Submission to NZ On Air: Feedback on the NZ On Air Funding Strategy Draft- September 2016

Prepared on behalf of the CBB Board by Peter A. Thompson[1],

Introductory comments:

The Coalition for Better Broadcasting welcomes the opportunity to provide feedback on the NZ On Air Funding Strategy Draft. The CBB[2] is an independent charitable trust with a grassroots membership, board of trustees, chief executive and regional committees. The Trust is non-profit, has no political party affiliation or vested interest in any commercial enterprise. Our primary interest is to inform civic debate and policy formation in regard to public service broadcasting, although media convergence extends the scope of our concern to other platforms and content providers, particularly those which support public interest journalism.

There are four sections to the submission. The first comments briefly on some of the distinguishing features of the contemporary NZ media ecology in which NZ On Air has to determine its funding priorities and points of intervention. The second discusses the role and function of NZ On Air and points out some of the structural limitations which limit the kinds of outcomes it is able to secure under the current funding model. The third section then considers NZ On Air's proposed funding framework and discusses the pros and cons of the new model. The final parts makes some recommendations for amending the proposed framework.

The Media Ecology In New Zealand

Before commenting more specifically on the proposed changes to NZ On Air's funding strategy, it is important to consider the role NZ On Air plays and the impact the revised funding model is likely to have on its capacity to deliver the intended policy outcomes in a rapidly-evolving digital media ecology. Media markets are complex systems and shifts in one market actor often has implications for the media system as a whole. Several significant factors directly influence the priorities of media actors and in turn the outcomes that NZ On Air is able to achieve.

The first is ***deregulation***. By the standards of other OECD economies, New Zealand arguably has the most loosely regulated media market. There are no controls on the level of foreign media ownership or cross-media holdings, and with the exceptions of the publicly-owned RNZ and Maori TV (and, while the Charter was in place, TVNZ) all the other major media groups are either controlled by overseas media conglomerates[3] or by financial shareholders whose priorities are inevitably commercial (which has a direct bearing on the kinds of content they are willing to commission and schedule). New Zealand's relatively small market size makes the economies of scale required to make local content commercially attractive difficult to attain. The predominantly English-speaking population also means many media forms are readily (and cheaply) substitutable for local content, meaning that broadcasters can incur a significant opportunity cost in

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[1] Dr. Peter Thompson is a senior lecturer in the Media Studies programme at Victoria University of Wellington where his major research interest is media and communication policy. He is a founding co-editor of the Political Economy of Communication journal and currently the vice-chair of the Political Economy section of the International Association of Media and Communication Researchers. Peter is also a founding member of the Coalition for Better Broadcasting Trust for which he is presently the board chair. The CBB board's input into this document is acknowledged. Errors or omissions are the responsibility of the author.

[2] See the Coalition for Better Broadcasting website http://betterbroadcasting.co.nz/about-coalition-better-broadcasting/structure-people/

[3] See the annual NZ media ownership reports prepared by AUT's JMAD Centre (authored by Merja Myllylahti) Available here: http://www.aut.ac.nz/study-at-aut/study-areas/communications/media-networks/journalism,-media-and-democracy-research-centre/journalists-and-projects/new-zealand-media-ownership-report

providing local content. The introduction of local content quotas, common in many other countries (including Australia, Canada and the EU) has been disregarded as an option by successive governments, partly because of the complexity of introducing them without renegotiating free trade agreements like CER and GATS, and partly because of vehement opposition from the commercial broadcast sector. With the exception of a few genres (including domestic New Zealand news and indigenous Maori content), commercial media tend to rely heavily on cheaper content licensed from overseas (even when NZoA or TMP subsidies are available[4]). and in the case of children's television the ratio of US content on New Zealand screens has been found to be even higher than in the USA![5].

This leads directly to another key factor, ***financialisation***: Private commercial media are primarily concerned with meeting the demands of their shareholders. Increasingly these comprise institutional investors and banks who are often indifferent to the core business of a media company. This translates into a relentless pressure to maximise profits and optimise stock prices while driving production costs down, often within time horizons which require rapid and disruptive restructuring. Content forms that are costly to produce and under-deliver on eyeballs and revenue are quickly replaced by more profitable genres and formats. Particularly where private equity firms buy media companies with a view to making short-term returns on investment, the shareholders rarely consider the non-commercial aspects of media such as the fourth estate role. For example, the acquisition of MediaWorks by Ironbridge Capital loaded the company with unsustainable debt, resulting in its liquidation in 2013. This then led to Oaktree Capital buying up the distressed company, bringing in new management and driving a series of internal restructures aimed at squeezing more revenue out of every slot in the schedule. From a purely economic perspective such actions are rational attempts to maximize profits. However, when shareholders reward (or penalize) management according to commercial performance, content commissioners and schedulers inevitably become risk-averse and non-financial considerations (e.g. quality, diversity, cultural/civic value, minority interests) are deprioritised if not abandoned.

These tendencies been exacerbated by ***convergence***- the capacity of digital technologies to transmit and receive audio-visual and textual content across previously discrete media platforms to any reception device. While many of us enjoy the benefits of such technologies, an important side-effect has been the disruption of the traditional business models and value-chains upon which the majority of our media still depend. Across many media sectors, the proliferation of online content and subscription content providers has seen a gradual-albeit not wholesale- fragmentation of the audience. This trend should not be overstated, and it is important to recognise that new digital media have often complemented rather than superseded the traditional platforms[6]. Nevertheless, the changes in the ways audiences seek out and access content has destablised the traditional media's capacity to reliably access mass audience demographics as predictably as in the past. The uncertainty of revenue streams makes media commissioners and schedulers more risk-averse and reluctant accept opportunity costs. Populist formats which guarantee preferred demographics are therefore prioritised. The relegation of serious current affairs to peripheral slots on weekend mornings and their replacement by populist chat-show-style formats in prime time is symptomatic of this logic. For example, MediaWorks' controversial decision to axe Campbell Live in 2015[7] and its decision to cancel its NZ On Air-funded current affairs programme 3D, even with the offer of continued subsidy, indicates the increasing intolerance for sub-optimum commercial performance.

Any of the factors identified above represent an impediment to sustaining high quality, diverse local content across a full range of genres. In combination though, they constitute a 'perfect storm' for the domestic production sector. The overwhelming evidence is that highly competitive media markets under-provide many key local content genres. Where there is market failure, it is reasonable to expect the government to implement policies to compensate. Unfortunately, current government policy settings may be part of the problem rather than part of the solution. The current broadcasting policy framework is premised on the assumption that broadband infrastructure investment will improve the distribution and access to content, and,

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[4] For example, MediaWorks has canned programmes like Media-3 and 3D *even when public subsidies were available*.

[5] See http://www.stuff.co.nz/entertainment/8371864/Kiwi-kids-TV-more-American-than-US

[6] NZ On Air/ Colmar Brunton (2014) Where are the Audiences? Benchmark survey of New Zealanders' media consumption. Available from http://www.nzonair.govt.nz/document-library/2014-audience-research-full-report/

NZ On Air/Glasshouse (2016) Where are the Audiences? Available from http://www.nzonair.govt.nz/document-library/where-are-the-audiences-2016/

[7] See Thompson, P.A. (2016) Normal service will not be resumed-contextualising the demise of Campbell Live one year on. Briefing Papers April 12. Available from: http://briefingpapers.co.nz/2016/04/normal-service-will-not-be-resumed-contextualising-the-demise-of-campbell-live-one-year-on/

coupled with market forces, ensure diversity and quality. The proliferation of new platforms for content creation, distribution and reception has certainly seen a significant expansion of *some* media content forms and services. For example, the arrival of subscriber video-on-demand (SVoD) services like Netflix and Spark's Lightbox services to compete with Sky/Neon arguably gives consumers an unprecedented choice of movies and dramas and sports available on demand- so long as they can afford to subscribe. However, none of these new subscriber services invests significantly in other forms of local content.

The Functions of NZ On Air[8]

The Broadcasting Commission's origins stem from the public sector changes wrought by the Rogernomics period. With TVNZ and RNZ being separated out from BCNZ and expected to compete against new commercial rivals, there was acknowledgement that deregulated competition would tend to under-provide many forms of local content which carried commercial opportunity costs compared with cheaper content licensed from overseas. Although there was a prevailing assumption that free market competition would ensure quality and diversity more efficiently than dedicated public broadcasters, there was recognition that broadcast content reflecting and reinforcing New Zealand cultural identity and its diverse publics remained important. Established under the 1989 Broadcasting Act (and renamed NZ On Air in 1990), the Commission was initially funded through the reallocated broadcast license fee (and directly from government after 1999).The contestable funding model it implemented allowed private sector producers and broadcasters to bid for funding alongside state-owned enterprises like TVNZ. The competitive model and the funder/provider split aligned with the prevailing neoliberal policy framework which has underpinned broadcasting policy ever since.

There is no doubt that NZ On Air has provided invaluable support for local content production, and while the wisdom of its decisions about content subsidies might be queried on the level of the individual programme there is no question that its mechanisms are highly transparent and that, without its support, the local content production sector would have withered to the point of unsustainability. However, there are also three important structural factors which circumscribe the range of functions that NZ On Air can fulfill. These will be outlined below- not to ascribe blame to NZ On Air but because it is important to have a coherent diagnosis of current system's blindspots and shortcomings in order to evaluate the extent to which the proposed funding framework model offers improved outcomes in the contemporary media ecology.

a) Local content is not the same thing as public service. The level of funding available to NZ On Air has never been sufficient to off-set the opportunity costs of providing quality local content across all genres and to all audience interests. Inevitably, the demand for public funding has exceeded supply, but one outcome of this is that the subsidy of local content (of any kind) has often been conflated with the rather broader notion of public service. While local content is an essential component of any public service model it is not equivalent to it. Local content can be provided within the restrictions of a commercial model in the form of popular mainstream genres- but this falls short of the full range of content forms that address the needs of more specialist audiences (e.g. children's programmes, educational content, minority perspectives).

Meanwhile, news has never been an eligible for NZ On Air funding[9], partly because it was not an under-supplied genre (although that may now be in question with the cuts to newsroom budgets across several media) and partly because the on-going cost of subsidising broadcast news would be prohibitive. Similarly, current affairs content was originally not covered by the contestable fund and only became eligible after the establishment of the Platinum Fund in 2009 (based on a reallocation of the TVNZ Charter funding which, crucially, was intended to extend the range of content beyond the scope of the regular contestable fund). Although the Platinum Fund currently does fund more specialist content, it is noteworthy that programmes like Q&A or The Nation are now scheduled only in peripheral slots in the schedule either late at night or weekend mornings where they minimise opportunity costs compared with a prime time slot (and as mentioned earlier, programmes like 3D and Media3 were discontinued *even with the offer of NZ On Air funding*). Under the current arrangements and funding levels, the contestable funds cannot address the full range of cultural and civic functions which one might expect from a public service broadcaster (although RNZ's Charter and direct funding align with this broader conception).

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[8] For an overview of NZ On Air's history, see Norris, P. & Pauling, B. (2012). *New Zealand on Air- an evaluative study 1989-2011*. NZ On Air research report. Available from: http://www.nzonair.govt.nz/document-library/evaluative-study-of-nz-on-air-may-2012/

[9] Excepting the recent Regional Video News Initiative, although this remains small-scale- see http://www.scoop.co.nz/stories/CU1605/S00176/nzme-announces-new-regional-video-news-initiative-programme.htm

b) NZ On Air lacks vertical integration. The Broadcasting Act obliges NZ On Air to have consideration for audience size in its funding decisions. Obviously there is little value in allocating taxpayer dollars to local content production if it cannot be accessed by the public. This led to the general requirement that any content proposal needed a guarantee of being broadcast on a channel with national reach in order to be eligible. This constitutes a fundamental flaw in the NZ On Air contestable funding model[10]: Without a guarantee of a platform to distribute the content it subsdises, NZ On Air is not vertically integrated. Consequently, commercial broadcast commissioners have *de facto* gatekeeping power over what genres can be funded, and they routinely turn down content proposals that cannot be accommodated within their commercial schedules. Similar constraints apply in the case of music subsidy, whereby there is a prioritisation of mainstream genres and formats which are most likely to gain commercial radio play-time and contracts/distribution deals from recording companies[11].

Given the market pressures and audience slippage identified earlier, the opportunity cost of producing and scheduling local content genres are increasing. Consequently, broadcasters are increasingly seeking NZ On Air funding for the most popular genres which will rate well and are becoming reluctant to accept any other content even when subsidy is available. As noted earlier, TV3 discontinued 3D and Media3 even when NZ On Air funding was available, while other serious current affairs content subsidised by the Platinum Fund has been relegated to peripheral slots in the schedule. Despite behind-the-scenes haggling over content arrangements (for example offering subsidy for a popular genre in return for scheduling a less attractive one) NZ On Air often has to decline proposals because of the commercial gatekeepers. Even when broadcasters do agree to schedule content the actual slot is rarely guaranteed and a 'best endeavours' undertaking may still see a programme relegated to obscure time-slots well away from prime time. Indeed, in the recent case of the children's drama, Terry Teo (which NZ On Air funded to the tune of $1.3m), TVNZ unilaterally decided to release the programme online instead of as a scheduled broadcast (although it later relented after significant criticism[12]). This arrangement is not the fault of NZ On Air, but it circumscribes what the contestable fund is able to achieve and exposes NZ On Air to the very commercial pressures for which it is intended to compensate.

c) The risk of bureaucratic capture and the need for policy legitimation. The policy context in which NZ On Air has evolved has not always been sympathetic towards non-commercial broadcasting. Even during the 1999-2008 period when Labour attempted to revitalise a sense of public service through measures such as the TVNZ Charter, there was conflict between the state broadcaster and NZ On Air over the model of funding[13]. This eventually saw NZ On Air given control of the TVNZ Charter money. After the return of National to government, this became the fully contestable Platinum Fund, which was ostensibly intended to extend the contestable model beyond the regular funding. Although a victory of sorts for NZ On Air, its budget was frozen amidst the prevailing fiscal austerity and its options for finding a willing scheduler for non-commercial local content were further constrained by the government's decision to return TVNZ to a purely commercial mode of operation.

The evolving policy environment has imposed somewhat different economic and cultural expectations on NZ On Air funding decisions over time, and the normative expectations underpinning the political legitimation of the funding have arguably constrained its priorities. Indeed, the role NZ On Air plays in supporting the local content sector and supporting its economic survival has become increasingly inseparable from its role in supporting content for cultural-civic reasons[14]. NZ On Air understandably celebrates the commercial success of the content it funds but it is sometimes subject to criticism for funding populist content which does not win critical acclaim (e.g. the merits of The GC, Filthy Rich and NZ X-Factor have all been queried). However, in an environment of austerity, there is substantial pressure to ensure that every public dollar spent is accounted for and justified, but little obligation to rationalise the often-invisible but significant decisions

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[10] See Thompson, P.A. (2003) New Zealand On Air's Future Strategy- Reinvention or Reversion? *Take 33* SDGNZ. October: 9-12.

[11] See Scott, M. (2013). *New Zealand's Pop Renaissance- State, Markets, Musicians.* Abingdon: Routledge.

[12] See Duncan Greive's interesting analysis of the Terry Teo case here- http://thespinoff.co.nz/featured/19-07-2016/terry-teo-signals-the-end-of-the-nz-on-air-model-as-we-know-it-and-thats-fine/

[13] See Thompson, P.A. (2012). Last Chance to see? In M. Hirst, S. Phelan, & V. Rupar (Eds.) Scooped: The politics and power of journalism in Aotearoa New Zealand. Auckland: AUT Media/JMAD. pp. 96-113.

[14] See Thompson, P. (2011). Running on Empty? The uncertain financial futures of Public Service Media in the Contemporary Media Policy Environment. In D. Winseck and D. Y. Jin (Eds.). *The Political Economies of Media* (pp. 223-240). London: Bloomsbury Academic.

declining many content proposals. Quite apart from the gatekeeper problem noted earlier, this can translate into a preference for genres, formats and providers which have previously proven popular and carry less risk of (commercial) failure. This tends to favour the established broadcasters or larger production houses with a reliable track record. Insofar as the ongoing support of the local production industry (which unsurprisingly tends to be supportive of state subsidies in which they have a vested interest) provides NZ On Air with political legitimacy in the eyes of a neoliberal government more sympathetic to economic than cultural rationales for public funding, there is a risk of NZ On Air's scope of function being 'captured' by its clients.

Although NZ On Air was founded on the expectation that it could secure public broadcasting outcomes and off-set, if not all, then at least the worst of market failures, the framework remains a product- and symptom- of neoliberal deregulation. In the digital multimedia environment, the government has maintained that it is more efficient to fund public service-oriented content across platforms than any specific broadcasting institution. Indeed, faced with widespread criticism of the decision to discontinue TVNZ 6 & 7[15], National insisted that the content they provided would still made available through NZ On Air, just across different platform. This assertion was simply wrong. With the exception of Kidzone (which moved onto Sky's platform behind a paywall) the only TVNZ 6/7 programmes to survive have been Backbenches and Media Take (the former now on Prime although no longer live; the latter on MTS after TV3 declined a further series of Media-3). It is revealing that TVNZ itself, under the commercial directives of its shareholding ministers, has declined to shoulder any of the opportunity cost of maintaining such content. This underlines the extent to which the evolving digital environment, far from providing a digital cornucopia of unlimited choice to suit all audiences[16], engenders an exacerbation of market failure.

The government's ongoing austerity framework and the drive by the commercial broadcasters to secure a greater share of the existing contestable funding constrains the range of content to which the NZ On Air funds can be allocated. The political need to maintain the confidence of both audiences and the local production industry places NZ On Air in an invidious position- allocating significant funds to genres, producers or platforms which are commercially or creatively risky invites criticism if commensurate audience ratings are not forthcoming. When non-mainstream platforms have offered to carry public-service oriented content declined by the commercial free-to-air channels they have usually been declined (including Stratos TV before its regrettable demise in the wake of the Analogue-Switch-Off/Digital Switch-Over). The broadcasters which NZ On Air depends on to ensure the distribution of content to a significant audience are becoming increasingly intolerant of even small opportunity costs and reluctant to schedule material liable to deliver sub-optimum ratings. The growth of online/on-demand services has also led to questions about the privileging of funding for content to be distributed on radio and television and increasing interest from non-broadcast media (notably the print sector) in soliciting access to public funding.

A Response to the NZ On Air Funding Strategy, September 2016

Key features of the NZ Funding Model:

The proposed revision to the NZ On Air funding model would see a move toward a more platform-neutral framework for disbursing funds and a removal of some of the current 'silos' demarcating existing funding pots. The three aims are to fund *diverse, high quality* and *discoverable* content (Funding Strategy p.4). The document explicitly espouses 'core public service principles' including; 'enriching the New Zealand cultural experience'; improving diversity of media content in many forms' (meaning catering for different audience needs), 'strengthening community life', and 'promoting informed debate' (Strategy, p.5).

Funding for 'platforms' such as the RNZ appropriation and support for regional broadcasters would remain. The new 'NZ Media Fund' would include a $4m allocation earmarked for music, while the remaining $80m would be divided between 'factual' and 'scripted' content ($38m and $42m respectively). Other functions not covered by the strategy include industry development, research, and sector partnerships (Strategy p.5).

Three particularly significant changes are a) the dissolution of the Platinum Fund into the general contestable fund (on the pretext that this is a 'TV-centric concept- Strategy p.12); b) the consideration of funding requests without a guarantee of broadcast scheduling so long as it can offer a 'qualifying commissioning platform'; and c) the inclusion of 'specialist journalism' within the 'factual' category (Strategy, p.7). The criteria for a

[15] Note that TVNZ 6 & 7 were commercial-free and directly funded up to 2012 and were therefore not eligible for NZ On Air funding.

[16] One might contend that there has been a significant expansion of consumer choice in regard to genres like drama and movies on SVoD platforms like Netflix. However, that is entirely compatible with a decline in the supply of local content, especially in regard to factual content or programming catering to indigenous/ minority interests.

qualifying commissioning platforms include co-investment and free public access (although the document notes that alternative distribution plans could be considered[17]), a promotional plan for the content, provision of an audience corresponding to the scale on investment, provision of post-release audience data (Strategy, p.7).

Requests of over $500,000 would likely be required to have both a broadcast and online outcome- see Strategy p.7 and p.15). However, all funding requests of over $50,000 would have a requirement of co-investment or third-party funding, and a plan to reach an audience proportionate to the contribution. Higher levels of funding would carry progressively higher expectations of co-investment, audience strategy, proposal development and promotional plans, as well as a preference for well-established operations with a track record of local content production (Strategy p.7). The document also emphasises the increased expectation of high quality content noting that 'in tight fiscal times we are, by necessity, raising the bar' (Strategy p.12).

The Funding Strategy also notes that several other criteria for Maori content, emphasising that the function of the Maori Television Service and Te Mangai Paho means NZ On Air's role is to complement their functions by helping support English language content for New Zealanders 'interested in or appreciative of, te ao Maori' (Strategy p.14). The document goes on to note that the priority will be 'affordable' genres that are currently under-supplied, have the possibility of additional funding, have a longer shelf-life/potential for multiple repeats and be available online (p.14).

The CBB response:

The Funding Strategy and proposed NZ Media Fund are evidently a response to several of the contextual pressures outlined above. The Strategy reflects the increasing demands on the contestable funds, the levels of which have been frozen since 2008. The shift towards platform neutrality partly reflects the converged digital media market and shifting audience behaviour (e.g. time shifting) and aligns more explicitly with the government's view that public broadcasting goals can be fulfilled by funding content on a contestable basis across a range of platforms. However, this also reflects the pressure on NZ On Air to maintain content outputs and legitimate the existing funding levels amidst increasingly commercial requests from broadcasters reluctant to shoulder opportunity costs and commit to prime time scheduling. The Strategy could potentially achieve positive outcomes but despite the positive framing as a primarily technical response to convergence offering new opportunities, it is premised on a zero-sum game whereby maintaining the funding of important but expensive local content forms- especially mainstream drama- has entailed discontinuing the funding elsewhere (for example the regional broadcasters have been under pressure, and Nelson's Mainland TV was forced to close after NZ On Air withdrew its funding earlier in 2016[18]).

The Good

1. The Funding Strategy *potentially* addresses one of the primary structural limitations of the existing contestable funds, namely the gatekeeping power of the commercial broadcasters. By opening up the NZ Media fund to proposals for content to be distributed online, this key restriction on NZ On Air's vertical integration could be circumvented. The challenge here is to ensure that the expanded option to distribute funded content online puts pressure on the commercial broadcasters to commission and schedule a full range of local content in good schedule slots, rather than further entrenching incumbent domination of the contestable funds.

2. The Funding Strategy also re-emphasises the centrality of several key public service goals, including free public access, reflecting cultural identity, fostering informed debate, and catering to a diversity of audience needs. While this is laudable, the challenge here would be to ensure that sufficient funding is allocated to content genres which may not optimise audience ratings and commercial revenue.

3. The Strategy also identifies specialist journalism as a potentially eligible genre. This would appear to signify a willingness to extend the existing funding remit further into the current affairs and news genre. In an environment where the news media are in crisis (especially the print sector) and there have been substantial cuts in newsroom budgets and a significant number of journalistic redundancies, even a modest amount of funding for in-depth investigative journalism could be a very positive development. The challenge is that sustaining an expanded consideration of journalistic content on an on-going basis

[17] On that point it is interesting that Goal 3 in the appendix (Strategy, p.13) includes the note that 'we will prefer a free first release but may consider varying business cases' which potentially opens the door to funding requests involving non-free distribution, such as subscription TV or SVoD).

[18] See http://www.stuff.co.nz/nelson-mail/news/81996158/Mainland-TV-news-shut-down-as-New-Zealand-on-Air-funding-lost

would require significant funding allocations which would have to come at the expense of other content genres.

The Bad

1. It is uncertain whether the ostensible flexibility for funding content to be distributed online will be sufficient to de-centre the commercial gatekeeping power of the broadcast incumbents and vertically integrate the contestable funding model. The possibility of funding content for online distribution may well be restricted by the tighter requirements for co-funding/ licensing. If the co-funding/ licensing criteria are defined too rigidly then they will tend to favour the larger production houses and broadcasters and discourage smaller independent producers.

2. Meanwhile, even with a shift toward the option of an online distribution platforms, the requirement for proportional audiences raises significant questions about which online portals might be sufficiently visible and accessible to warrant consideration as a 'qualifying commissioning platform'. The most obvious online platforms for showcasing online content would be the websites of the existing broadcasters such as TVNZ Ondemand or perhaps news websites such as Stuff.co.nz which have the profile and commercial capacity to promote themselves. If these dominate the funding for online content then the outcome could well be an exacerbation rather than amelioration of the gatekeeper problem because even more commercial providers would be seeking funding for the same mainstream content. There remains a need either for consideration of providers like RNZ's The Wireless or The Coconet, or NZ On Screen or (preferably) for a new non-commercial multi-platform entity to ensure that a full range of high quality content can be distributed without commercial circumscription.

3. The emphasis on the need for the funding to go toward genres and formats that extend the range of content beyond what is commercially viable is laudable but arguably meaningless where virtually all high quality local content carries commercial opportunity costs that are becoming increasingly unattractive to commercial content providers (especially if the expectation of significant co-funding is tightened). Breaking down the silos into a converged pot of funding means that the stricter public service criterial of the Platinum Fund will be diluted in the general pool and subject to the demands for more mainstream content by the incumbents. Given the increasing opportunity costs for all forms of local content and the increasing demand for mainstream subsidies there is a risk that a converged pool of funding would still end up being allocated primarily to the least commercially or creatively risky genres. The merging of the funding pools is therefore unlikely to be compatible with the stated aim of 'raising the bar' of content quality. The stricter 'earmarks' of the Platinum fund therefore need to integrated into the new funding model, not eliminated.

The Ugly

4. The new Funding Strategy needs to ensure the universal public access loop-hole that could see the funding of content on subscription platforms is closed. Allowing publicly funded content to go behind a paywall would set a normatively problematic precedent and massively increase the pressure on NZ On Air to allocate contestable funding to subscription content providers. The only obvious rationale for making such a provision would presumably be either to secure a higher level of co-funding in a major production or to give NZ On Air some kind of financial return to enhance its budget in other areas. Insofar as this reflects the challenges of the budget freeze, it is the responsibility of the government, not NZ On Air to redress the matter. Universality of service for publicly-funded content should be non-negotiable.

Recommendations

1. The proposed NZ Media Fund needs to demarcate more clearly the division between specialist and mainstream funding allocations across the factual and scripted categories. For example, a third of the funding might be reserved for more specialist content addressing genres and audiences unlikely to be attractive to commercial broadcasters. It would also be useful to earmark some funds for more innovative, risky content ventures, including those from smaller independent producers. Note that populist reality TV formats should not be categorised as 'factual content'. The Platinum Fund or its platform-neutral equivalent should be maintained with clear earmarking to ensure that a full range of high quality content is maintained and cannot be dissolved into the commercial mainstream.

2. The NZ Media Fund needs to develop a less restrictive set of criteria for co-funding/licensing and audience requirements (including measurement metrics) in the case of funding requests for non-mainstream content for specialist audiences from smaller independent producers. The granting of larger-scale budgets to the major production houses and mainstream broadcasters should also entail more stringent requirements to commission and schedule a proportion of non-mainstream content (i.e. a formal obligation, not a 'best endeavours' clause) to make prime-time slots available to other content in return for the more substantial subsidy of mainstream genres.

3. NZ On Air needs to be up-front about the funding constraints its continued budget freeze has imposed. In respect to its potential funding options under the 'platform' category, NZ On Air should explore the possibility of supporting the development of a cross-platform 'public service publisher' which would vertically integrate its functions (including a free to air broadcast channel as well as online portal) and decisively free NZ On Air from the gatekeeping power of the commercial incumbents. Such a model could guarantee that important content currently declined by the commercial schedulers would still be funded with a higher degree of content 'discovery' by audiences than online distribution alone could achieve. This could possibly be explored in conjunction with an existing public broadcaster such as RNZ or MTS.

4. Although this extends beyond the remit of NZ On Air, the CBB calls on the government to revisit and redress the current funding and structural shortcomings of the NZ On Air model. In particular it needs to unfreeze the funding from NZ On Air and RNZ and reconsider the lamentable and demonstrably incorrect premises of the decision to discontinue TVNZ7 (the content from which has mostly been lost). There is a strong case for establishing a multi-platform public service publisher capable of scheduling a full range of commercial-free content in prime time and children's content in other relevant time-slots.