

# **The Coalition for Better Broadcasting calls on the government to adequately fund RNZ before it has to sell the Auckland studio.**

**12 October 2016**

## **RNZ forced to sell substantial asset**

It's now 8 years since the government imposed the funding freeze on RNZ, and the steadily dwindling budget continues to damage NZ's only public media organisation.

Recently RNZ announced to staff, plans to sell their Auckland office and studio, and rent it back from the new owners.

The Auckland office and studio is a five-storey building in Central Auckland which RNZ uses two floors. The organisation earns rent on the other storeys including three ground floor retail spaces, rent that would help RNZ's precarious finances.

"The Coalition for Better Broadcasting is dismayed but not surprised by this decision to sell RNZ's last substantial asset," said CBB Spokesperson, Jym Clark. "It's a long-term disaster to move from earning rent to paying rent. In Auckland's property market it makes no sense at all, unless you need the cash just to get by. Clearly that's what's happening here.

"The government expects RNZ to keep up with new digital technology but will not fund it. This suggests the Minister of Broadcasting is disingenuous when she claims to support RNZ.

"This is despite RNZ being New Zealand's most popular radio network, as shown by repeated ratings successes and incredibly positive audience feedback. And Colmar Brunton research shows that 90% of New Zealanders agree that it is

important for NZ to have a public service radio broadcaster.

“The government funding freeze is seriously damaging RNZ and shows a lack of regard for 9 out of 10 New Zealanders.”

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In its message to staff, RNZ explains its decision as part of its strategy to focus on content:

*Building ownership is not a necessary element of this strategy and the obligations that come with owning and managing properties divert time and money away from more important initiatives.*

*Growing our presence and capacity in Auckland does remain a key component of our audience growth strategy, and hopefully over time this decision will contribute to us advancing these ambitions.*

“This sounds like an attempt to avoid blaming the government for forcing RNZ into an obvious backward step,” says Mr Clark.

“RNZ is a specialist property user that requires bespoke studio space. Radio stations cannot easily or cheaply ‘move house’ when the rent hikes start.

“RNZ is an organisation with a long life ahead of it. RNZ should own the properties it needs to do its job. A short-term gain from the proceeds of the sale will not last long.”

If they sell the building at GV, RNZ would realise \$9.7m, but will then lose more than \$750,000 annually - \$400k to lease back two floors, and loss of rental income on the other floors estimated at more than \$350,000.

So according to these conservative estimates, in 13 years RNZ will have spent all

the earnings from the sale and will then be losing three-quarters of a million in rent, each year.

But unfortunately the windfall will disappear sooner than that. A 2007 independent KPMG report recommended immediate increases to the RNZ budget of at least \$6m. That lack of funding still applies and can only be worse as inflation has pushed costs up, while funding remains frozen.

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The sale of RNZ's Auckland studio building is the latest in a long list of cuts made since the funding freeze started:

- Tauranga office closed
- Palmerston North office closed
- Queenstown office closed, Dunedin office expanded to cope with added workload
- Wellington office reduced from three floors to two and subject to annual rent hikes. RNZ are captive tenants because purpose-built studios would cost a huge amount to remove
- Sale of land around transmission sites
- Sale of concert grand pianos and other 'non-essential' items
- Numerous staff edged out including three long-standing newsreaders, producers, reporters etc. To be fair they're often replaced with staff in digital roles but overall staffing levels have dropped while output has increased
- Features department reduced from 21 people to 7
- *Our Changing World* science programme shortened
- *Spectrum* off air after 40+ years replaced by new Podcast department
- Drama department reduced

RNZ is cannibalising itself to stay afloat.

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