the AoG panel, or where a service/capability will need to be procured through an open market tender.
   - **Be fair to all suppliers** – By submitting an RFP to market providers with transparent evaluation criteria to ensure all proposals are consistently and fairly evaluated.
   - **Get the right supplier** – Suppliers will be requested to submit their pricing separately to ensure the responses are evaluated on the merit of their proposal before pricing is considered.
   - **Get the best deal for everyone** – Consider what will generate the best public value and be accountable for the results.

[55] https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/planning-your-procurement/broader-outcomes/

- **Play by the rules** – Government procurement rules will be applied across the procurement process.

Broader procurement outcomes

297. Broader outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long-term public value for New Zealand.

298. Cabinet agreed on 23 October 2018 to a set of four priority outcomes for agencies to leverage from their procurement activities to achieve wider public value from their spending.[56]

299. The procurement approach taken by the purchasing agency for procuring the establishment services will deliver on one of the Government identified four priority outcomes:

    - **Support the transition to a zero net emissions economy** – Establishment activities will include asset and facilities rationalisation to identify co-location opportunities to support a reduction in public media's carbon footprint.

300. In addition to the above, the preferred option will promote procurement from New Zealand businesses, including Māori, Pasifika and regional businesses, as well as social enterprises. It will create apprentice opportunities to boost talent and support individuals gain skills and experience in the media sector.

301. See appendix 8 for a detailed procurement plan.

What Needs to be Procured

Service streams and required outputs

302. The following table outlines the services to be procured for the establishment phase only i.e. the activities/resources needed to set up the Strong Public Media Entity and to inform seamless transition of legacy entities to the Strong Public Media Entity. An initial assessment of the number of providers under the AoG services panels confirms there is sufficient capability and capacity in the market to support this.

303. A detailed assessment of existing services, assets and contracts will be undertaken and a procurement strategy and a phased procurement plan established. This will enable smooth transition of all services, physical and human assets to the Strong Public Media Entity prior to disestablishing the legacy entities.

304. It is assumed all end state future operational procurement needs will be the responsibility of the Entity management once the Strong Public Media Entity is established.

Table 35: Where services cannot be utilised from available capacity within the strong public media programme or the legacy entities, they will be procured during the establishment phase as outlined below.

#	Service to be procured	Outcome	Procurement approach
1	Establishment resource	• Ensure the programme is set up for success with the required capability and capacity to resource key establishment activities and successfully stand up the Strong Public Media Entity	Procurement through AoG Recruitment services panel to complement internal programme

56 https://www.procurement.govt.nz/broader-outcomes/

#	Service to be procured	Outcome	Procurement approach
2	Establishment partner(s)	• The Strong Public Media Entity is operational on day one, operating model is designed and implemented with all services and functions transitioned. Risks are identified and managed with minimal impact to business as usual operations for RNZ and TVNZ	Procurement through AoG contracts for consultancy services/business change to complement internal programme
3	Brand advisor	• The Strong Public Media Entity has an interim core suite of brand collateral (light touch) until the development of the Strong Public Media Entity brand can be progressed under the Strong Public Media Entity board and entity management	Procurement through AoG contracts for design (brand and visual identity) services
4	Legal advice	• Contractual risks and impacts across commercial operations (third party content and distribution) and entity assets (technology, facilities, talent) have been identified and contracts renegotiated or new contracts are in place as applicable. Legal advice will also be required to support the legislation workstream.	Re-negotiation of contracts using existing in-house expertise where possible Procurement through AoG contracts for legal services to complement and extend internal capacity/capability
5	Systems and data migration	• Linking of systems and information to achieve efficient, technology enabled ways of working and a means of gathering data for measuring outcomes	Open tender through GETS
6	Communications advisor	• Internal and external communication strategy and planning	First review the existing capability
7	Change advisor	• Change management strategy and planning	First review the existing capability
8	Recruitment advisor	Identify and recruit • Establishment unit roles • Establishment board • The Strong Public Media Entity Board • CE and LT	First review the existing capability

Commercial Risks

Table 36: Commercial risks.

#	Risk	Description	Mitigation
1	Ability to continue current content and distribution rights	• Establishment of the Strong Public Media Entity may limit ability to continue with existing content and distribution rights held by TVNZ and RNZ	• RNZ & TVNZ will initially be transferred under the Strong Public Media Entity as non-operating subsidiaries to maintain rights where possible with eventual disestablishment on completion of full legal review and new contracts established
2	Ability to retain favourable contract terms	• Due to the legacy entities not being retained, new contracts negotiated could result in a higher cost base. Further, there is a risk that on disestablishment of the legacy entities, long-term contracts are lost because suppliers contract with other competitors in the market and not the Strong Public Media Entity	• The implementation plan considers commencement of stakeholder management activities immediately after sign-off of business case. Contracts will be novated where possible and reasonable.
3	Ability to retain talent	• The uncertainty around the Strong Public Media Entity may result in key talent seeking alternative employment and broader media market leveraging the opportunity to poach prime talent	• The implementation plan considers commencement of change management and communication activities immediately after sign-off of business case.
4	Reduction in public media's share of audience	• As media companies around the world look to consolidate and innovate to compete for audiences, content deals may become more exclusive and lock out the Strong Public Media Entity from existing or prospective deals with content producers • Exclusive first run rights attract audiences and make re-run less appealing for some audiences reducing public media's share of eyeballs for certain content	• Deliberate shift to a semi-commercial mindset, the Strong Public Media Entity is an Autonomous Crown Entity (ACE) or a Crown Entity Company, funded directly by the Crown where focus is on increasing access to and engagement with public media rather than competing for exclusive commercial arrangements • Retain flexibility to attract non-crown revenue to optimise achievement of public media outcomes

Financial Case

Introduction

305. Two key issues underpin the financial case for the Strong Public Media entity. The new entity is forecast to require an increasing level of Crown funding. The need for Crown funding is driven by two key components – declining commercial revenue (approximately s9(2)(b)(ii) [redacted] and cost inflation (approximately 2% p.a.). Predicting the decline in commercial revenues is inherently uncertain, and TVNZ's three-year business plan forecasts losses in linear advertising revenue will be fully offset by growth in digital advertising revenue. Working with Governance members and TVNZ, this forecast was revised, and takes into account a steeper and accelerated decline in those revenues.

306. The decline in commercial revenues will happen regardless of whether or not the establishment of the Strong Public Media entity occurs or not. The speed of this decline is the key uncertainty. This means that the Status Quo for both TVNZ and RNZ – but particularly TVNZ – is not sustainable, and increased Crown funding would be required in the near future. Underpinning this financial case is the need to anticipate this decline in commercial revenue and prepare the entity for it, rather than dealing with the situation reactively. This means the net funding requirement for the preferred option over and above the Status Quo is linked to establishment activities and content production.

307. How the decline in commercial revenues is dealt with ties into the second issue, which is moving the entity from being largely dependent on non-Crown revenue initially, to one operating on a more evenly mixed model. This will drive a change in operating stance for the entity to take a 'public media first' position, and provides certainty in sustainable funding. The purpose document (Charter), the legislation and the Strong Public Media entity's Board will set the direction for how it pursues the commercial proportion of its revenue in fast-moving and dynamic national and international operating environment: but the 'public media first' stance ought to take priority.

308. s9(2)(f)(iv) [redacted]

309. The Governance Group has identified that the new entity – and possibly the wider public media system should be subject to monitoring to ensure public media objectives are met. The scope, functions, and funding of any permanent monitoring agency are outside the scope of this business case. However, this business case does cover the initial monitoring function to be discharged by MCH or Treasury.

Affordability and funding requirements

Scope of the funding requirements

310. Additional Crown funding is required to support the anticipated decline in commercial revenues, in addition to funding required under the Status Quo to the in-scope entities.

311. The funding covers the following costs:

- Costs to establish a Strong Public Media entity subsuming TVNZ and RNZ, including the costs of the establishment board, transition and integration.

- Content costs to increase the focus on public media objectives and moving to a semi-commercial model.

Financial Costing Approach

312. The financial model outlines the funding required to deliver the Preferred Option. The model is based on TVNZ, RNZ and NZ On Air's latest financial statements, available financial forecasts, and Status Quo assumptions.

Timing

313. Whole-of-life costing is based on a forecast period of 30 years, consisting of a forecast implementation and integration period of three years, and an operational period of 27 years. This reflects a generation of the life of public media arrangements, rather than the lifecycles of the many technologies used to deliver public media. In addition to the 30 year view, a ten year timeframe is included within Appendix 7: Financial Case Assumptions.

Key Assumptions

314. The Preferred Option is based on the following key assumptions for revenues, costs and capital expenditure of the project:

    - The status quo reflects financial forecasts from TVNZ to FY2024/25, RNZ to FY2022/23 and NZ On Air to FY2021/22. This information forms the baseline assumptions of the financial model, with costs generally assumed static for each entity thereafter. Any anticipated costs for the entities that are not included in the forecast information provided is assumed to be un-funded and is excluded from this analysis. For example, future Budget Initiatives RNZ may pursue are not included in the Status Quo.
    - s9(2)(b)(ii) [redacted]
    - [redacted]
    - RNZ is expected to receive increased baseline funding in line with inflation assumptions.
    - The forecast figures assume a sustainable reduction in entity cash balances before seeking additional Crown funding.
    - Normalised capital expenditure assumptions are included to maintain the existing asset base.

315. For the Preferred Option, the following assumptions overlay the status quo:

    - Implementation and transition costs, which include costs associated with the Strong Public Media Entity establishment board, brand establishment, legal costs, programme management, change management and operating model establishment costs. Wind-down costs allow for the eventual disestablishment of legacy brands, post transition and integration. These costs are near term and have a degree of uncertainty. Consequentially, a recommended level of contingency is included.
    - Under the new arrangements, the shortfall in non-Crown revenue will be met by increased baseline funding from additional Crown revenue.
    - Potential cost savings in the vicinity of $48m over the 30 years have been identified, associated with a single board of directors, a single executive / management team, and integrating some services.

- Any anticipated savings arising from efficiencies are expected to be reinvested to build sector-wide capability. These savings are retained by the Strong Public Media Entity in support of public media outcomes.
- Treatment of the any surpluses the entity generates will be agreed with Treasury as part of the Crown funding arrangement.
- General cost escalation has been calculated over the period using CPI rates of 2% in line with the fiscal update published by Treasury in May 2021.

316. A full set of assumptions and detail supporting the financial costing model is set out in Appendix 7.

Capital and Operating Costs - Required Funding

317. As outlined in the strategic case and Cabinet Paper[57] the local media sector has experienced increased competition from global digital platforms and changes in audience behaviour, which have impacted their financial sustainability.

318. Without further funding, TVNZ and RNZ cannot individually or collectively deliver on public media objectives while maintaining existing audiences. Commercial revenue streams, particularly those associated with linear broadcasting, are expected to rapidly decline.

319. Table 37 below summarises the total incremental investment of the Preferred Option over the Status Quo. This covers capital and operating costs on an annual basis over the period to FY2026/27 and, in total, over the 30 years modelled.

Table 37: Capital and operating costs and existing revenue of the preferred option entity.

NZ($m)	2021/22	[redacted]
Capital expenditure:		
Status Quo	(12.7)	
Preferred Option Capex[58]	0.0	
Total Capital Expenditure	(12.7)	
Operating expenditure:		
Status Quo	(387.0)	
Preferred Option Opex:		
One-off entity establishment	(14.6)	
Ongoing entity[59]	0.0	
Content production	0.0	
Reinvestment into Sector	0.0	
Cost Synergies	0.0	
Contingency		
Total Preferred Option	**(14.6)**	
Total Operating Expenditure	**(401.6)**	

[57] August 2019 Strengthening Public Media: Report Back Cabinet meeting paper p.3-4 section 19 and 21
[58] Excludes programming content rights which are included in the operational funding, on the basis they have a useful life of approximately one year
[59] Includes ongoing technology costs

320. Funding sources over time are outlined in Table 38 below. In FY24 new Crown baseline funding commences, which starts moving the entity towards a 'public media first' stance and operating surpluses are likely to begin.

Table 38: Preferred Option Funding Sources

	2021/22	s9(2)(f)(iv)
Funded by:		[redacted]
RNZ Funding via NZ On Air	42.6	
TVNZ Funding via NZ On Air	2.2	
RNZ & TVNZ – Other Govt Funding	6.2	
Total Baseline Funding	**51.0**	
Establishment and integration Crown funding	14.6	
Crown funding (includes redirected NZ On Air funding for content)	0.0	
Total Crown Funding	**65.6**	
Non-Crown funding	s9(2)(f)(iv) [redacted]	
Total funding	[redacted]	

321. Figure 15 shows the modelled mix of revenue for the Strong Public Media Entity over time, observing a change in the balance of sources of funding. The balance in revenue sources will move away from commercial, towards revenue from the Crown.

Figure 15: Strong Public Media Entity - Revenue sources over time (excluding escalation)

s9(2)(f)(iv) [redacted]

s9(2)(f)(iv) [redacted]

Figure 16: Costs and Funding profile for 15 years

s9(2)(f)(iv) [redacted]

322. The Ministry for Culture and Heritage, or another nominated Agency, will require new funding to assist with the establishment of the preferred option, in addition to funding to provide s9(2)(f)(iv) [redacted] media system monitoring. s9(2)(f)(iv) [redacted]

Table 39: Financial implications for MCH or Treasury.

s9(2)(f)(iv) [redacted]

Affordability and Funding Sources

323. s9(2)(f)(iv) [redacted] Crown funding increasing and adjusted for inflation to offset increase in expenditure. Non-Crown revenues are assumed to decline as advertising market share is lost on the basis of increased competition.

324. The additional funding sources for this investment are limited due to:

- The inability to further reduce costs, maintain forecast commercial revenues and audience reach.
- The underlying assumption that existing commercial-free channels will not be monetised, precluding additional funding from these sources.

325. The financial model assumes a request for funding from the Crown will be successful.

326. s9(2)(f)(iv) [redacted]

Table 40: Breakdown of requested funding and sources of funds.

NZ($m)	2021/22	s9(2)(f)(iv) [redacted]
Total Crown Funding	65.6	
less RNZ Funding from NZ On Air	*42.6*	
less TVNZ Funding from NZ On Air	*2.2*	
less RNZ and TVNZ Funding from Govt	*6.2*	
s9(2)(f)(iv) [redacted]		
New Crown Funding Required	**14.6**	
plus Surplus Revenue Earned		
Net Crown Impact	**14.6**	

Key Risks and Funding Contingencies

Table 41: Key risks, impact and mitigation.

Risk	Impact	Mitigation	Contingency
Linear advertising revenue declines, causing loss of market share, and is not offset by growth in online advertising. Advertising revenue is affected by both the size of the market (i.e. linear or digital) and the share of that revenue.	[redacted]	The Strong Public Media Entity will move to a more comprehensive funding model with increased baseline funding from the Crown.	Ultimately if the Strong Public Media Entity is unable to remain financially viable it may be forced to rely on Crown funding to meet objectives.
The media landscape is becoming increasingly competitive	Market dynamics and the emergence of strong, consolidated competitors is changing the operating landscape for New Zealand's public media entities.	The Strong Public Media entity will be better placed to respond to these market changes with scale and increased access to Crown funding.	If the market shift is worse than anticipated, the Strong Public Media Entity may be required to request a higher level of Crown funding to remain viable or cut costs, such as content. However, reducing content expenditure may have flow on impact on future audience and commercial revenues.

Optimism bias and Sensitivity Analysis

327. In working with the Governance Group and the entities, it was agreed a decline in commercial linear advertising revenue was inevitable, and the ability to entirely replace this with digital advertising revenue, in the near-term, was unlikely. This is the single largest driver of cost and revenue and, in a dynamic and swiftly moving market, predicting with certainly is inherently difficult.

328. Scenarios were developed to illustrate the decline and growth of linear and digital advertising respectively, and the impact on market share and revenues. The scenarios below illustrate two eventualities, and show how even a very slight change in market share can have large commercial effects. Modelling used the downside scenario case.

329. Advertising revenue has been modelled based on a mix of the total terrestrial linear market and digital online market, and TVNZ's market share in each of these markets. Market share is addressed in terms of share of the advertising dollar, rather than audience share.

330. There are a wide range of revenue scenarios regarding the size of the future terrestrial and online markets, TVNZ's market share in each of these markets, and the rate of change due to changes in consumer preferences and technology. These may have material impacts on the viability and sustainability of linear programming and the broadcast media sector.

Figure 17: Advertising revenue scenario – base case.

s9(2)(f)(iv)

[redacted]

Figure 18: Advertising revenue scenario – downside scenario case (-2%).

s9(2)(f)(iv) [redacted]

Figure 19: Advertising revenue scenario – upside scenario case (+2%).

s9(2)(f)(iv) [redacted]

331. s9(2)(f)(iv) [redacted]

332. Establishment costs are near term and subject to some uncertainty. To estimate a recommended contingency for the establishment costs, four point-based sensitivities were considered:

- The mix of establishment team staff as fixed term employees, compared to contractors.
- The size of the establishment team needing to be greater
- The establishment team needing to be operational for extra time (1 year)
- More effort required from the Establishment Partner(s) and associated activities

s9(2)(f)(iv) [redacted]

Figure 20: Establishment Cost Sensitivity

s9(2)(f)(iv) [redacted]

Financial Implications

333. The Status Quo is unsustainable, with two entities under pressure, needing Crown contribution in the future particularly RNZ, as well as seeking cost reductions. Commercial revenues from linear advertising are likely to decline, and are not wholly substituted by digital revenues. This means a likelihood of significant Crown contribution regardless – in the order of s9(2)(f)(iv) [redacted] over 30 years under the existing arrangements.

334. Over and above the likely Status Quo support, the entity requires support through implementation and establishment, and redirected content costs. This means the Strong Public Media Entity will be funded through a mix of Crown and non-Crown revenue. This means s9(2)(f)(iv) [redacted] to support establishment and on-going costs alongside s9(2)(f)(iv) [redacted] of new Crown funding over 30 years, noting the ability to offset this need with surplus revenues earned.

The total funding request from the Crown

335. Today, the Crown spend approximately $145 million annually on public media, delivered via NZ On Air, RNZ and TVNZ. This expenditure will be s9(2)(f)(iv) [redacted] over the next 30 years.

336. Based on conservative projections, assuming advertising revenue drops away the support required to public media to maintain existing arrangements is forecast to be s9(2)(f)(iv) [redacted] over the next 30 years, starting from 2025/26.

337. The preferred option presented in this Business Case requires additional investment to establish and integrate the new arrangements. This will cost an additional s9(2)(f)(iv) [redacted] over 30 years.

338. Public funding will be increased compared to the current settings. s9(2)(f)(iv) [redacted]

The additional funding required from the Crown, over and above support to declining advertising revenue and new entity establishment is estimated to need s9(2)(f)(iv) [redacted] invested over 30 years.

Table 42: Total Public Media Crown Funding

s9(2)(f)(iv) [redacted]

339. s9(2)(f)(iv) [redacted]

Management Case

Introduction

340. The management case describes the arrangements that will be put in place for the successful delivery of the Strong Public Media Entity, to ensure successful set-up, establishment and stabilisation.

Guiding principles

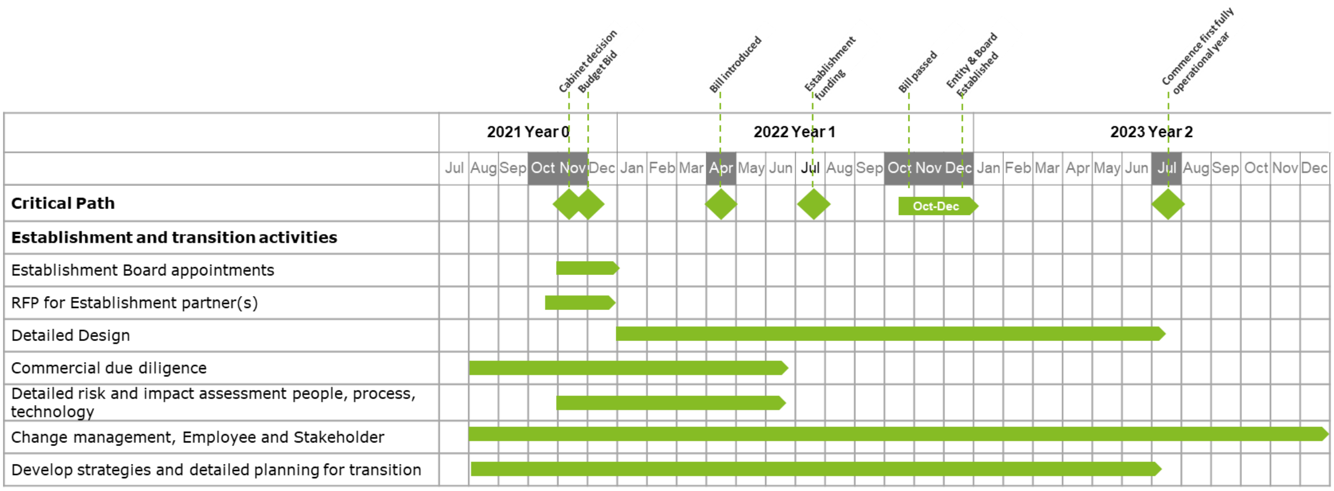
341. To assist the establishment phase a set of guiding principles will be co-developed across the establishment teams including the establishment board, establishment unit and legacy entities. The objective of the guiding principles is to create a culture where everyone understands their role, the value they contribute and have a shared understanding of the priorities, what is important and how to be successful. A draft set of guiding principles to be further developed by the establishment teams is proposed below:

- Upholding our commitment to the Treaty of Waitangi – embed the principles of partnership, participation and protection in all that we do
- People first – at all times treat people with respect and sensitivity
- Built for the 21st Century – build an enduring organisation that is agile, adaptable and stands the test of time in a rapidly changing environment
- Intent – maintain a strong commitment to upholding the integrity of the existing services and intent of the Strong Public Media Entity
- Preserve and protect – lead with the intent to preserve and protect physical and human capital assets. People will be supported to maintain operations as usual and be valued partners and participants in informing, building and supporting the seamless transition to the Strong Public Media Entity
- Don't duplicate – assess and recognise the value of what already exists
- Agility and expedience – be clear on our priorities, know what's important, mobilise and adopt change at pace.

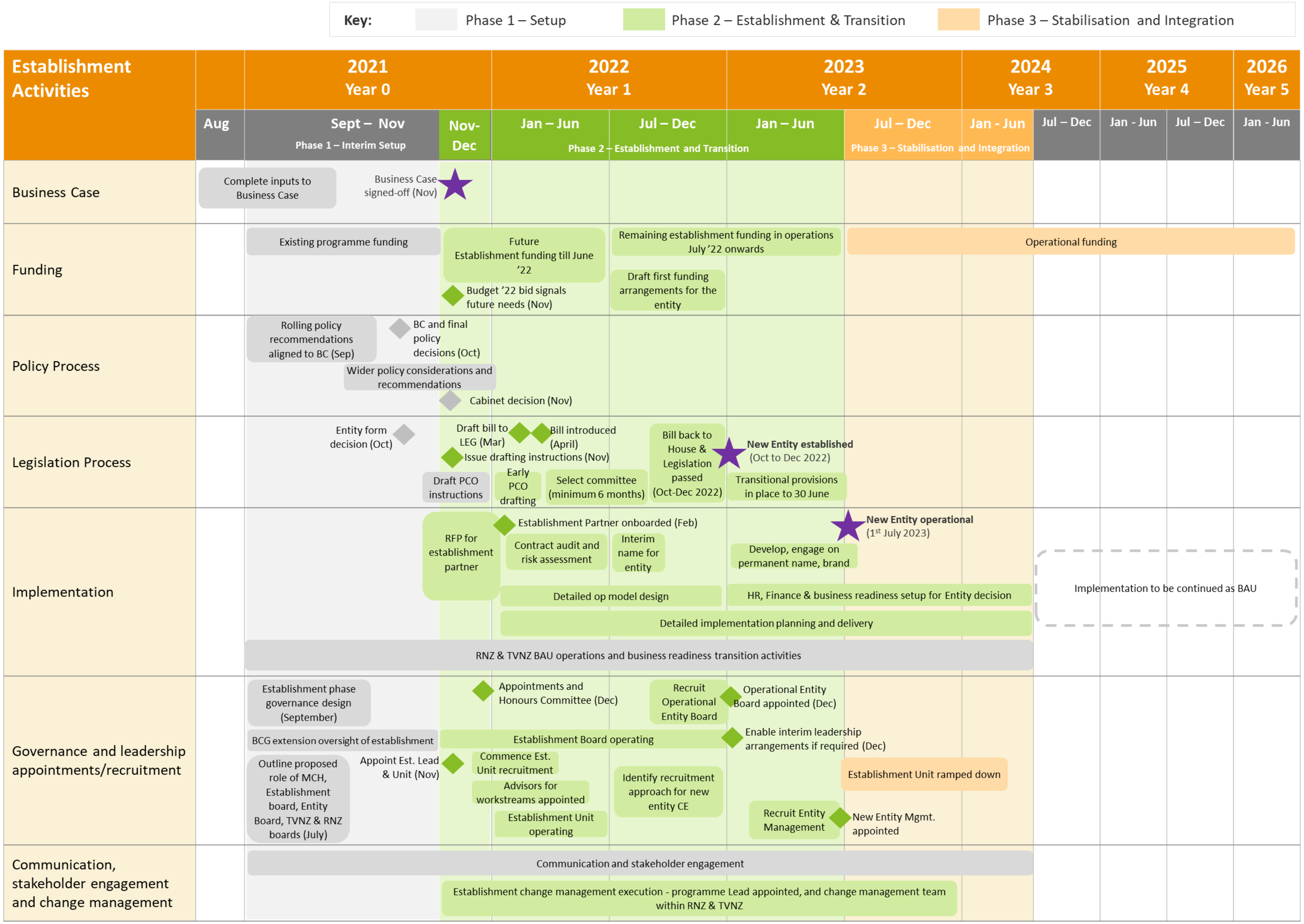
Key establishment milestones

342. Working assumptions for establishment are that a cabinet decision will be reached by November 2021. Final policy decision in line with the business case will be agreed in October. Early drafting will then commence and be completed by March 2022 in time for the bill to be introduced in April 2022. The select committee process will commence in April and take approximately six months. This timing assumes the Strong Public Media Entity could be established between October and December 2022.

343. In order for this to be achieved the detailed design work will need to commence alongside the legislative process. A summary of the critical path and high-level establishment activities is illustrated below.


Cabinet decision
Budget Bid
Bill introduced
Establishment funding
Bill passed
Entity & Board Established
Commence first fully operational year
2021 Year 0
2022 Year 1
2023 Year 2
Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Critical Path
Oct-Dec
Establishment and transition activities
Establishment Board appointments
RFP for Establishment partner(s)
Detailed Design
Commercial due diligence
Detailed risk and impact assessment people, process, technology
Change management, Employee and Stakeholder
Develop strategies and detailed planning for transition

Phased Establishment Timeline



Overview of establishment approach

344. A fully integrated approach will be taken to establishment. The programme will adopt a partnership and participation approach with legacy entities. An integrated approach is likely to include the following (list below is indicative only and not exhaustive):

- Legacy entity representation on the establishment governance board and advisory groups as needed
- Recruit/second programme team members and subject matter experts from legacy entities/industry to lead/inform core workstreams and establishment activities
- Establishing ownership and accountability within legacy entities for undertaking due diligence and taking a lead on informing seamless change with minimal impact to operations
- Identifying and empowering subject matter experts to co-create the detailed design and implementation plan
- Change leaders and champions within the legacy entities co-developing the change management and engagement strategy and plan and taking the lead in delivering the change
- The establishment and transition to the Strong Public Media Entity will be managed alongside business as usual delivery and needs to establish appropriate boundaries to ensure delivery is not impacted by the change.

345. The following three phases outline the establishment approach to achieve end state.

346. **Phase 1 – Interim Set up (July-Nov 2021):** Business Case and Policy recommendations to cabinet need to be progressed to final decisions. These are expected in November 2021. During this time a number of activities will need to continue in preparation for a final decision including:

Funding

- Confirm establishment funding requirements and approach and prepare Budget 22 submission as necessary

Policy

- The business case is tracking ahead of the policy work on the broader media landscape which would ideally inform this business case. As this is broader in scope than the business case it will be separate advice to Ministers and will include legislation drafting for a new entity.
- Policy advice in line with the business case will be drafted by September 2021 and will include policy recommendations and drafting instructions on the future arrangements for the Strong Public Media Entity including entity form, function, governance and monitoring.
- Further policy advice will be completed in late 2021 and will include policy advice on remaining arrangements.

Legislation

- Agree an interim working name for the new entity.
- Prepare advice on purpose document (Charter) consultation to support relevant policy briefings and considerations for legislation to enable drafting instructions for PCO

Implementation

- Draft RFP documentation for establishment partner(s)
- Commence audit and risk assessment activities across existing contracts, including content contracts (renew, novate, terminate) to be addressed and any essential new

contracts to be negotiated for day one establishment. (Note this may be an extensive task and will commence in Phase 1 and continue through Phase 2

- Detailed programme planning to enable smooth transition between phases and commence establishment

Governance and leadership appointments/recruitment

- Establishment phase governance design. Develop the terms of reference for an Establishment Board and begin planning APH process.
- The review and extension of programme resourcing and oversight by MCH enabling infrastructure support arrangement for the programme
- Identify and recruit/confirm key roles to support Day 1 Establishment activity – considering transition from Business Case phase to Establishment

Communication, stakeholder engagement and change management

- Ongoing Strong Public Media communication and stakeholder engagement
- Execute establishment change management
- Support cabinet paper consultation activity

347. **Phase 2 Establishment and Transition (Nov 2021 - Jun 2023):** The establishment phase can commence following final cabinet decision in October 2021. This phase undertakes the planning, analysis, design and implementation activities required to establish and set up the Strong Public Media Entity for day one:

Funding

- Establishment phase funding to be made available to MCH and the Establishment Board and Unit
- Commence drafting to establish funding arrangements from MCH to the Strong Public Media Entity, including the mechanism for operational funding, the funding objectives and measures and how the outcomes will be monitored against the objectives.

Legislation

- Design and confirm legislative changes and support the Select Committee process including:
    - Bill drafting between Oct 2021-March 2022 to be introduced in April 2022.
    - Bill passing and legislation to come into effect Oct-Dec 2022.
    - Set transitional provisions as needed for the Strong Public Media Entity through to 30 June 2023

Implementation

- Detailed planning and scope of work for the Establishment Unit. Develop detailed programme and workstream plans for establishment and transition activities and implementation
- Undertake procurement activities for programme resourcing, establishment partner(s), brand advisor, legal advice, systems and data migration to supplement the available resource, subject matter experts and capability across the programme, the Ministry and legacy entities
- Continued audit and risk assessment and legal advice on existing contracts, including content contracts and establish a phased plan for any remaining contracts that will need to be addressed or negotiated by the Strong Public Media Entity before legacy entities can be disestablished
- Undertake due diligence of existing technology assets (internal and customer facing)
- Business readiness assessment for transition including risks, impacts and mitigations across organisation (RNZ/TVNZ); customer, stakeholder and industry

networks and relationships; audience and services; talent, processes, technology and data.

- Design the Strong Public Media Entity operating model for day one including core services, organisation model and key enablers
- Undertake detailed market scan to support new entity distribution strategy
- Design the Strong Public Media Entity interim core suite of brand collateral (light touch)
- Design Employment Relations process, new entity roles, job descriptions, employment contracts, communications and materials for staffing consultation and final decisions
- Confirm operational readiness and any outstanding actions and mitigations in place.
- Undertake assurance activities.
- Transfer programme office to the Strong Public Media Entity to support the stabilisation and integration.

Governance and leadership appointments/recruitment

- Enhance the capability and capacity within the Ministry to support the establishment of the Strong Public Media Entity
- Recruit Establishment Programme Director and stand up the Unit, the PMO and the secretariat for the Establishment Board
- Recruit and appoint the Establishment Board Chair as the senior responsible owner and board members as overall responsible for standing up the Strong Public Media Entity
- Identify recruitment approach for new entity CE and enable interim leadership arrangements if required
- Planning and recruitment for day one permanent appointments including the Strong Public Media Entity Board, Chief Executive, entity management and oversight for day one stand up.
- Regularly communicate with the Responsible Minister on key establishment decisions and provide advice to the Minister that the programme is on track.

Communication, stakeholder engagement and change management

- Change management strategy, planning and execution; supported by the change management lead within the establishment unit and delivered by existing entities
- Ongoing communications and stakeholder engagement
- Design employment transition process and associated communications and change activities.

348. **Phase 3 Stabilisation and Integration (Jul 2023 – June 2024):** undertake the activities required to stabilise the transition to the Strong Public Media Entity in its first year of operations and fully integrate the legacy entities. This phase starts once the Strong Public Media Entity is operational on 1st July 2023.

- Develop the SOI, formulate organisation and investment strategies and priorities.
- Develop and engage on permanent entity name and brand and associated collateral (full suite)
- Ongoing implementation to stabilise change, integrate legacy entities and transfer to business as usual (BAU) for the Strong Public Media Entity
    - Migration of all remaining operations
    - Continuous design; build; release; review and remediate of all operational, technical and process integration

    - Finalise any outstanding contract actions to be addressed or negotiated to enable transfer to BAU operations.
    - Undertake analysis and planning for eventual disestablishment of legacy entities.
- Ramp down Establishment Unit once the Strong Public Media Entity structure is in place and the Strong Public Media Entity is resourced with the required capability and capacity to deliver the stabilisation and transition activities
- Regular communication with the Responsible Minister to monitor performance against public media outcomes, provide advice on legislation and policy to support the sector, and to administer funding
- Deliver year one annual report.

Proposed programme approach

349. The Strong Public Media Entity will be established using a programme based approach. Managing Successful Programmes (MSP) will be used as guidance for programme approach and artefacts.

Planning

350. A programme management plan (the plan) will form the basis of the management of the Programme and the basis for assessing the overall success.

    - Plans and registers will provide details to support the implementation of the direction contained in the plan. Once baselined, any changes to the plan must be agreed by the Establishment Board.
    - There will be an overall Programme Schedule showing the key milestones, projects, timeframes and interdependencies.
    - A Resource and Cost Forecast will be used to manage the allocation of resources to the Programme, resources used and forecasts to completion.

Change control

351. The Programme will follow standard project change control process, whereby any change to a baselined project (in scope, schedule, cost, benefit) is managed through the submission of change requests.
352. The Establishment Board will approve changes within the specified approval tolerances for the Programme otherwise changes will be escalated to the Responsible Minister.

Issues management

353. An Issues Register will be maintained for the Programme. The Issues Register will be updated every two weeks and reviewed at the Establishment Board.

Decisions

354. A register will be kept of all Establishment Board actions and decisions. This will be managed and updated as part of the agenda and minutes processes for the Establishment Board through the secretariat.
355. The Establishment Board will be able to delegate decision-making to the Establishment Programme Director based on tolerances. This will help ensure that the Establishment Board are not focused on the detail of managing the project.

Programme reporting

356. A Programme Report will be issued by the Establishment Programme Director on a fortnightly basis and this will be used as the basis of the Establishment Board meeting.

357. The Establishment Programme Director will create and maintain a repository of any lessons learned during the Programme that can be usefully applied to other projects or programmes.

Establishment resource and governance

The Ministry

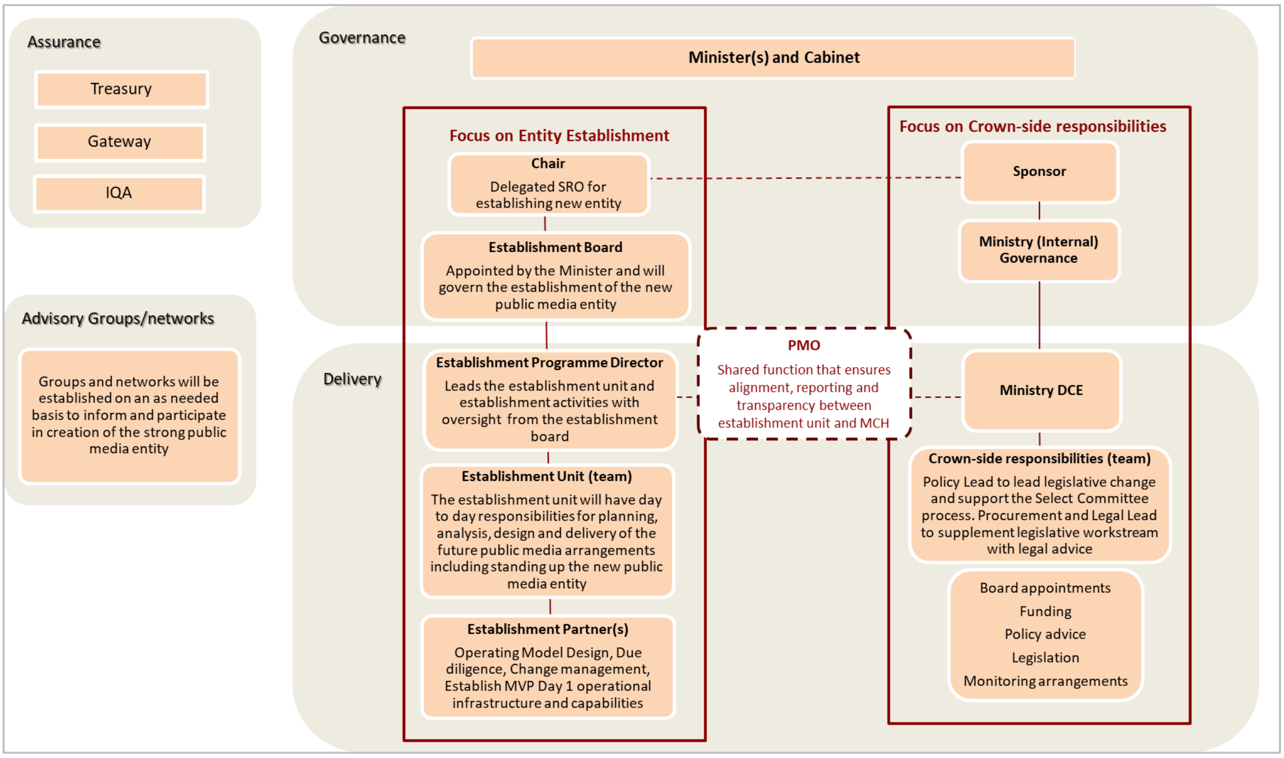
358. The Ministry will continue to support the Minister with on-going enabling infrastructure support for the strong public media work programme, including:

- Enabling the new arrangements and appropriating funding for public media
- Enabling the Crown-side roles and responsibilities within the establishment phase, including:
    - Sponsor for the Strong Public Media work programme
    - Policy Lead to lead legislative change and support the Select Committee process including the Charter and entity oversight establishment
    - Procurement and Legal Lead to supplement legislative workstream with legal advice and contract work.
- Reporting on Strong Public Media benefit realisation and the Strong Public Media Entity's performance via the funding agreement

359. An Establishment Board will be appointed by the Minister and will govern the establishment of the new public media entity and advise on how best to create and shape the Strong Public Media Entity and its operations.

Phase 2 (Nov 2021 – Jun 2023)

Figure 21: Summarises the proposed governance and delivery arrangements for phase 2.



Establishment Board

360. The Establishment Board is appointed by the Minister to provide advice and recommendations to the Ministry and the Minister to support key establishment decisions. The Establishment Board will remain in place through the transition to the new (operational) Strong Public Media Entity Board and Management team.

361. The Establishment Board will govern the establishment of the Strong Public Media Entity and will have delegated authority at a programme board level to approve the establishment plan and programme activities. They will maintain oversight of the delivery of the programme and provide advice to the Minister that the programme is on track.

362. The Chair of the Establishment Board will be the delegated senior responsible owner for the establishment programme, advising on the establishment of the Strong Public Media Entity and tasked with successfully establishing the Strong Public Media Entity. The chair and the programme will be supported by a secretariat function who will operate from the PMO.

363. The recruitment of the Establishment Board will leverage the existing knowledge and expertise across existing RNZ, TVNZ and Business Case Governance Boards and RNZ/TVNZ CEs to maintain momentum, ensure knowledge is retained and the design and establishment of the Strong Public Media Entity is enabled for success.

364. The Establishment Board will build on its existing knowledge and work with specialists to lay the groundwork for the Strong Public Media Entity. The capability built in phase 2 will provide a strong platform for it to transition to the Strong Public Media Entity Board supported by Entity Management.

Establishment Unit

365. The establishment unit is led by the Establishment Programme Director. The establishment unit will have day to day responsibilities for planning, analysis, design and delivery of the Strong Public Media Entity.

366. The establishment unit will recruit industry and subject matter expertise from the legacy entities and existing strong public media programme into the establishment team to lead core workstreams with advice from the Establishment Board.

367. In phase 2, the resourcing required within the establishment unit to support the Establishment Board and the transition to the Strong Public Media Entity Board, is expected to be as follows. These are not necessarily net new resources and can be seconded from legacy entities.

   - **Establishment Programme Director** will lead the programme, PMO and establishment activities with oversight from the establishment board.
   - **PMO** lead and manage a coherent programme of activities across all workstreams and ensure alignment, reporting and transparency between establishment unit and Ministry.
   - **Programme Coordinator** support programme manager with programme planning, artefacts and reporting.
   - **Legal Advisor** legal oversight and advice to support the programme and Board in recommendations to progress legal advice around and manage identified impacts.
   - **Commercial Advisor** industry expertise for commercial contracts, conduit between programme audit/assessment/due diligence with legacy entities commercial contracts to advise and support the programme and Board in recommendations to progress commercials and manage identified impacts.
   - **Human Resource/Employment Relations Advisor** oversight and advice to support the programme and Board in recommendations to develop and deliver HR strategy and activities for transitioning talent and managing any potential employment impacts.
   - **Procurement Analyst** implement the programme procurement strategy, support commercial and legal activities for establishment and transition phases.

- **Financial and Data Analyst** to support the analysis of contracts, current expenditure, and reallocation requirements, and establish the structure for ongoing financial reporting.
- **Business Analyst** to support the due diligence analysis, impacts and business readiness planning, requirements gathering and BAU handover activities.
- **Communications, Stakeholder Relations and Change Management** small team of change, communications and stakeholder management experts to advise and support the delivery on the change management, communication and engagement strategies, provide communications advice, change management, stakeholder management, entities relationship management, internal and external communications with the public, and with agencies.
- **Recruitment Advisor** to manage the recruitment for Establishment unit, Establishment Board, Strong Public Media Entity Board and Entity Management.
- **Secretariat and Government Relations** small team to support the programme and board with parliamentary requests, OIAs, board papers, agendas, minutes, official communications and liaison with agencies and ministerial servicing.

Establishment Partner(s)

368. The establishment partner(s) will be procured via an RFP process in phase 1 – Setup. In phase 2, it is expected the establishment programme will need experienced business change advisors to support the Establishment Board and Unit with the following activities:

- **Advisory partner(s) –** lead the strategy development, planning and delivery on business change advisory activities for legal, commercial, HR/ER, procurement, change management and stakeholder engagement workstreams.
- **Operating model design –** design the Strong Public Media Entity operating model for day one including core services, organisation model and key enablers.
- **Brand development –** lead the development and delivery of interim suite of brand collateral for day one MVP.
- **Systems and data migration –** undertake technical due diligence, integration planning and implementation of data and technology assets (internal and customer facing) for successful transition and integration of legacy entities
- **Due diligence -** undertake organisation due diligence across HR, Financial and commercial assets (including Freeview) to identify and mitigate risks and impacts and inform business readiness and implementation planning
- **Business readiness –** detailed analysis, requirements gathering and transition planning across all entities services, people and process, to inform business readiness and support successful transition and integration of legacy entities
- **Change management -** change management and stakeholder engagement strategy and planning
- **Market scan, KPIs and funding outcomes –** research and assessment of the market and global practice to establish a benchmark, develop KPIs and draft funding agreement
- **Implementation: MVP Day 1 operational infrastructure and capability –** detailed design, planning and implementation of day one MVP including setting up the required infrastructure and capabilities.

Advisory groups

369. Advisory groups and networks will be established on an as needed basis to support and inform the establishment of the Strong Public Media Entity. The advisory groups will be a key mechanism for enabling industry, stakeholder and audience participation in the creation of the Strong Public Media Entity. They will bring broad perspectives across public media operations, media sector, audience demographics and government policy making.

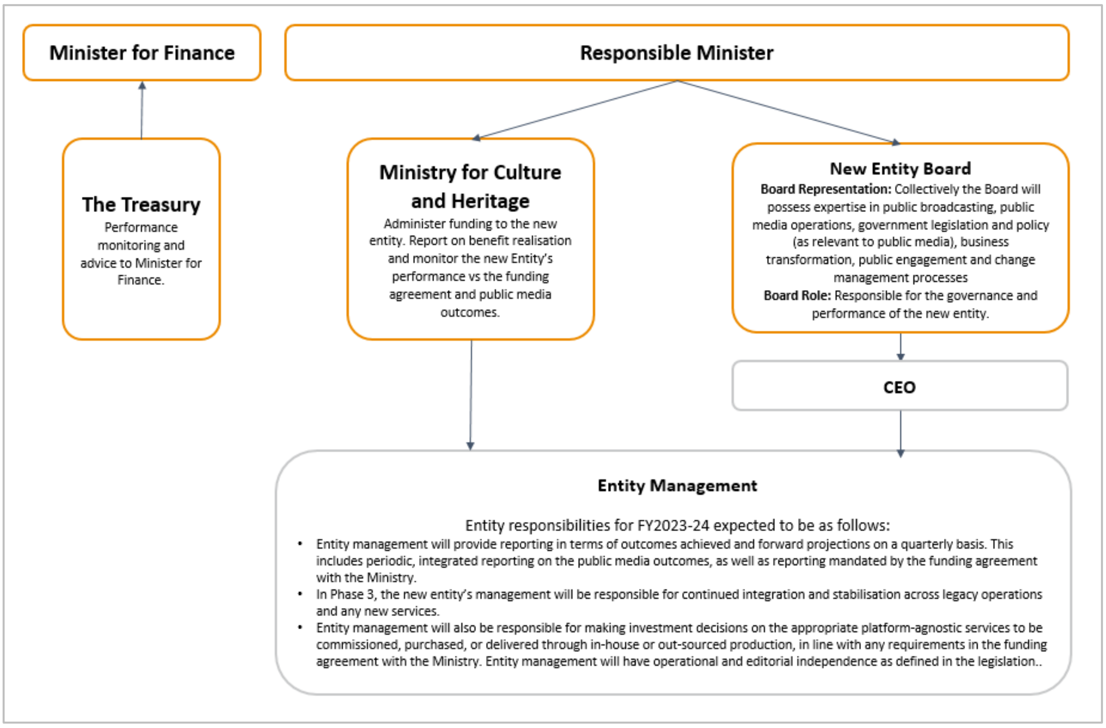
370. The programme will seek advice and participation as needed from existing networks including:

- **Audience –** cross-section of the audiences the Strong Public Media Entity will serve including those that are currently under-served, under-engaged or under-represented as well as those that are engaged and served.
- **Public media** –TVNZ, RNZ, NZ On Air
- **Government –** the establishment programme, MCH, Treasury and PSC
- **Media Sector** subject matter expertise as required will be accessed via the establishment board

371. Industry, stakeholder and audience engagement and relationship management capabilities will be established within the programme office and legacy entities. With integrated change enabled and executed through the advisory networks, establishment board and legacy entities.

Phase 3 (Jul 2023 – Jun 2024)

Figure 22: Summarises the proposed governance and delivery arrangements for FY2023 of the Strong Public Media Entity establishment.



The Ministry

372. The Ministry will continue to support the Minister providing advice on legislation and policy to support the sector, administer funding and monitoring the performance of the Strong Public Media Entity and achievement of public media outcomes.

The Treasury

373. The Treasury will support the ongoing funding and investment mechanisms for the Strong Public Media Entity. It will provide performance monitoring and advice to the Minister for Finance and manage any returns to the Crown for re-investment in public media outcomes.

Strong Public Media Entity Board

374. The Strong Public Media Entity Board will be appointed as early as possible following legislation being passed (November 2022). They will be responsible for the governance and performance of the Strong Public Media Entity which will be formally operational in July 2023.

375. The recruitment of the Strong Public Media Entity Board will take into consideration membership across existing RNZ, TVNZ and Establishment Boards to ensure knowledge and experience is retained, transition is enabled and BAU operation is not disrupted.

376. The Strong Public Media Entity Board will appoint the new permanent CE (and any interim CE arrangements if required) and support the new permanent CE with Entity management appointments.

377. The Strong Public Media Entity Board is responsible for the governance and performance of the Strong Public Media Entity. During the first year of operation the Strong Public Media Entity will develop the SOI, formulate strategy and establish priorities, appoint management and report on performance via the annual report to the Crown.

Entity Management

378. In Q1 FY2023, the establishment unit resource is rationalised. Core workstream and programme support may transition across to support the next phase of work.

379. The investment strategy and implementation plan are fully developed, formalised and monitoring milestones established with the Crown.

380. Entity management will provide reporting in terms of outcomes achieved and forward projections on a quarterly basis. This includes periodic, integrated reporting on the public media outcomes, as well as reporting mandated by the funding agreement with the Ministry.

381. In Phase 3, the Strong Public Media Entity's management will be responsible for continued integration and stabilisation across legacy operations and any new services.

382. Entity management will also be responsible for making investment decisions on the appropriate platform-agnostic services to be commissioned, purchased, or delivered through in-house or out-sourced production, in line with any requirements in the funding agreement with the Ministry. Investment decisions will be informed by a full assessment of the market capacity and capability to deliver on the investment objectives and business requirements.

383. Entity management will have operational and editorial independence as defined in the legislation.

Change management

Introduction

384. Effective change management will be critical to success. The change management approach will need to take into consideration the vastly different legal and operating principles of the two legacy entities and the steps to be taken to bring two very different cultures together.

385. The establishment and transition to the Strong Public Media Entity will be managed alongside business as usual delivery and needs to create ethical walls to ensure delivery is not impacted by the change.

386. This is a multi-phased transformation and change management will need to be embedded through subsequent phases to enable ongoing performance, continuous improvement and ensure sustainability for the Strong Public Media Entity.

387. A detailed Change Management Plan will be developed in phase 2 by the Establishment Partner(s). This will be in-line with the proposed approach below.

Approach

388. Our proposed change management approach is to fully integrate change within the programme and implementation approach. Integrated change supports consistent delivery, drives measurable value and is flexible enough to adapt to the environment.

389. There are four stages to the change management approach.

1 DEFINE PURPOSE	2 DESIGN FOR IMPACT	3 DEVELOP CAPABILITY	4 DRIVE THROUGH PERFORMANCE
Understanding what's important and the team roles, priorities and activities to accomplish the year one goals	*Develop strategies that mobilise and create experiences that encourage change and will positively impact culture.*	*Building and supporting change champions with the tools and capabilities they need to lead and deliver the change*	*Ensuring that change and continuous improvement is sustainable and embedded in the new culture*
• Engage and activate the project team • Understand your stakeholder groups	• Personalise the change experience	• Develop tailored learning solutions	• Activate and support change networks

390. **Stage 1 – Define purpose:** Engage and align the broader team across the programme and legacy entities in a shared vision. Understanding what's important and the team roles, priorities and activities to accomplish the year one goals. Create the imperative for change by articulating the benefits and impacts of the project for key stakeholder groups. Understand the culture impacts of the change.

391. **Stage 2 – Design for impact:** Ensure engagement of people and groups leading, involved in or impacted by the outcomes of the change. Be respectful and sensitive in all communication and engagement. Develop strategies that mobilise and create experiences that encourage change and will positively impact culture.

392. **Stage 3 – Develop capability:** Overcome resistance to change, identifying, building and supporting change champions within the legacy entities with the tools and capabilities they need to lead and deliver the change. This stage focuses on effectively introducing employees, external agencies and other stakeholders to new ways of working and providing personalised learning resources to support and enable effective change.

393. **Stage 4 – Drive through performance:** Ensure sustainability by providing support to key groups and rewarding new behaviours. The ultimate outcome is to achieve consistent performance and continuous improvement, illustrating that the changes driven by the programme are sustainable and embedded in the Strong Public Media Entity's culture.

394. See Appendix 12 for the alignment of the change management and implementation approach

Roles and responsibilities

395. The establishment programme will have a change manager, training manager and business analysts. They will be responsible for facilitating the Strong Public Media Entity to effect the changes needed to gain the benefits in this business case. Change leaders and champions will be identified within the legacy entities and supported with the tools and capabilities they need to support and deliver the change.

Table 43: Change management roles and responsibilities.

Implementation phase	Programme team	The Strong Public Media Entity
• Establishment	• Session planning and facilitation for workshops • Stakeholder analysis and impact assessment • Develop stakeholder engagement plan • Develop communications plan • Assist entity to deliver the stakeholder management and communication plans • Conduct Culture Assessment	

Implementation phase	Programme team	The Strong Public Media Entity
• Stabilisation and integration	• Develop change interventions • Develop change journeys • Design interactive and engaging approaches to change management and communications • Develop training strategy and learning resources • Train the trainers • Provide business process material • Conduct culture alignment sessions to identify and prioritise culture interventions	• Deliver the stakeholder engagement and communications activities and interventions • Localise training • Localise standard operating procedures or business process material • Deliver Training
• Ongoing BAU changes	• Provide post-Implementation Support • Advise on how the Strong Public Media Entity can gain the benefits • Provide guidance on monitoring and measuring change adoption	• Identify and establish networks • Lead, support and empower change through networks to gain the benefits • Monitor change adoption and remediate as necessary

Benefits management approach

396. The benefits described in the business case relate to how the Strong Public Media Entity will deliver on the investment objectives and ultimately on public media outcomes. From a benefits management perspective this means that all benefits of the investment will be considered at an eco-system view rather than a programme view. Therefore, the measurement of achievement of the benefits should be consistent to measures used to measure performance against public media outcomes.

397. The benefits measures have been selected to maximise their relevance to the investment objectives and outcomes within the programme's scope, while recognising broader societal influences on these (and in fact all) measures of public media effectiveness.

398. The overall benefit model consists of the logic that effectively delivering more relevant content that reflects the diversity of NZers and people living in NZ, will contribute to an increased sense of national identity and culture and ultimately NZers and people living in NZ will be more engaged and better informed. To do this efficiently and optimise the Crowns investment in public media, the Strong Public Media Entity will need to reduce duplication of effort and increase audience reach working collaboratively across the media eco-system.

399. The benefit management plan provided in appendix 9 and 10 describes the anticipated benefits, the current baselines and how achievement is likely to be measured.

400. The KPIs will be refined and validated within the SPE and funding agreements established with the Strong Public Media Entity.

401. The programme will manage benefits delivery in accordance with published Treasury guidance. The programme will:

- Set the benefits management up and monitor delivery against these until the programme concludes

- Maintain a Benefits Register which details the progress of achievement of benefits included in the business case (and documented in the programme management plan). This register will contain the key metrics that are used to identify incremental achievement on the benefits. The Benefits Register will be updated quarterly and reviewed at the Establishment Board and Strong Public Media Entity Board respectively.
- Report back to Cabinet within 12 months after the establishment date on the actual level of benefits achieved compared with those approved in this DBC.
- Provide information to Treasury at agreed intervals on the actual level of benefits achieved compared with those identified in this DBC.
- Transition benefits management to the Ministry when the programme concludes.

402. The Strong Public Media Entity Board will:

- Be overall accountable for achievement of the benefits and performance against public media outcomes.
- Be supported by Entity Management to produce an annual SOI and annual report to provide visibility of its achievement of the benefits and performance.
- Be supported by Entity management to provide information to Treasury at agreed intervals on the actual level of benefits achieved compared with those identified in this DBC.

403. The Ministry will:

- Assume the role of benefits management at the conclusion of the programme and monitor delivery against the benefits
- Support the Responsible Minister to monitor performance against public media outcomes.
- Be supported by benefit owners who would be appointed within the Strong Public Media Entity to track and advise on benefits.

404. Oversight will be provided from the Responsible Minister supported by the respective agency(ies) to monitor performance against public media outcomes.

405. See appendix 9 and 10 for the Benefits Map and Benefits Profiles respectively.

Risk management approach

406. The strategy and plan for dealing with the management of risk are set out in MCH's Risk Management Policy and Guidance.

Risk Register

407. The register lists all risks identified for the project, and documents actions taken to mitigate them, and includes current status information. The risk register will be regularly and frequently reviewed and updated throughout the course of the project.

408. Net risks are highlighted in red below. See appendix 13 for calculation of net risks.

Table 44: Risk register: List of Programme risks.

#	Main Risks	Impact	Likelihood	Comments and Risk Management Strategies	Residual Risk
MC1	s9(2)(f)(iv) [redacted]				
MC2	As the establishment phase and the purpose document (Charter) are running in parallel, there is a risk that the working assumptions and the key service requirements don't fully deliver on the needs of the stakeholders	Significant	Possible	Oversight of both Establishment activities and purpose document (Charter) by same Governance Group will help with alignment.	
MC3	The process may be seen to encroach on the remit of established Māori media.	Significant	Possible	Collaboration with Māori media will be undertaken at various stages of the establishment phase to align with their needs.	
MC4	Delays to progress caused by legislation process and consultation delays may cause programme slippage leading to late establishment of the Strong Public Media Entity, potential prolongation costs and reputational damage.	Significant	Possible	A well-resourced and planned approach, with good management across key stakeholders including MCH, PCO, PSC, TSY, etc, and alignment with the legislative programme	

#	Main Risks	Impact	Likelihood	Comments and Risk Management Strategies	Residual Risk
MC5	High visibility of the Strong Public Media initiative in the media may result in reputational risk which may affect the Government's decisions around the establishment.	Moderate	Possible	Proactive engagement with stakeholders and NZ Public on timeframes and decisions. Keep stakeholders engaged and informed throughout process.	
MC6	Timeframe may limit ability to perform credible consultation with all involved stakeholders.	Moderate	Possible	An effective consultation and engagement programme aligned with the legislative programme to seek input on the proposed changes and the public media entity's purpose.	
MC7	Strong Public Media Entity Board arrangements may be in place before the Government framework outlining requirements for Māori representation on boards is established.	Minor	Possible	Recruit a diverse board that represents the interests of Māori and give effect to the principles of Te Tiriti o Waitangi	

Assurance arrangements

409. During the business case development assurance activities have included:

- A Treasury facilitated mid-point clinic on 13 May.
- A Treasury facilitated end-point clinic on 07 July.
- A Gateway 0/2 Review (Strategic Assessment / Delivery Strategy - Detailed Business Case) in the week commencing 26 July.

410. An assurance plan for the next phase will be prepared as part of establishment phase planning. MCH will work with the Treasury to agree assurance activities which we anticipate will include a further Gateway review and a post implementation review. Provisions have been made for this in the establishment costs.

Next Steps

411. This Detailed Business Case (DBC) seeks formal approval from the Minister for Broadcasting and Media to progress the implementation of the preferred way forward.

412. A cabinet decision on the preferred way forward is forecast for October 2021. MCH will engage with Treasury regarding the financial recommendations prior to the Cabinet paper being finalised.

413. Following approval of the DBC, Ministry for Culture and Heritage will be required to confirm provision of interim funds to progress establishment activities.

414. Once establishment funds are allocated the Chair and members of the Establishment Board will be appointed to oversee the establishment programme.

415. The appointment of the Establishment Board and Establishment Director will kick-off Phase 2 of the establishment programme.

Glossary

Definitions table

416. This glossary of terms is intended to be used to assist the Strong Public Media programme team by providing an agreed version of what is meant by certain terms.

417. **Note:** There may be other wider/narrower definitions available but for the purposes of the SPM programme of work, below are the definitions for what is meant for each of the terms listed.

Term	Definition
Broadcasting	The traditional definition of 'broadcasting' is the transmission of linear scheduled radio and television services and signals by means of the radio (i.e. wireless) frequencies. These one-way (i.e. no return path from the public) and are intended for widely available reception at no cost to the public at point of use. Broadcasts may be audible only, as in radio, or a combination of both audio and visual components, as in television The term 'broadcasters' includes Government-mandated public radio, community radio and public television entities and private commercial radio and/or television businesses. The term does not include social media platforms or content such as Twitter, Snapchat, or Instagram, or those provided by the internet. Note: The scope of activity included in the term 'broadcasting' has expanded as new technology has emerged, but new vocabulary has not.
Broadcast media	Broadcast media covers a wide range of different communication content services including those provided by television, radio, podcast, online streaming, and other digital entities, regardless of the technology used.
Community media	Generally understood to refer to media that is governed and managed by the community it serves, e.g. community newspapers and radio stations.
Channel	A channel refers to the technology means used to deliver a service or content, including print (newspapers and magazines) and broadcasting. It is also commonly used to describe different linear TV brands, as in as in TV One and Three.
Content	Content is the material that is provided to the audience, for example, drama, news, documentaries, music, and comedy shows.
Content creation	Content creation refers to the process of devising and producing and creating the content.
Content delivery	Content delivery (more usually called content distribution) describes is the process of delivering the content to its intended audience.
Content delivery network (CDN)	To minimise the distance between the users/visitors and a website's server, a CDN stores a cached version of its content in multiple geographical locations.
Digital media	Digital media is any type of content that uses digital technology and digital data for distribution, and which is received by the audience on a digital device. Essentially, all broadcast-type media is 'digital,' but some RNZ and community radio services are provided by non-digital distribution systems known as analogue.

Term	Definition
Digital disruption	Digital disruption describes the changes in audience behaviour caused by the availability and capability of digital technology and the consequent emergence of multiple alternative sources of content.
Digital platform	Digital platforms provide content and services using digital technology. Examples include: • social media platforms like Facebook, Twitter, Instagram, and LinkedIn; and • media sharing platforms like YouTube, Spotify, and Vimeo.
Electronic Programme Guide (EPG)	EPGs and interactive programming guides (IPGs) are menu-based systems that provide users of television, radio, and other media applications with scheduling information for current and upcoming broadcast programming (most commonly, TV listings). They are commonly known as TV guides.
FAANGS	Refers to the dominant US-based but near global internet media companies Facebook, Amazon Prime Video, Apple, Netflix, Google, and Spotify, but for these purposes may also include Disney+ andYouTube Premium. These divide into AVoD and SVoD services, the former advertiser-funded (e.g. You Tube) and the latter subscription-funded (e.g. Netflix). The subscription-funded services generally offer curated media content (e.g. music, or audio-visual) in exchange for a monthly fee.
Freeview	Freeview is a joint venture owned by TVNZ, RNZ, Māori Television and Discovery, was launched in May 2007 to support the transition from analogue TV services for all broadcasters, and to provide them with an EPG enabling their services to be found by their audiences. Broadcasters contract with Kordia and others to provides a digital terrestrial television service to around 86% of the population in the major urban and provincial centres of New Zealand, and contract with an international television services provider to deliver a standard-definition satellite television service to about 99% of New Zealanders and the major offshore islands.
Media	Media is generally classified into four types: Print Media (Magazines, Newspapers); Broadcast Media (TV and Radio); Out of Home (OOH) Media (billboards, posters); and Digital Media (internet based).
Online content	Online content refers to material on the web. Online content includes text, images, animations, music, and videos.
Over-the-top (OTT)	OTT refers to the distribution of video-on-demand (VOD) content delivered via the internet. A popular example of an OTT service is Netflix.
Platforms	'Platforms' denote different types of media transmission technology, the foremost examples being terrestrial broadcasting, cable and satellite, and the internet. 'Platform' is also used as a generic term to describe provider brands such as Netflix or Disney+.
Portal	Portal refers to a curated, internet-only service which may be operated by radio, television, journalism, or music media services/providers.
Provider	Provider refers to the service provider, e.g. RNZ, NZME, Spotify or Netflix.

Term	Definition
Public media broadcaster **(Public media entity)**	In the context of the Business Case public media broadcaster refers to TVNZ and RNZ only. Other public media broadcasters, such as Māori Television are out of scope for the business case and are not included in the description of public media broadcaster in this context.
Public media	Public Media is taxpayer-funded media, which is universally accessibly, free at the point of use and that produces content that reflects the Nations cultural identity, entertains, and support its democracy
Public media content	Public media content refers to media content that contributes to public media outcomes. The traditional objectives (first articulated by the BBC) are for it to inform, educate and entertain. It includes content, e.g. news and programmes, provided by community and commercial (private sector) media entities. Usually, public media content relates to New Zealand – whether about the life and experiences of those living here or news and perspective on news (local and international) that are relevant to New Zealanders.

418. This table lists the acronyms used in this Strong Public Media business case and the full form of the abbreviation.

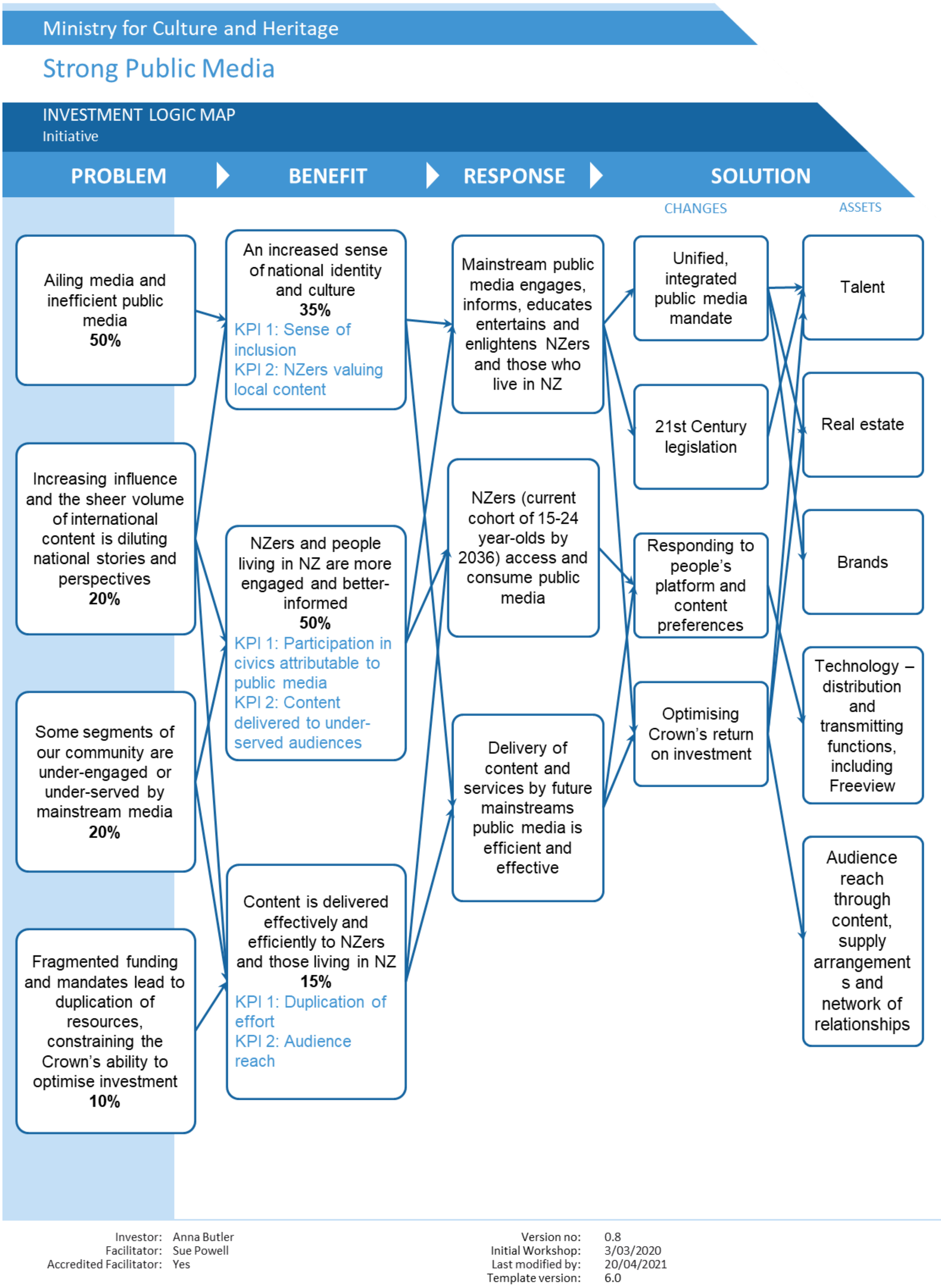
Acronym	Full form
AOG	All of Government
AVoD	Advertising-based video on demand
BAU	Business as usual
BSA	Broadcasting Standards Authority
CAMA	Community Access Media Alliance
CPI	Consumers price index
CSF	Critical success factors
DBC	Detailed business case
EBITDAF	Earnings before interest, tax, depreciation, amortisation and fair value adjustments
ERP	Enterprise resource planning
FAANGS	Facebook, Amazon Prime Video, Apple, Netflix, Google and Spotify
FTE	Full time employee
GETS	Government electronic tender service
ILM	Investment Logic Map
KPI	Key performance indicator
MCH	Ministry for Culture and Heritage
MTS	Māori Television Service
MVP	Minimum viable product
NRPT	National Pacific Radio Trust
NZ On Air	New Zealand On Air
RFP	Request for proposal
RNZ	Radio New Zealand

Acronym	Full form
SPADA	Screen Production and Development Association
SPM	Strong public media
SVoD	Subscription video on demand
TVNZ	Television New Zealand
TMP	Te Māngai Pāho
TPK	Te Puni Kōkiri

Appendices

Appendix 1: The Treasury’s Living Standards Framework

Appendix 2: Investment Logic Map (ILM) output



Appendix 3: Details of New Zealand broadcasting and media sector

Public media broadcasters

419. Television New Zealand (TVNZ), Radio New Zealand (RNZ), Māori Television Service (MTS), Te whakaruruhau o ngā irirangi Māori - the Māori Radio Network and National Pacific Radio Trust (NPRT) are the five broadcasting entities. They are the frontline of the public media system.

Community broadcasters

420. There are a number of community broadcasting organisations, and the Community Access Media Alliance (CAMA) represents 12 community access radio stations. Others include Student Radio Network, Able, NZ On Screen, Audio Culture, and HEIHEI. Community access broadcasting is by, for, and about the community. CAMA stations provide a platform for people to get their voices heard. Programmes are made by diverse people and groups who aren't traditionally given a voice in mainstream media. Community access stations receive non-contestable funding from NZ On Air to broadcast content under section 36(1)(c) of the Broadcasting Act (1989), which aims "to ensure that a range of broadcasts is available to provide for the interests of women, youth, children, persons with disabilities, minorities in the community including ethnic minorities, and to encourage a range of broadcasts that reflects the diverse religious and ethical beliefs of New Zealanders"[60].

421. Funding agencies NZ On Air and Te Māngai Pāho (TMP) play an essential role in the public media system. They provide the resources for the New Zealand content that would not otherwise be delivered and reach audiences that reflect Aotearoa New Zealand's uniqueness, including the Treaty partnership and population diversity. The Crown, through NZ On Air, funds the development and production of local scripted and factual audio-visual content reflecting local culture for audiences across many public and private media platforms.NZ On Air prioritises investment in content that tells engaging New Zealand social, cultural, political and historical stories. It aims to invest around half of contestable funds each year in factual content such as documentaries, current affairs, and regional media. The other half is aimed at scripted content.

422. Part of NZ On Air's funding strategy is to make special provision for Māori content. Its Rautaki Māori ensures it supports the production of quality Māori content, has good relationships with Māori content creators, and upholds the mana tangata and mana iwi of funded content. NZ on Air's role complements that of Te Māngai Pāho.

423. Manatū Taonga the Ministry for Culture and Heritage administers Crown entity funding for the sector through the Broadcasting Standards Authority (BSA), NZ On Air and Radio New Zealand Pacific (RNZ Pacific).

Other funding arrangements

424. Other Government agencies contract with public media broadcasters for particular needs. For example, the Ministry of Health funds specific NPRT radio shows to reach out to communities through its Pacific Provider Development Fund. These arrangements use the platforms the public media provides.

425. Public media infrastructure Kordia is a public media entity and delivers most of the terrestrial wireless transmission for television and FM radio.

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[60] Broadcasting Act (1989) s.36c

Private media

426. The broader media sector includes nine privately and independently owned media organisations. Private media make a valuable contribution to public media outcomes by providing for a variety of audience needs, and a diversity of views and perspectives. NZ On Air is a key mechanism by which the Government supports and recognises the contribution of private media towards public media outcomes.

427. New Zealand is also an active market for large multinational private media organisations, and these are becoming increasingly influential as they grow audiences and media consumption in Aotearoa.

Appendix 4: Long List Options Assessment

Long List Options	1. Entities and Brands					2. Constraints in non-Crown revenue				
	1.1 Status Quo	1.2	1.3	1.4	1.5	2.1 Status Quo	2.2	2.3	2.4	2.5
	Two entities, two brands. RNZ, TVNZ	Three entities. RNZ; TVNZ; Platform-agnostic service; Three brands for services	Two entities. One for RNZ; TVNZ; One for Platform-agnostic service; Three brands for services	One entity; Multiple brands anchored around different audiences and content	One entity; one brand for services	Across the system, a mixed funding model. Few constraints on TVNZ, more on RNZ	No constraints on generating non-Crown revenue	Some constraints on potential sources of revenue	More constraints on potential sources of revenues	No ability to generate non-Crown revenues from any potential non-Crown revenue sources
Investment objectives										
Mainstream public media informs, educates and entertains NZers and those who live here	Partial	Yes	Yes	Yes	Yes	Partial	Partial	Yes	Yes	Yes
NZers access and consume public media	Partial	Yes	Yes	Yes	Yes	Partial	Partial	Yes	Yes	Yes
Delivery of content and services by future mainstream public media is efficient and effective and earns the	No	Partial	Partial	Partial	Yes	Partial	Partial	Yes	Partial	No
Critical Success Factors										
Strategic fit	No	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No
Affordability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Achievability, supplier capacity and capability	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Editorial independence is maintained	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public media arrangements support a healthy media eco system	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No
Putting audiences first	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Summary	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Discounted	Carry Forward	Carry Forward	Discounted

Long List Options	3. Operating Model - Shared Resources				4. Operating Model Content Production					5. Operating Model Distribution		
	3.1 Status Quo	3.2	3.3	3.4	4.1 Status Quo	4.2	4.3	4.4	4.5	5.1 Status Quo	5.2	5.3
	Existing operations - two discrete delivery entities	Create a shared service for back office	Do min + Plus: more combinations from other operations e.g. pooling news media function and training	Plus: co-location/shared facilities and direction to build strategic, system-wide capability	Existing service delivery – maintain the balance of in-source/outsource arrangements	Encourage more in house – increasing capability /capacity to deliver SPM objectives	More outsourcing to deliver SPM objectives – keep talent	Outsource appropriate services so industry growth is maximised	Outsource services – All key services, the entity commissions and manages contracts for services - NZOA consolidated within entity	Existing mix of linear and digital services (free to view) – multiple platforms, multiple channels and frequencies	Linear service to meet uplic accessibility requirements, platform agnostic distribution	Plus Subscription Channels
Investment objectives												
Mainstream public media informs, educates and entertains NZers and those who live here	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes
NZers access and consume public media	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes
Delivery of content and services by future mainstream public media is efficient and effective and earns the	No	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes	Partial	Yes	Yes
Critical Success Factors												
Strategic fit	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes
Affordability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Achievability, supplier capacity and capability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Editorial independence is maintained	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public media arrangements support a healthy media eco system	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Putting audiences first	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Summary	Carry Forward	Carry Forward	Discounted	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward

Long List Options	6. Commerciality					7. Phasing				8. Independence from Government	
	6.1 Status Quo	6.2	6.3	6.4	6.5	7.1 Status Quo	7.2	7.3	7.4	8.1 Status Quo	8.2
	One entity is commercial, for profit. One entity is no for profit	Non-commercial focus and not for profit	Semi-Commercial, not for profit	Commercial, for profit	Commercial, plus returning a dividend, plus cost of capital	BAU	Phased change minimal scale Prioritised by criticality	Full scale short time frame (3-5 years to completion)	Full scale long time frame with phasing (10 years to completion)	TVNZ - high degree of operational independence. RNZ - high degree of operational independence	Oversight from monitoring agency
Investment objectives											
Mainstream public media informs, educates and entertains NZers and those who live here	Yes	Yes	Yes	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes
NZers access and consume public media	Yes	Yes	Yes	Yes	Partial	No	Partial	Yes	Yes	Yes	Yes
Delivery of content and services by future mainstream public media is efficient and effective and earns the	Yes	Yes	Yes	Partial	Partial	No	Partial	Yes	Yes	Yes	Yes
Critical Success Factors											
Strategic fit	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No
Affordability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Achievability, supplier capacity and capability	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Editorial independence is maintained	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public media arrangements support a healthy media eco system	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Putting audiences first	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Summary	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Carry Forward	Discounted	Carry Forward	Carry Forward	Carry Forward	Carry Forward

Appendix 5: Benefit Workshop Assessment

Benefits

#	Benefits	Measures	-1 Dis-benefit	0 Nil benefit	1 Some benefit	2 More benefit	3 Max benefit
1	**An increased sense of national identity and culture**	KPI 1: Sense of inclusion KPI 2: NZers valuing local content	• People feel excluded • Local content is devalued and ignored	• No change to how included people feel • No additional value placed on local content	• Increased sense of inclusion from some parts of society • Some increased interest in producing and watching local content	• Increased sense of inclusion from under-served and under-engaged • More interest in producing and watching local content	• Considered the #1 brand of New Zealand by most NZers • Audience prefer this solution over international offerings
2	**NZers and people living in NZ are more engaged and better-informed**	KPI 1: Participation in civics attributable to public media KPI 2: Content delivered to under-served audiences	• Disengagement from civic activity • Under-served audiences feel alienated	• No change in participation in civic activity • No change in participation from under-served audiences	• Some increase in civic participation attributable to engagement with public media • Slight improvement on under-served audience receiving tailored content	• More increase in civic participation attributable to engagement with public media • More improvement on under-served audience receiving tailored content	• Public media seen to support a thriving and healthy democracy • All NZers are well served and engaged
3	**Content is delivered effectively and efficiently to NZers and those living in NZ**	KPI 1: Duplication of effort KPI 2: Audience reach	• Increased duplication and fragmentation of effort • Exacerbates inefficiency • Audience further disengaged	• Duplication remains as it is today • Size and type of audience reached remains the same	• Some duplication remains but more efficient than current state • Some increase in the size and type of audience reached	• Very efficient delivery of content, resulting in a thriving entity • Wide range of people in NZ and overseas reached	• Highest quality content delivered with max efficiency (no duplication) • Reaching the greatest possible audience

Risks

Risks	-2 Most increase in risk	-1 Some increase in risk	0 No increase or decrease in risk	1 Some decrease in risk	2 Most decrease in risk
Operational and Performance Risk	• Most increase in the risk of operating costs varying from budget and performance standards slipping or services not being provided.	• Some increase in the risk of operating costs varying from budget and performance standards slipping or services not being provided.	• No change in risk of operating costs varying from budget and performance standards slipping or services not being provided.	• Some reduction in the risk of operating costs varying from budget and performance standards slipping or services not being provided.	• Highly unlikely operating costs vary from budget, and performance standards slip, or services not provided.
Technology Risk	• Most increase in the risk from changes in technology result in public media being provided using sub-optimal technical solutions.	• Some increase in the risk from changes in technology result in public media being provided using sub-optimal technical solutions.	• No change in the risk from changes in technology result in public media being provided using sub-optimal technical solutions.	• Some decrease in the risk from changes in technology result in public media being provided using sub-optimal technical solutions.	• Almost no risk from changes in technology resulting in public media being provided using sub-optimal technical solutions.
Implementation Risk	• Most increase in risk of arrangements failing to adhere to the terms of what is planned.	• Some increase in risk of arrangements failing to adhere to the terms of what is planned.	• No change in the risk of project failing to adhere to the terms of what is planned.	• Some decrease in the risk of project failing to adhere to the terms of what is planned.	• Very little risk of the arrangements failing to adhere to the terms of what is planned.
Reputational Risk	• Most increase in risk of adverse perception of the entity's ability to fulfil its requirements.	• Some increase in risk of adverse perception of the entity's ability to fulfil its requirements.	• No change in risk of adverse perception of the entity's ability to fulfil its requirements.	• Some decrease in risk of adverse perception of the entity's ability to fulfil its requirements.	• Very little risk of adverse perception of the entity's ability to fulfil its requirements.

Risks	-2 Most increase in risk	-1 Some increase in risk	0 No increase or decrease in risk	1 Some decrease in risk	2 Most decrease in risk
Procurement Risk	• Most increase in risk of disruption to contractual arrangements or inability to procure talent and skills	• Some increase in risk of disruption to contractual arrangements or inability to procure talent and skills	• No change in risk of disruption to contractual arrangements or ability to procure talent and skills	• Some decrease in risk of disruption to contractual arrangements or ability to procure talent and skills	• Very little risk of disruption to contractual arrangements or ability to procure talent and skills
Funding Risk	• Most increase in risk of availability of funding hindering the entity's ability to fulfil expectations	• Some increase in risk of availability of funding hindering the entity's ability to fulfil expectations	• No change in risk of funding impacting the entity's ability to fulfil expectations	• Risk of funding impacting ability to deliver is reduced	• Very little risk of funding availability impacting entity's ability to deliver.

Appendix 6: Benefits Workshop Results

	Option A: Status Quo	Option B: MVP	Option C: Fully Integrated Entity	Option D: Maximum Flexibility	Option E: Streamlined for the Future	Option G: Efficient Not-for-profit Entity
Investment Objectives						
Mainstream public media engages, informs, educates, enlightens and entertains NZers and those who live in NZ	1.0	1.0	2.0	3.0	2.0	4.0
NZers (either across all demographics or by a key demographic and by when) access and consume public media	1.0	1.0	2.0	3.0	2.0	3.0
Delivery of content and services by future mainstream public media is efficient and effective	1.0	1.0	2.0	2.0	3.0	4.0
Benefits						
Increased sense of national identity and culture	0.0	1.3	2.0	2.0	1.3	2.7
NZers and people living in NZ are more engaged and better-informed	0.0	1.3	2.0	2.7	2.0	2.7
Content is delivered effectively and efficiently to NZers and those living in NZ	0.0	1.3	2.0	2.7	2.0	3.3
Risks						
Operational and Performance Risk	2.0	2.5	3.0	2.0	2.0	1.0
Technology Risk	2.0	2.5	2.0	2.5	3.0	2.0
Implementation Risk	2.0	2.0	1.0	0.5	1.5	0.5

	Option A: Status Quo	Option B: MVP	Option C: Fully Integrated Entity	Option D: Maximum Flexibility	Option E: Streamlined for the Future	Option G: Efficient Not-for-profit Entity
Reputational Risk	2.0	1.5	1.0	0.5	1.0	1.0
Procurement Risk	0.0	0.0	0.0	0.5	0.5	1.0
Funding Risk	2.0	2.0	2.0	1.5	1.5	1.0
Ranking (after weighting)	**6**	**5**	**4**	**2**	**3**	**1**

Appendix 7: Financial Case Assumptions

Purpose

428. The purpose of this appendix is to detail the status quo, establishment and transition and production costs assumptions for each option used to inform the Strong Public Media (SPM) cost model and the economic and financial cases.

429. This appendix outlines each option's:

- Transition timing assumptions
- Establishment and transition cost assumptions

Status Quo

430. The status quo forms the underlying baseline forecast for each of the options. The status quo forecasts are based on the latest available financial forecasts from TVNZ, RNZ and NZ On Air, being the three in scope entities.

TVNZ

431. TVNZ's status quo forecast is based on TVNZ's draft FY22 – 24 Business Plan dated 30 April 2021, which included forecast financial statements to FY2023/24. In addition, the underlying supporting detail provided included a profit and loss forecast to FY2024/25.

432. s9(2)(f)(iv) [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

RNZ

433. RNZ's status quo forecast is based on their Statement of Performance Expectations for the year ending 30 June 2021. This includes financial forecasts until FY2022/23.

434. s9(2)(f)(iv) [redacted]

435. [redacted]

- [redacted]
- [redacted]

- s9(2)(f)(iv) [redacted]

NZ On Air

436. NZ On Air's status quo forecast is based on their draft Statement of Performance Expectations for the year end 30 June 2022. This includes financial forecasts to FY2021/22.

437. s9(2)(f)(iv) [redacted]

High level Impact on Financial Statements

- s9(2)(f)(iv) [redacted]

Establishment and transition cost assumptions - overview

- Establishment and integration costing includes
- Policy & legal support to the legislation process,
- Implementation and establishment,

- On-going costs linked to establishment,
- Governance, leadership appointments and recruitment, and
- Communication, stakeholder engagement & change management
- Implementation and establishment costs make up 73% of the above costs and include:
- Establishment Partner(s),
- Procurement, Legal, HR, Research, and Specialist Consultancy advice
- Programme Team
- Data investigation, migration and on-going licence fees
- Wind-down of residual entities

Ten Year Outlook

s9(2)(f)(iv)

[redacted]

s9(2)(f)(iv)

[redacted]

Financial Case – Excluding Escalation

s9(2)(f)(iv)

[redacted]

NZ($m)	2021/22	s9(2)(f)(iv)
Funded by:		[redacted]
RNZ funding via NZ On Air	42.6	
TVNZ Funding via NZ On Air	2.2	
RNZ & TVNZ Other Government Funding	6.2	
Total Baseline Funding	**51.0**	
Establishment and integration Crown funding	14.6	
New Crown Funding	0.0	
Non-Crown Funding	s9(2)(f)(iv) [redacted]	
Total Funding	[redacted]	

[63] Excludes programming content rights which are included in the operational funding, on the basis they have a useful life of approximately one year

[64] Includes ongoing technology costs

Appendix 8: Procurement Plan

Procurement approach

438. As per the Procurement and Broader Outcomes 2020 Policy, goods or services over the value of $100k are to use a secondary procurement process if there is an existing AoG panel.

External Provider analysis

439. The following table identifies the short-listed providers and their relevant experience and coverage. Note that the number of short-listed providers reflects a desire to include consultancies who have had experience and understanding of the Strong Public Media Programme context, as well as understanding that the tight timeframes may limit the ability of all short-listed providers to participate.

Provider	Experience	Panel

Evaluation Team

440. A cross-functional team will be involved in the evaluation of bids and recommending the preferred supplier.

441. The team to evaluate the proposals is to include a mix of perspectives including commercial, legal, business owner and governance.

Table 45: Voting members.

Role	Name/Title	Organisation
Senior Responsible Owner (SRO)		
User group/beneficiary		
Subject matter expert(s) (domain)		
Subject matter expert(s) (domain, e.g. ICT architecture)		

Table 46: Non-voting members.

Role	Name/Title	Organisation
Chair of evaluation panel		
Vendor liaison		
Financial analyst		
Legal advisor		
Probity auditor		
Administrative support/Scribe		

Evaluation method

442. The evaluation model that will be used is weighted attribute (weighted score)

443. Price will be a weighted criterion.

444. The proposal will be evaluated on fit for purpose, capability to deliver to the timeframes and price.

445. Suppliers may have new and innovative ways to deliver against the specifications. The agency will accept alternative proposals on this basis.

Evaluation criteria and weightings

446. Having met all the preconditions qualifying bids will be evaluated on their merits using the following evaluation criteria and weightings.

Table 47: Evaluation criteria.

Criterion	Weighting
1 Technical merit (fitness-for-purpose)	**%**
1.1 Degree to which good/services meet or exceed requirements	40%
1.2 Quality of goods/services	
1.3 Degree of innovation	
1.4 Level of risk	
2 Capability of the supplier to deliver	**%**
2.1 Supplier's size, structure, and annual turnover	30%
2.2 Track record in delivering similar goods/services	
2.3 Understanding of the requirements	
2.4 Operational systems to manage delivery	
2.5 Financial systems to manage delivery	
3 Value-for-money (based on whole-of-life cost)	**%**
3.1 Total costs	20%
4 Wellbeing benefits and Broader Procurement Outcomes	**%**
4.1 Contribution to NZ wellbeing objectives	10%
4.2 Contribution to Broader Procurement Outcomes	
Total weightings	100%

447. The panel will use the following rating scale to evaluate suppliers' bids against the criteria.

Table 48: Rating scale.

Description	Definition	Rating
Excellent	Exceeds the requirement. Exceptional demonstration by the supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.	9-10
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.	7-8
Acceptable	Satisfies the requirement. Demonstration by the supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services, with supporting evidence.	5-6
Minor reservations	Satisfies the requirement with minor reservations. Some minor reservations of the supplier's relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services, with little or no supporting evidence.	3-4
Serious reservations	Satisfies the requirement with major reservations. Considerable reservations of the supplier's relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services, with little or no supporting evidence.	1-2
Unacceptable	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the supplier has the ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services, with little or no supporting evidence.	0

Probity management

448. The purchasing agency will abide by the five interrelated principles of probity in procurement:

449. Act fairly, impartially and with integrity by considering all supplier proposals.

450. Be accountable and transparent by not withholding any information and ensuring public visibility of decisions.

451. Be trustworthy and act lawfully, by acting in line with legislation and charters and making ethical decisions.

452. Manage conflicts of interest by using the appropriate reporting channels and raising concerns where needed.

453. Secure commercially sensitive and confidential information of suppliers and The Strong Public Media Entity by ensuring information is restricted to a need to know basis and has appropriate security measures in place around it.

454. Probity in this procurement will be managed by:

455. Ensuring compliance with the purchasing agencies code of conduct ensuring that financial authority for the procurement is approved before proceeding to tender.

456. Ensuring everyone involved in the process signs a confidentiality agreement and declares any actual, potential, or perceived conflict of interest.

457. Identifying and effectively managing all conflicts of interest ensuring that all bids are opened at the same time and witnessed.

458. Numbering copies of suppliers' tenders and returning them to the panel chair once the tender process ends.

459. Retaining one copy of each supplier's tender and destroying remaining copies once the tender process ends.

460. Treating all suppliers equally and fairly.

461. Providing each supplier with a comprehensive debrief at the end of the tender process.

Tendering Process

462. A RFP process will be run either through:

- Selection of AoG panel providers where applicable and/or
- An open tender process on GETS where an AoG panel for services is not listed (i.e. technology and data).

463. The RFP process will request that suppliers:

- Indicate their interest in participating in a briefing session
- Submit their clarification questions to be transparently shared with all potentially interested parties
- A detailed RFP will be released outlining purpose and background, specific requirements, service outputs, timeframes, evaluation criteria to support interested parties in submitting a proposal
- Interested parties will be asked to submit a two-envelope response: with proposal submitting separately to pricing
- An evaluation panel will be established to review proposals in the first instance
- Evaluation of proposal will be overseen by an independent facilitator and probity auditor
- Evaluation of pricing will commence following proposal evaluation and agreement on evaluation outcomes by the panel
- Pricing evaluation will also be overseen by an independent facilitator and probity auditor
- Successful tenderer will be notified and AoG contracts signed
- Unsuccessful tenderers will be notified of outcomes and offered a debrief and opportunity to seek feedback on their proposal.

Contract

464. The short-listed supplier will be offered a standard AOG consultancy services order.

465. The proposed contract term will be fixed term.

466. The key performance indicators for measuring the provider's performance will be delivery on time to Manatū Taonga's satisfaction.

467. The timeframes for delivery are to be specified in the contract.

468. Specific reporting requirements will include weekly programme reports to the Programme Manager, as well as milestone reports and presentations of each completed component to be agreed in the contract.

469. Payment will be based on the supplier's successful completion of milestones as detailed in the contract.

470. New intellectual property arising as a result of the contract will be the property of Manatū Taonga.

Payment mechanisms

471. The Strong Public Media Entity will be using an AoG contract to procure the establishment activities. This will start by determining requirements and ascertaining in-house capability first, and then deciding what needs to be sourced from the Online Panel Directory. By determining the requirements, a clearer picture can be formed of outcomes to be achieved.

472. The mechanisms for purchasing the contracted services are:

- Payments for the procurement will be based off milestones being achieved
- Payments will be made in arrears, on acceptance by the Ministry for Culture and Heritage
- No payments will be made in advance of work performed
- Payment for procurement contracts will occur at the time of provision of the entity.

Appendix 9: Benefits Management Plan – Part 1: Benefits Map

MINISTRY FOR CULTURE AND HERITAGE

Strong Public Media

BENEFIT MANAGEMENT PLAN
Part 1: Benefit Map

BENEFIT	KPI	MEASURE	BASELINE	TARGET
An increased sense of national identity and culture 35%	Sense of inclusion	Number of NZers who access NZ-made content because they are about people like themselves	6%	↑
	NZers valuing local content and trust local public media	% of NZers who access NZ content because it reflects and informs their view of our national identity	25%	↑
NZers and people living in NZ are more engaged and better-informed 50%	Participation in civics attributable to public media	% of NZers who think it's important to have free access to publicly funded content	90%	↑
	Content delivered to under-served audiences	Number of NZers who agree public media content informs them about important issues, promotes informed debate and provides fair and balanced information	55%	↑
Content is delivered effectively and efficiently to NZers and those living in NZ 15%	Duplication of effort	Costs resulting from duplication of effort and inefficiencies	Input from Economic Case	↓
	Audience reach	Daily audience reach of public media content across all platforms incl. third party distribution (free to air, AVod, SVoD) for all NZers 15+	TV: 61% Online Video: 60% Radio: 50%	↑

Appendix 10: Benefits Management Plan – Part 2: Benefits Profile

MINISTRY FOR CULTURE AND HERITAGE

Strong Public Media Engagement

BENEFIT MANAGEMENT PLAN
Part 2: Reporting and responsibilities

Benefit 1: An increased sense of national identity and culture 35%

KPI:	Sense of inclusion 50%	
Measure	**Number of NZers who access NZ-made content because they are about people like themselves**	
	Baseline	6%
	Target	Increase
	Interim target	TBD
	Source	NZ on Air
Reporting	Forum	TBD
	Start date	Baseline statistic date (Oct 2019)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

KPI:	NZers valuing local content 50%	
Measure	**% of NZers who access NZ content because it reflects and informs their view of our national identity**	
	Baseline	25%
	Target	Increase
	Interim target	TBD
	Source	NZ on Air
Reporting	Forum	TBD
	Start date	Baseline statistic date (Oct 2019)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

Benefit 2: NZers and people living in NZ are more engaged and better-informed 50%

KPI:	Participation in civics attributable to public media	
Measure	**% of NZers who think it's important to have free access to publicly funded content**	
	Baseline	90%
	Target	Increase
	Interim target	TBD
	Source	[NZ on Air]
Reporting	Forum	TBD
	Start date	Baseline statistic date (2020)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

KPI:	Content delivered to under-served audiences	
Measure	**Number of NZers who agree public media content informs them about important issues, promotes informed debate and provides fair and balanced information**	
	Baseline	55%
	Target	Increase
	Interim target	TBD
	Source	RNZ (Value indices research)
Reporting	Forum	TBD
	Start date	Baseline statistic date (2021)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

Benefit 3: Content is delivered effectively and efficiently to NZers and those living in NZ 15%

KPI:	Duplication of effort	
Measure	**Costs resulting from duplication of effort and inefficiencies**	
	Baseline	Input from Economic Case
	Target	Decrease
	Interim target	TBD
	Source	N/A
Reporting	Forum	TBD
	Start date	Baseline statistic date (2021)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

KPI:	Audience reach	
Measure	**Daily audience reach of public media content across all platforms incl. third party distribution (free to air, AVod, SVoD) for all NZers 15+**	
	Baseline	TV: 61%, Online Video: 60%, Radio: 50%
	Target	Increase
	Interim target	TBD
	Source	NZ on Air
Reporting	Forum	TBD
	Start date	Baseline statistic date (2021)
	Frequency	Annually
	Trend	Will look at the smoothed trend over 5-year increments
	End date	15 years from now (2036)
Responsibility for reporting	Name	TBD by SPM Entity
	Position	TBD by SPM Entity
	Organisation	SPM Entity

Appendix 11: Workshop Attendees

Workshop Description	Stakeholder Attendees	Function/Area
Strategic case: Storyboarding Workshop 16/03/2021	Liz Stewart	Programme Director, Strong Public Media Programme
	Carolyn Risk	MCH Policy
	Rebekah Mourits	MCH Policy
	Gill Coltart	MCH Policy
	Sonia Wansbrough	MCH Policy
Strategic case: Business Model Canvas Workshop 22/03/2021	Liz Stewart	Programme Director, Strong Public Media Programme
	Carolyn Risk	MCH Policy
	Rebekah Mourits	MCH Policy
	Sonia Wansbrough	MCH Policy
	Sheryl Pinckney	MCH Policy
Economic case: Options Development Workshop 18/03/2021	Liz Stewart	Programme Director, Strong Public Media Programme
	Carolyn Risk	MCH Policy
	Rebekah Mourits	MCH Policy
	Gill Coltart	MCH Policy
	Sonia Wansbrough	MCH Policy
	Sheryl Pinckney	MCH Policy
	Tamzin Linnell	The Treasury
	Aaron Gill	The Treasury
	Eva Parker	The Treasury

Workshop Description	Stakeholder Attendees	Function/Area
Economic case: Options Long List Evaluation Workshop 24/03/2021	Liz Stewart	Programme Director, Strong Public Media Programme
	Carolyn Risk	MCH Policy
	Rebekah Mourits	MCH Policy
	Gill Coltart	MCH Policy
	Sonia Wansbrough	MCH Policy
	Sheryl Pinckney	MCH Policy
	Tamzin Linnell	The Treasury
	Aaron Gill	The Treasury
Economic case: Benefits Workshop 27/04/2021	Liz Stewart	Programme Director, Strong Public Media Programme
	Carolyn Risk	MCH Policy
	Rebekah Mourits	MCH Policy
	Martin Durant	MCH Policy
	Sonia Wansbrough	MCH Policy
	Anthony Townsend	MCH Policy
	Timothy Roper	The Treasury
	Aaron Gill	The Treasury

Appendix 12: Integrated change management

Implementation phase	Change management stage
Establishment	**Stage 1 – Define purpose:** Engage and align the broader team across the programme and legacy entities in a shared vision, understanding what's important and the team roles, priorities and activities to accomplish the year one goals. Create the imperative for change by articulating the benefits and impacts of the project for your key stakeholder groups • **Engage and activate the project team** through a formal kick-off session at the very beginning to identify effective ways of working and ensure the team are aligned, engaged and committed to the project. • **Align the Establishment Programme Director and Establishment Board** for success through a leadership alignment workshop to align on what success looks like at the end of year one, identify unique skill sets and ways to support each other and the establishment unit for success, define and align on the establishment priorities to inform the establishment plan • **Understand and engage key stakeholders.** Stakeholder identification sessions will be held with the establishment team and board to determine the key stakeholder groups who need to be engaged, their key areas of interest and broad engagement approaches. • **Stakeholder analysis and change impact assessment** gain a deep understanding of stakeholders and those impacted by the establishment to inform a tailored approach for each group. • **Culture Assessment** conduct a culture survey to understand current state culture or 'how things are done here' to identify any areas of alignment/misalignment.
Stabilisation and integration	**Stage 2 – Design for impact:** Ensure engagement of people and groups leading, involved in or impacted by the outcomes of the change. Be respectful and sensitive in all communication and engagement. Develop strategies that mobilise and create experiences that encourage change and will positively impact culture. • **Personalise the change experience** develop targeted change interventions that address the needs of each stakeholder/impacted group. • **Change journeys** map the journey for each stakeholder/impacted group with change milestones, engagement activities and interventions throughout the establishment, stabilisation and integration phases. • **Communicate and iterate regularly** take an interactive and engaging approach to managing the change. This will be supported by a documented change management strategy and plan but will be experienced via regular discussions, visual and audio messaging and calls to action tailored to the environment and audience. • **Culture Alignment** generate focused conversations through working sessions that enable the organisation to reflect on their desired future state culture, and prioritise specific actions and initiatives that may be implemented to enable culture change in each area and level of the organisation **Stage 3 – Develop capability:** Overcome resistance to change, identifying, building and supporting change champions within the legacy entities with the tools and capabilities they need to lead and deliver the change. This stage focuses on effectively introducing employees, external agencies and other stakeholders to new ways of working and providing personalised learning resources to support and enable effective change. • **Training strategy and planning** training pathways are fundamental. This will involve analysis of learning needs to define learning objectives that enable integration and operational readiness. • **Personalised learning resources** create the best learning assets to ensure the Strong Public Media Entity management and teams are supported to adapt to new processes and systems and embed the changes rather than revert to legacy ways of doing things.

Implementation phase	Change management stage
	• **Culture interventions** are actionable initiatives to help build the future state culture in the Strong Public Media Entity.
Ongoing BAU changes	**Stage 4 – Drive through performance:** Ensure sustainability by providing support to key groups, and rewarding new behaviours. The ultimate outcome is to achieve consistent performance and continuous improvement, illustrating that the changes driven by the programme are sustainable and embedded in the strong public media entities culture.. • **Activate and support change networks** through identifying business networks, change networks and super user networks and supplying with the tools to champion and support ongoing change. This facilitates and sustains adoption and builds change capabilities in business units to support ongoing BAU changes and sustain adoption of the transformation.

Appendix 13: Net risks calculation

ORGANISATION RISK REGISTER TEMPLATE

			BEFORE CONTROLS				AFTER CONTROLS							
RISK ID NO.	RISK DESCRIPTION	RECURRENCE	LIKELIHOOD LEVEL	IMPACT LEVEL	PRIORITY LEVEL	CONTROLS OR MITIGATION STRATEGY	LIKELIHOOD LEVEL	IMPACT LEVEL	PRIORITY LEVEL	RESIDUAL RISK	OWNER	DATE TO BE REVIEWED	STATUS	DATE CLOSED
	Give a brief summary of the risk.	Is it ongoing or one time?	s9(2)(g)(i) [redacted]	[redacted]	Address the highest first.	What's being done to lessen the impact?	This is only needed for ongoing risks.	This is only needed for ongoing risks.	Address the highest first.	The risk which isn't addressed by the controls or mitigation strategy	Who's responsible?	00/00/00	Open or closed?	00/00/00
SC5	Increased focus on meeting needs of un-served, under-served and under-engaged audiences may result in unintended consequences for existing served audiences	ONGOING	[redacted]	[redacted]	22	Baseline operational funding to protect core public media services, with additional targeted funding to reach under-served and under-engaged audiences with KPIs measured to ensure funding across all public media content is optimised to meet the needs of New Zealand audiences	Unlikely	severe	19	s9(2)(f)(iv) [redacted]	Entity Board & Monitoring agency		OPEN	
SC2	Inability to successfully align the legacy organisations around the future model	ONGOING	[redacted]	[redacted]	21	Selection of the leadership of the Strong Public Media Entity. Change strategy and integrated change management approach includes shaping the culture of the Strong Public Media Entity from the start to improve chance of success	Possible	Significant	18	Change management capability and capacity is embedded through the Establishment phase. Success is reliant on change leadership and culture and behaviours established within the new entity and monitored for continuous improvement and performance	Establishment Board		OPEN	
MC1	If inconsistent investment arrangements are put in place, there is a risk of misalignment with Māori media changes	ONE TIME	[redacted]	[redacted]	18	On-going purpose document engagement and insights gathered will feed in to the detailed design phase.	Possible	Significant	18	s9(2)(f)(iv) [redacted]	MCH			
SC1	Continued erosion of commercial and non-Crown revenues leaving the Crown to pick up the shortfall	ONGOING	[redacted]	[redacted]	23	The Strong Public Media Entity will be a Crown Entity supported by commercial revenue not a commercial entity supported by government. It is assumed the Strong Public Media Entity is semi-commercial and receives revenue via: •Direct Crown funding for operations and public interest content via an agreement •Viable commercial revenue generating options to top-up Crown revenue	Highly Likely	Moderate	17	[redacted]	Entity Board		OPEN	

SC4	Poor performance by the public media system despite the right model being selected	ONGOING	s9(2)(g)(i) [redacted]	18	Provide adequate Crown funding in the form of an annual funding agreement which will provide the mechanism for incentivising the achievement of public media outcomes and sets the foundation for monitoring delivery on outcomes. Establish an effective performance management system, reporting, monitoring, accountability, and published data on the operations and results of the public media system	Unlikely	Significant	14	Requires capability and capacity within MCH to incentivise and monitor sector performance	Entity Board & Monitoring agency		OPEN	
SC6	Lack of alignment on media sector strategy across public and private may cause planned benefits to be unrealised	ONGOING		21	Partly addressed by the establishment of the Strong Public Media entity, the funding and the monitoring arrangements.	Unlikely	Significant	14	Requires capability and capacity within MCH to develop and monitor the sector strategy and interventions	MCH		OPEN	
MC2	As the establishment phase and the purpose document are running in parallel, there is a risk that the working assumptions and the key service requirements don't fully deliver on the needs of the stakeholders	ONE TIME		18	Oversight of both Establishment activities and purpose document by same Governance Group will help with alignment.	Unlikely	Significant	14		Establishment Board			
MC3	The process may be seen to encroach on the remit of established Māori media.	ONE TIME		18	Collaboration with Māori media will be undertaken at various stages of the establishment phase to align with their needs.	Unlikely	Significant	14		Establishment Board			
MC4	Delays to progress caused by legislation process and consultation delays may cause programme slippage leading to late establishment of the Strong Public Media Entity, potential prolongation costs and reputational damage	ONE TIME		18	A well-resourced and planned approach, with good management across key stakeholders including MCH, PCO, PSC, Tsy, etc, and alignment with the legislative programme	Possible	Moderate	13		MCH			
MC5	High visibility of the Strong Public Media initiative in the media may result in reputational risk which may affect the Government's decisions around the establishment.	ONE TIME		13	Proactive engagement with stakeholders and NZ Public on timeframes and decisions. Keep stakeholders engaged and informed throughout process.	Unlikely	Moderate	9		Establishment Director			
SC3	Transfer of assets to future model and new operating arrangements could constrain ability of the Strong Public Media Entity to operate in way that is complementary to private media	ONGOING		18	The legislation and purpose of the entity and the proposed funding model changes will define operating principles including collaboration and competition to ensure it isn't competing for NZOA funding with private media.	Unlikely	Moderate	9		Establishment Board		OPEN	
MC6	Timeframe may limit ability to perform credible consultation with all involved stakeholders.	ONE TIME		13	An effective consultation and engagement programme aligned with the legislative programme to seek input on the proposed changes and the public media entity's purpose.	Possible	Minor	8		Establishment Director			
MC7	Entity Board arrangements may be in place before the Government framework outlining requirements for Māori representation on boards is established.	ONE TIME		8	Recruit a diverse board that represents the interests of Māori and give effect to the principles of Te Tiriti o Waitangi	Unlikely	Minimal	2		Establishment Board			

RISK REGISTER SCALE

IMPACT

severe	15	19	22	24	25
Significant	10	14	18	21	23
Moderate	6	9	13	17	20
Minor	3	5	8	12	16
Minimal	1	2	4	7	11
	Almost never	Unlikely	Possible	Highly Likely	Almost certain

LIKELIHOOD